National Center for State Courts

Financial Statements

For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

and
Report Thereon

NATIONAL CENTER FOR STATE COURTS

TABLE OF CONTENTS
For the Year Ended December 31, 2021

Page

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
National Center for State Courts

Opinion

We have audited the financial statements of the National Center for State Courts (the Center), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2021, 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 (GAAS). 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 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 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 the 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ 1899 L Street, NW ▪ Suite 850 ▪ Washington, DC 20036 ▪ **Phone** 202.227.4000 ▪ **Fax** 202.227.4001 ▪ **www.marcumllp.com**

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 GAAS 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 GAAS, 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 30, 2022

NATIONAL CENTER FOR STATE COURTS

STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Summarized Financial Information as of December 31, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,373,700	$ 7,932,425
Grants, contracts and donations receivable, net	14,559,593	13,419,444
Prepaid expenses and other	1,089,650	1,095,825
Total Current Assets	27,022,943	22,447,694
Investments	11,746,147	11,412,823
Investments held for deferred compensation	1,103,422	834,614
Building, equipment and leasehold improvements, net	5,841,092	6,337,032
TOTAL ASSETS	$ 45,713,604	$ 41,032,163
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 1,189,918	$ 1,412,864
Accrued salary and benefits	2,394,030	2,049,364
Bond and note payable, current portion	70,000	269,999
Deferred revenue and refundable advances	13,982,236	11,283,537
Total Current Liabilities	17,636,184	15,015,764
Other long-term liabilities	170,533	254,827
Deferred compensation	1,103,422	834,614
Bond and note payable, noncurrent portion	765,834	835,834
Interest rate swap liability	232,970	313,795
TOTAL LIABILITIES	19,908,943	17,254,834
Net Assets		
Without donor restrictions	23,621,793	21,934,734
With donor restrictions	2,182,868	1,842,595
TOTAL NET ASSETS	25,804,661	23,777,329
TOTAL LIABILITIES AND NET ASSETS	$ 45,713,604	$ 41,032,163

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

NATIONAL CENTER FOR STATE COURTS

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE, GAINS AND OTHER SUPPORT				
Federal grants and contracts	$ 42,437,510	$ -	$ 42,437,510	$ 37,378,396
State charges	9,102,122	-	9,102,122	9,065,938
State, local and other grants and contracts	4,273,700	-	4,273,700	4,077,201
Private grants and contributions	3,193,154	200,000	3,393,154	2,321,541
Conference and tuition fees	1,998,212	-	1,998,212	781,589
Association services fees and other revenue	552,753	-	552,753	566,794
Investment income, net	1,014,869	184,259	1,199,128	1,303,675
Unrealized (gain) loss on interest rate swap agreements	80,825	-	80,825	(40,378)
Net assets released from restrictions:				
Satisfaction of program restrictions	43,986	(43,986)	-	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	62,697,131	340,273	63,037,404	55,454,756
EXPENSES				
Program Services:				
International programs	38,001,950	-	38,001,950	33,617,133
Direct services to state and local courts	9,757,097	-	9,757,097	8,831,516
Clearinghouse activities	4,658,840	-	4,658,840	3,556,223
Research programs	3,930,991	-	3,930,991	4,142,930
Education and training	2,609,422	-	2,609,422	2,602,021
Total Program Services	58,958,300	-	58,958,300	52,749,823
Supporting Services:				
General administration and program support services	1,654,570	-	1,654,570	1,597,656
Organizational development	397,202	-	397,202	286,249
Total Supporting Services	2,051,772	-	2,051,772	1,883,905
TOTAL EXPENSES	61,010,072	-	61,010,072	54,633,728
CHANGE IN NET ASSETS	1,687,059	340,273	2,027,332	821,028
NET ASSETS, BEGINNING OF YEAR	21,934,734	1,842,595	23,777,329	22,956,301
NET ASSETS, END OF YEAR	$ 23,621,793	$ 2,182,868	$ 25,804,661	$ 23,777,329

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

NATIONAL CENTER FOR STATE COURTS

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services						Supporting Services				
	International Programs	Direct Services to State and Local Courts	Clearinghouse Activities	Research Programs	Education and Training	Total Program Services	General Administration and Program Support Services	Organizational Development	Total Supporting Services	2021 Total	2020 Total
Salaries and benefits	$ 9,521,969	$ 7,926,828	$ 3,116,296	$ 2,798,436	$ 2,286,609	$ 25,650,138	$ 1,296,312	$ 242,612	$ 1,538,924	$ 27,189,062	$ 23,301,600
Conferences and meetings	24,335,539	62,025	806,221	10,900	33,794	25,248,479	3,224	26,048	29,272	25,277,751	19,467,520
Professional and contract services	2,230,021	1,138,170	162,027	841,288	142,161	4,513,667	57,946	63,389	121,335	4,635,002	4,884,045
Occupancy	990,623	246,004	119,087	115,010	67,565	1,538,289	99,527	-	99,527	1,637,816	1,880,176
Office operations	255,193	101,923	292,598	11,440	21,057	682,211	145,487	53,633	199,120	881,331	3,599,194
Travel	293,796	189,070	117,553	110,402	32,672	743,493	10,638	11,520	22,158	765,651	897,845
Depreciation and amortization	374,809	93,077	45,058	43,515	25,564	582,023	41,436	-	41,436	623,459	603,348
TOTAL EXPENSES	$ 38,001,950	$ 9,757,097	$ 4,658,840	$ 3,930,991	$ 2,609,422	$ 58,958,300	$ 1,654,570	$ 397,202	$ 2,051,772	$ 61,010,072	$ 54,633,728

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

NATIONAL CENTER FOR STATE COURTS

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,027,332	$ 821,028
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	623,459	603,348
Unrealized and realized gains on investments	(1,130,202)	(1,283,473)
Unrealized (gain) loss on interest rate swap agreements	(80,825)	40,378
Changes in assets and liabilities:		
Grants, contracts and donations receivable	(1,140,149)	4,104,823
Prepaid expenses and other	6,175	194,327
Accounts payable and accrued expenses	(222,946)	(968,269)
Accrued salary and benefits	344,666	87,464
Other liabilities	(84,294)	(49,738)
Deferred revenue and refundable advances	2,698,699	(10,056)
Deferred compensation	268,808	241,133
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,310,723	3,780,965
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(127,519)	(558,764)
Purchases of investments	(1,260,763)	(9,784,143)
Proceeds from sale of investments	1,788,833	9,527,085
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	400,551	(815,822)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on bond and note payable	(269,999)	(270,000)
NET CASH USED IN FINANCING ACTIVITIES	(269,999)	(270,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,441,275	2,695,143
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,932,425	5,237,282
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,373,700	$ 7,932,425
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 59,127	$ 71,144

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

1. Summary of Significant Accounting Policies

Organization

The National Center for State Courts (the Center) is a not-for-profit organization incorporated in the District of Columbia in 1971. The Center was created to improve the operation of the state courts and courts around the world. Programs and projects are undertaken in areas of research, education and training, and other activities engaged in for the benefit of courts and their personnel, including technical assistance and clearinghouse services.

The principal sources of support for the basic programs and services of the Center are state charges and grants and contracts. Project grants and contracts are received from the U.S. Department of Justice, the U.S. Department of State, the U.S. Agency for International Development (USAID), the State Justice Institute, other federal agencies, and individual state and local courts.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred.

Cash Equivalents

Cash equivalents have been defined as short-term, highly liquid investments which are readily convertible into cash.

Investments

Investments are reflected in the financial statements at fair value. Fair value is 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. The Center has adopted a diversified asset allocation policy to avoid undue concentration of risk and to take advantage of market inefficiencies. Because of the inherent uncertainty of the valuation for the Center's other managed funds and in certain of the underlying investments held by those fund managers, values for those investments may differ from values that would have been used had a ready market for the investments existed. The Center reviews and evaluates the values provided by its investment managers and agrees with the valuation methods and assumptions used in determining fair value. Future confirming events will also affect the estimates of fair value, including the ultimate liquidation of the investments.

Fair Value Measurement

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Center has the ability to access.

1. Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As permitted under accounting standards, the Center has also elected to use net asset value (NAV) or its equivalent, as provided by the investment managers, as a practical expedient to estimate the fair value of certain investment funds which do not have readily determinable fair values and either have the attributes of an investment company or prepare their financial statements consistent with investment company measurement principles. Such investments are not classified within the fair value hierarchy.

As of December 31, 2021, the Center's investments, including the investments held for the deferred compensation plan, and interest rate swap agreements, as described in Note 7 of these financial statements, were measured at fair value on a recurring basis.

Building, Equipment, Leasehold Improvements, Depreciation and Amortization

Building, equipment and leasehold improvements with a cost in excess of $2,500 and estimated useful life of more than a year are recorded at cost. Depreciation on building and equipment is charged to operations (including projects) on the straight-line basis over periods ranging from three to 45 years. Leasehold improvements are amortized to operations (including projects) over the shorter of the useful life of the leasehold improvements or the life of the lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expense.

Impairment of Long-Lived Assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended December 31, 2021.

Net Assets

Net assets without donor restrictions result from support not subject to donor-imposed restrictions and available to support the Center's operations. These also include net assets designated by the Board of Directors as a reserve for future debt service requirements and operations. As of December 31, 2021, board-designated net assets were $3,947,990, and are included in investments in the accompanying statement of financial position.

1. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated that the funds be maintained in perpetuity. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statement of activities.

Revenue and Support Recognition

The Center has grants and contracts with U.S. government agencies, state and local authorities, and other private organizations, which are conditioned upon certain conditions being met. Amounts received are recognized as unconditional support when the Center has met the specific contract or grant provisions. Amounts received prior to meeting the conditions are reported as deferred revenue and refundable advances in the statement of financial position. Amounts recognized but not yet received under the agreements are included in grants, contracts and donations receivable in the accompanying statement of financial position. The Center reports amounts earned and spent within the same year under these awards as increases in net assets without donor restrictions.

State charges are recognized as earned revenue in the period to which the state charges relate. State charges are recognized over time throughout the calendar year. As of December 31, 2021, state charges paid by the states in advance totaled $5,737,861 and are included with deferred revenue and refundable advances in the accompanying statement of financial position.

Unconditional contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue and support with donor restrictions. The Center reports amounts earned and spent within the same year under these unconditional contributions as increases in net assets without donor restrictions. Unconditional promises to give that have been committed to the Center, but have not been received, are included in grants, contracts and donations receivable in the accompanying statement of financial position. Conditional promises to give are not included as revenue and support until they become unconditional.

Conference and tuition fees and the related costs for conferences and meetings are recognized when the conferences or meetings are held. Accordingly, registrations and exhibit fees received in advance of the conferences or meetings are recorded as deferred revenue, and expenses paid in advance of the conferences or meetings are recorded as prepaid expenses in the accompanying statement of financial position.

1. Summary of Significant Accounting Policies (continued)

Derivative Instruments

The Center has entered into interest rate swap agreements to manage its sensitivity to changes in interest rates. The swap agreements allow the Center to make fixed-interest payments on its variable interest rate bonds and notes. In accordance with accounting standards for derivative instruments and hedging activities, the change in fair value during the reporting period, together with the net effect of the interest rate swap, is recognized in the accompanying statement of activities. The interest rate swap agreements reflect the amounts that approximate fair value based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve at year-end.

Functional Allocation of Expenses

The Center allocates salaries to various projects and divisions and supporting services based upon the actual amount of time worked in each area using timesheets that are prepared weekly. Indirect costs, which include occupancy, office operations, travel and depreciation and amortization, are allocated to various projects and divisions and supporting services based on total direct costs.

Transactions in Foreign Currencies

The Center conducts some of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed, and the exchange rate gains and losses are included in revenue and expenses in the accompanying statement of activities. The U.S. dollar is considered to be the functional and reporting currency of the Center.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. Grants, Contracts and Donations Receivable

Grants, contracts and donations receivable as of December 31, 2021, represent amounts due from various federal agencies and other organizations. As of December 31, 2021, grants, contracts and donations receivable totaling $7,614,300 were unbilled. All amounts are due within one year. The Center had an allowance for doubtful accounts related to grants, contracts and donations receivable as of December 31, 2021 of $70,000.

As of December 31, 2021, the Center had approximately $96,161,109 in conditional grants receivable from various federal agencies and donors, in varying amounts, which are not reflected in the accompanying statement of financial position. These conditional project grants require the Center's completion of certain conditions, which are subject to periodic donor review and approval before the project may continue and, therefore, the Center has not recognized any revenue and support from the conditional portion of these grants.

3. Building, Equipment and Leasehold Improvements

A summary of building, equipment, leasehold improvements and accumulated depreciation and amortization as of December 31, 2021, is as follows:

Building and improvements	$ 12,785,758
Land	876,429
Furniture and equipment	7,109,292
Total Building, Equipment and Leasehold Improvements	20,771,479
Less: Accumulated Depreciation and Amortization	(14,930,387)
Building, Equipment and Leasehold Improvements, Net	$ 5,841,092

Depreciation and amortization expense for the year ended December 31, 2021, was $623,459.

The Center leases from the Commonwealth of Virginia land in Williamsburg, Virginia, on which the Center's headquarters building is located, at a rental of $1 per year under the terms of a 50-year lease which expires in 2024, with a renewal option for 25 years. This land is not included above as the lease is a contributed operating lease whose fair value, at the time of donation, management had determined to be immaterial to the financial statements.

4. Bond and Note Payable and Other Debt

Long-term debt consists of a loan payable to a bank in connection with bond issuances to finance improvements to be made to the Center's headquarters building located in Williamsburg, Virginia, and a commercial note payable.

During 2001, the Center obtained a loan from a financial institution, dated November 21, 2001, in connection with a tax-exempt bond issuance, in the amount of $4,000,000, which is secured by a pledge to the bondholder of all gross revenues. Principal payments of $16,667 plus interest are payable on the first day of each month beginning January 1, 2002, through December 1, 2021. The loan was paid in full on December 14, 2021.

On January 16, 2007, the Center entered into a commercial note with a financial institution for $2,100,000 to cover the purchase of the land, building and planned improvements of a building located in Washington, D.C. The note is a 30-year note with a variable interest rate, set at the monthly LIBOR plus 1.1%, which was 1.20% as of December 31, 2021. The note is secured by the building and land. The terms of the note require monthly principal payments of $5,833 plus accrued interest, with the final payment due on January 16, 2037. As of December 31, 2021, the balance owed on this note payable was $835,834.

The bond and note payable have various financial covenants which were met as of December 31, 2021.

4. Bond and Note Payable and Other Debt (continued)

Annual maturities of long-term debt outstanding at December 31, 2021, are as follows:

For the Year Ending December 31,	
2022	$ 70,000
2023	70,000
2024	70,000
2025	70,000
2026	70,000
Thereafter	485,834
Total Long-Term Debt	835,834
Less: Current Portion	(70,000)
Long-Term Debt, Noncurrent Portion	$ 765,834

Interest expense incurred under these bond and note payable was $59,127 for the year ended December 31, 2021.

Interest Rate Swaps

The Center entered into an interest rate swap agreement with a financial institution, dated November 2, 2001, to limit its exposure to changes in interest rates on the $4,000,000 tax-exempt bond referred to above. Under the agreement, the Center pays the counterparty the difference, if any, between interest calculated at a fixed rate of 4.48% and a floating rate of 68% of LIBOR plus 68 basis points. The counterparty pays the Center the difference, if any, between the floating rate and the fixed rate. The amount to be paid or received under the terms of the swap is measured by applying contractually agreed-upon variable and fixed rates to the notional amount of principal. The counterparty is expected to fully perform under the terms of the agreement. The notional amount of $4,000,000 at December 31, 2001, which decreases over the term of the agreement, is used to measure the contractual amounts to be received or paid and does not represent the amount of exposure to credit loss. The agreement terminated in December 2021.

The Center entered into another interest rate swap agreement with a financial institution, dated April 13, 2007, to limit its exposure to changes in interest rates on a portion of the $2,100,000 note payable in the amount of $1,487,500. Under the agreement, the Center pays the counterparty the difference, if any, between interest calculated at a fixed rate of 6.72% and a floating rate of the monthly LIBOR plus 110 basis points. The counterparty pays the Center the difference, if any, between the floating rate and the fixed rate. The amount to be paid or received under the terms of the swap is measured by applying contractually agreed-upon variable and fixed rates to the notional amount of principal. The counterparty is expected to fully perform under the terms of the agreement. The notional amount of $1,487,500 at April 13, 2007, which decreases over the term of the agreement, is used to measure the contractual amounts to be received or paid and does not represent the amount of exposure to credit loss. The agreement terminates on January 16, 2037. The remaining notional amount of the Center's interest rate swap at December 31, 2021 is $754,167 and the fair value of the interest rate swap at December 31, 2021 is $232,970.

5. Line of Credit

The Center has a $6,000,000 open-end revolving line of credit with a local bank for its use to finance short-term working capital with expiration set for January 29, 2023. The line of credit has an interest rate equal to the 30-day LIBOR plus 1.5%, reset monthly, which was 2.5% as of December 31, 2021. There were no funds outstanding on the line of credit as of December 31, 2021, and there was no interest expense on the line of credit for the year then ended.

6. Commitments, Contingencies and Risks

Foreign Operations

During the year ended December 31, 2021, the Center had field offices in Bangladesh, Bosnia and Herzegovina, Costa Rica, Colombia, El Salvador, Guatemala, Honduras, Kosovo, Morocco, Nicaragua, Panama, Peru, Tunisia, Lebanon, Moldova and Mexico. At December 31, 2021, the Center maintained cash accounts in all of these countries. The future of these programs can be adversely affected by a number of potential factors such as devaluations, terrorist activity or changes in the political climate. As of December 31, 2021, the Center had cash in these countries totaling approximately $2,030,000, representing approximately 4% of the Center's total assets.

Concentration of Risk

The Center maintains its cash and cash equivalents with commercial financial institutions in aggregate balances that may exceed, at times, the Federal Deposit Insurance Corporation insured limit of $250,000 per depositor per institution. As of December 31, 2021, the aggregate balances were in excess of the insurance and therefore bear some risk since they are not collateralized. The Center monitors the creditworthiness of these institutions and has not experienced to date nor does it expect any credit losses on its cash and cash equivalents.

Operating Leases

The Center currently leases office space for regional and field project offices under various noncancelable operating lease agreements, the last of which expires in June 2023. The leases are subject to annual escalation clauses over the lives of the leases.

Approximate future minimum annual rentals under the Center's lease agreements are as follows:

For the Year Ending December 31,	
2022	$ 954,746
2023	451,056
Total	$ 1,405,802

For the year ended December 31, 2021, rent expense related to the leases described above was $1,034,191. The Center has also entered into various leases for office space in foreign countries on a month-to-month basis which are not included in the schedule of future minimum annual rents.

6. Commitments, Contingencies and Risks (continued)

Compliance Audit

The Center has received grants that are subject to review, audit and adjustment by various agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the agencies for any expenditures which may be disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the agencies cannot be determined at this time, although the Center expects such amounts, if any, to be insignificant.

7. Investments and Fair Value Measurement

Investments are classified as long-term due to the Center's intent to hold them for a period greater than one year. Investment decisions are made by the Investment Committee of the Center's Board. The following table summarizes the Center's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, aggregated where applicable by the fair value hierarchy level with which those measurements were made:

	Fair Value	Level 1	Level 2	Level 3
Deferred compensation:				
Mutual funds:				
Equity	$ 1,070,872	$ 1,070,872	$ -	$ -
Fixed income	8,709	8,709	-	-
Total Mutual Funds	1,079,581	1,079,581	-	-
Money market funds	23,841	23,841	-	-
Total Deferred Compensation	$ 1,103,422	$ 1,103,422	$ -	$ -
Investments:				
Mutual funds:				
Balanced	$ 5,322,573	$ 5,322,573	$ -	$ -
Equity	231,029	231,029	-	-
Total Mutual Funds	5,553,602	5,553,602	-	-
Money market funds	668,865	668,865	-	-
Subtotal Investments	6,222,467	$ 6,222,467	$ -	$ -
Other managed funds	5,523,680			
Total Investments	$ 11,746,147			
Liabilities:				
Interest rate swap agreements	$ 232,970	$ -	$ 232,970	$ -

7. Investments and Fair Value Measurement (continued)

As of December 31, 2021, the Center used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Mutual funds – These mutual funds are valued based on quoted prices in an active market.

Other managed funds – The fair value of these investment funds, which consist principally of limited partnerships, is determined using NAV or its equivalent as a practical expedient as provided by the fund manager. Accordingly, they are not classified in the fair value hierarchy. The fair value amounts presented are intended to permit reconciliation of the fair value hierarchy table to the amounts presented in the statement of financial position.

Interest rate swap agreements – The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. Therefore, the Center has determined these liabilities to be classified in Level 2 of the fair value hierarchy. To comply with the provisions of the accounting standards for fair value measurement, the Center incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

The following table details the Center's ability to redeem the other managed funds as of December 31, 2021:

Category	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Multi-asset funds	1	$ 5,267,423	$ -	Daily to Quarterly	None / 45 days
Other funds	7	256,257	102,200	N/A	N/A
		$ 5,523,680	$ 102,200		

The multi-asset funds' underlying investments include global equities, absolute return bonds, high-yield bonds, resource-related stocks, commodities, real estate investment trusts, inflation-linked bonds, currencies, conventional bonds and foreign bonds. This fund is classified as equities. Management of the Center finds the resulting diversification within this fund to eliminate any concentration of risk from its overall investment portfolio. Other funds include five private equity funds and two real assets funds. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

8. Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions totaling $329,790 represent the historical value of the Virginia Endowment Fund, the Gottfried Endowment Fund and the Scholarship endowment. These net assets are required by the donors to be held in perpetuity. The accumulated unexpended earnings from these funds, which aggregate total was $1,697,064 as of December 31, 2021, is also included in net assets with donor restrictions. The accumulated earnings of the Virginia Endowment Fund may be appropriated only upon approval by the Virginia Supreme Court to conduct studies and other projects to improve the operation of the courts of Virginia. The accumulated earnings from the Gottfried Endowment Fund may be used to establish fairness and abolish discrimination in the courts. The accumulated earnings on the Scholarship endowment may be used for the Center's conference scholarships.

9. Endowment and Board-Designated Funds

The Center's endowment includes both donor-restricted and board-designated (quasi) endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Virginia State Prudent Management of Institutional Funds Act (VSPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions for passage of time until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by VSPMIFA. In accordance with VSPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Center and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) the other resources of the Center; and (7) the Center's investment policies.

9. Endowment and Board-Designated Funds (continued)

Interpretation of Relevant Law (continued)

As of December 31, 2021, the Center's endowment had the following net asset composition:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Historical gift value	$ -	$ 329,790	$ 329,790
Appreciation	-	1,697,064	1,697,064
Board-designated endowment fund	3,947,990	-	3,947,990
Endowment Net Assets, End of Year	$ 3,947,990	$ 2,026,854	$ 5,974,844

As of December 31, 2021, the Center's endowment had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,563,486	$ 1,842,595	$ 5,406,081
Investment return, net	1,181,381	184,259	1,365,640
Appropriations	(796,877)	-	(796,877)
Changes in Endowment Net Assets	384,504	184,259	568,763
Endowment Net Assets, End of Year	$ 3,947,990	$ 2,026,854	$ 5,974,844

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or VSPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021. The Center has not clarified its policy for appropriating from underwater endowment funds.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment and board-designated assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the board-designated assets are invested to provide for an endowment spending rate that keeps pace with inflation while protecting and growing the real value of the endowment corpus and to attain an average annual real return (net of fees, expenses and inflation) of at least 6% over the long term, as measured over a rolling 10-year period.

9. Endowment and Board-Designated Funds (continued)

Strategies Employed for Achieving Objectives

The endowment shall be invested in one or more pooled funds that invest in multiple asset classes. If allocated to more than one pooled fund, investments shall be allocated between or among such pooled funds in such proportions as may be determined by the Center's Investment Committee. These funds should be professionally managed and reasonably well-diversified, emphasize long-term returns, provide reasonable liquidity and be transparent.

Every effort should be made to select funds that comply with these guidelines. However, it is recognized that too-rigid compliance may prevent the investment in otherwise attractive funds, in which case the Investment Committee, with advice to the Board of Directors, may authorize minor variances as long as the overall risk profile described by these guidelines is preserved. Therefore, to the extent that endowment funds were invested in real assets or alternative investments prior to adoption of this policy, such investments may be retained in that form, and distributions in liquidation or otherwise shall, following receipt, be invested in a manner consistent with this policy.

It is expected that, in the aggregate, the underlying investments of the pooled funds will be within the policy ranges summarized below. If and to the extent that aggregate investments are outside of the policy ranges, funds shall be withdrawn and reinvested within a reasonable time frame as appropriate to meet these policy ranges:

Equity securities	40% – 90%
Fixed income	10% – 35%
Other assets	0% – 30%

If and to the extent that assets are donated in kind to the endowment, they may be invested in the form in which they are donated but, upon disposition, shall be reinvested in accordance with this policy.

Spending Policy

Funds from the board-designated funds are drawn using an amortized calculation of 5% over 20 years. Funds withdrawn are used to supplement the Center's operating budget and/or fund the operating reserve. While these draws are budgeted to operations to offset expenses, should the Center's cash flow not require a draw in the year, it is left invested and "owed to" operations until such time as the cash is needed. Expenditures from the operating reserve require prior approval by the Center's Board of Directors. As of December 31, 2021, the Center had $618,442 invested funds "owed to" operations.

10. Pension Plans

The Center sponsors a qualified, noncontributory pension plan that covers all employees. The plan is a money-purchase, defined contribution plan under which the Center contributes 9% of gross pay held in individual accounts for each participant. The participants are fully vested in their accounts at all times. Pension expense for the year ended December 31, 2021 was $1,404,798.

10. Pension Plans (continued)

The Center also adopted an eligible nonqualified deferred compensation plan, which is unfunded and is maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees. The assets and liabilities held in the plan were $1,103,422 as of December 31, 2021.

11. Liquidity and Availability of Resources

The Center's financial assets available within one year of the date of the statement of financial position for general expenditure are as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 11,373,700
Grants, contracts and donations receivable, net	14,559,593
Investments	11,746,147
Total Financial Assets at Year-End, Excluding Deferred Compensation Investments	37,679,440
Less amounts not available to be used within one year:	
Investments not available for expenditure within next 12 months	(256,257)
Amounts restricted by donors' with purpose restrictions	(1,697,064)
Amounts restricted by donors' to be held in perpetuity	(329,790)
Amounts unavailable to management without Board approval	(3,947,990)
Total Financial Assets Available Within One Year	$ 31,448,339

The Center's cash flows have seasonal variations during the year due primarily to the timing of state charges, which normally takes place at the end of the prior year, along with grant and contract reimbursements from its funders, which are normally billed on a monthly basis as conditions are met. The Center invests cash in excess of weekly requirements in short-term investments. It is the Center's goal to maintain approximately $3,000,000 in its operating cash account. The Center also has a policy which allows for an annual distribution from its unrestricted investments. This is approved as part of the annual budget process. Therefore, the Center has only considered the amounts that have been budgeted to be drawn from investments as financial assets available to meet general expenditures within one year. In addition, the Center maintains a line of credit of $6,000,000 to help manage unanticipated liquidity needs.

12. Income Taxes

The Center is exempt from the payment of federal income tax under Section 501(c)(3) of the Internal Revenue Code on income other than net unrelated business income. No provision for uncertainty in income taxes is required for the year ended December 31, 2021, as the Center had no significant net taxable unrelated business income.

12. Income Taxes (continued)

The Center performed an evaluation of uncertainty in income taxes for the year ended December 31, 2021, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2021, there were years with tax returns that remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns; however, there were no examinations pending or in progress. It is the Center's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense.

13. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

14. Reclassifications

Certain 2020 amounts have been reclassified for comparative purposes to conform to the 2021 presentation.

15. Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 30, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.