

**Audited Financial Statements**

**LAWYERS' COMMITTEE  
FOR CIVIL RIGHTS UNDER LAW**

*December 31, 2016*

# Lawyers' Committee For Civil Rights Under Law

## Contents

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<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Statement of functional expenses	5
Notes to the financial statements	6 - 16

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## Independent Auditor's Report on the Financial Statements

To the Board of Directors and Trustees  
The Lawyers' Committee  
for Civil Rights Under Law

We have audited the accompanying financial statements of Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee) which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Lawyers' Committee's 2015 financial statements, and in our report dated August 31, 2016, we expressed an unmodified opinion on those financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Lawyers' Committee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lawyers' Committee's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawyers' Committee for Civil Rights Under Law as of December 31, 2016, 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.

### **Emphasis of Matter**

As discussed in Note L to the financial statements, the Lawyers' Committee's unrestricted net assets were in a deficit balance of \$2,026,027 as of December 31, 2016 a reduction of \$391,057 from the year ended December 31, 2015. Our opinion is not modified with respect to that matter.

Washington, DC  
September 5, 2017

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# Lawyers' Committee for Civil Rights Under Law

## Statements of Financial Position

<b><i>December 31,</i></b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,562,980	\$ 2,371,972
Investments	3,697,624	3,546,699
Accounts receivable	8	78,691
Grants receivable	3,790,637	855,000
Promises to give	803,732	844,698
Prepaid expenses	179,643	162,430
Property and equipment, net	155,552	225,825
<b>Total assets</b>	<b>\$ 12,190,176</b>	<b>\$ 8,085,315</b>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	\$ 186,039	\$ 90,123
Accrued expenses	724,988	264,108
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	5,989	6,473
Due to affiliates	-	3,457
Lease obligations	3,917	11,242
Line of credit	2,406,341	2,427,783
Deferred rent and construction allowance	568,667	625,107
<b>Total liabilities</b>	<b>4,025,553</b>	<b>3,557,905</b>
Net assets		
Unrestricted		
Undesignated	(2,059,797)	(2,451,304)
Board-designated funds	33,770	33,770
<b>Total unrestricted net (deficit) assets</b>	<b>(2,026,027)</b>	<b>(2,417,534)</b>
Temporarily restricted	8,040,141	4,794,435
Permanently restricted	2,150,509	2,150,509
<b>Total net assets</b>	<b>8,164,623</b>	<b>4,527,410</b>
<b>Total liabilities and net assets</b>	<b>12,190,176</b>	<b>\$ 8,085,315</b>

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Statement of Activities

***For the Year Ended December 31, 2016 (with Comparative Totals for 2015)***

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
Revenue and other support					
Public support	\$ 1,713,408	\$ 7,189,105	\$ -	\$ 8,902,513	\$ 2,886,373
Special event: Higginbotham Dinner net of direct expenses of \$303,123 and \$431,996, respectively	1,414,585	-	-	1,414,585	1,296,298
Legal fees from court awards	267,576	-	-	267,576	130,631
Interest and other income	97,255	28,708	-	125,963	289,049
Net assets released from restrictions	3,996,365	(3,996,365)	-	-	-
Total revenue and other support	7,489,189	3,221,448	-	10,710,637	4,602,351
Expenses and losses					
Program services					
Voting Rights	2,888,057	-	-	2,888,057	2,630,682
Public Education and General Legal	850,291	-	-	850,291	855,426
Fair Housing / Community Development	824,772	-	-	824,772	868,830
Legal Mobilization and Public Policy	613,426	-	-	613,426	707,407
Educational Opportunities	564,601	-	-	564,601	484,173
Economic Justice	162,707	-	-	162,707	287,753
Total program services	5,903,854	-	-	5,903,854	5,834,271
Supporting services					
Fundraising	577,348	-	-	577,348	1,086,126
Management and general	709,531	-	-	709,531	1,478,535
Total supporting services	1,286,879	-	-	1,286,879	2,564,661
Total expenses	7,190,733	-	-	7,190,733	8,398,932
Change in net assets before net gain (loss) on investments and donated services	298,456	3,221,448	-	3,519,904	(3,796,581)
Net gain (loss) on investments	93,051	24,258	-	117,309	(97,726)
In-kind legal services	41,696,164	-	-	41,696,164	20,352,366
In-kind legal services - Clemency Project 2014	55,913,969	-	-	55,913,969	34,005,535
Imputed program service expense for in-kind legal services	(97,610,133)	-	-	(97,610,133)	(54,358,089)
<b>Change in net assets</b>	391,507	3,245,706	-	3,637,213	(3,894,495)
Net assets, beginning of year	(2,417,534)	4,794,435	2,150,509	4,527,410	8,421,905
<b>Net assets, end of year</b>	\$ (2,026,027)	\$ 8,040,141	\$ 2,150,509	\$ 8,164,623	\$ 4,527,410

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Statements of Cash Flows

<i>Year Ended December 31,</i>	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,637,213	\$ (3,894,495)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	81,868	57,989
Net (gain) loss on investments	(117,309)	97,726
Bad debt expense	8,500	150,760
Changes in assets and liabilities:		
Accounts receivable	78,683	(77,076)
Grants receivable	(2,935,637)	1,937,705
Promises to give	32,466	(8,170)
Prepaid expenses	(17,213)	(82,697)
Employee advances and other	-	278
Accounts payable	95,916	(263,664)
Accrued expenses	460,880	(134,765)
Payroll taxes and related liabilities	(484)	243
Due to affiliate	(3,457)	-
Deferred rent and construction allowance	(56,440)	175,376
Total adjustments	(2,372,227)	1,853,705
Net cash provided by (used in) operating activities	1,264,986	(2,040,790)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(11,595)	(41,437)
Proceeds from sale of investments	1,656,528	3,528,263
Purchase of investments	(1,690,144)	(3,141,571)
Net cash (used in) provided by investing activities	(45,211)	345,255
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	83,803	2,427,783
Principal payments on the line of credit	(105,245)	(350,000)
Principal payments on capital leases	(7,325)	(6,697)
Net cash (used in) provided by financing activities	(28,767)	2,071,086
<b>Net increase in cash and cash equivalents</b>	<b>1,191,008</b>	<b>375,551</b>
Cash and cash equivalents, beginning of year	2,371,972	1,996,421
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,562,980</b>	<b>\$ 2,371,972</b>
<b>Supplemental schedule of noncash investing and financing activities</b>		
Interest paid	\$ 84,819	\$ 31,935

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Statement of Functional Expenses

*For the Year Ended December 31, 2016 (with Comparative Totals for 2015)*

	2016									2015
	Program Services									2015 Total
	Voting Rights	Public Education and General Legal	Fair Housing/ Community Development	Legal Mobilization and Public Policy	Educational Opportunities	Economic Justice	Fundraising	Management and General	Total	
Salaries and Benefits										
Salaries	1,537,231	536,961	379,090	354,647	363,775	114,726	326,519	474,638	\$ 4,087,587	\$ 4,882,074
Benefits	261,672	88,664	66,627	62,541	59,143	16,782	53,381	78,050	686,860	856,435
	1,798,903	625,625	445,717	417,188	422,918	131,508	379,900	552,688	4,774,447	5,738,509
Contractual services and co-counsel fees	119,240	47,056	255,374	35,727	27,226	8,615	134,803	22,946	650,987	700,122
Rent and occupancy	235,943	77,043	54,871	65,844	43,897	10,974	27,435	33,147	549,154	793,282
Travel and meetings	197,681	20,083	22,071	27,637	6,140	2,340	1,998	26,379	304,329	276,179
Technology and research	191,842	28,362	13,898	12,914	33,731	2,546	5,602	6,201	295,096	191,856
Communications	154,300	4,996	-	-	1,355	-	-	368	161,019	60,082
Office expenses	55,388	9,898	5,334	19,740	4,143	1,082	11,877	42,890	150,352	373,032
Insurance & Interest	58,146	18,246	15,343	17,429	12,484	3,173	5,817	7,231	137,869	80,381
Depreciation and amortization	35,204	11,461	8,187	9,824	6,549	1,637	4,094	4,912	81,868	57,989
Printing and duplication	31,439	3,307	1,322	3,483	1,058	264	1,381	794	43,048	27,606
Postage and delivery	3,888	436	829	799	360	324	4,013	11,452	22,101	29,882
Court costs and professional dues	4,595	2,579	970	1,814	4,055	73	-	10	14,096	60,092
Temporary help	1,488	1,199	856	1,027	685	171	428	513	6,367	9,920
Total expenses before donated services	2,888,057	850,291	824,772	613,426	564,601	162,707	577,348	709,531	7,190,733	8,398,932
In-kind legal services	25,791,796	6,145,363	5,497,434	55,913,969	2,166,618	2,094,953	-	-	97,610,133	54,358,089
<b>Total expenses</b>	<b>\$ 28,679,853</b>	<b>\$ 6,995,654</b>	<b>\$ 6,322,206</b>	<b>\$ 56,527,395</b>	<b>\$ 2,731,219</b>	<b>\$ 2,257,660</b>	<b>\$ 577,348</b>	<b>\$ 709,531</b>	<b>\$ 104,800,866</b>	<b>\$ 62,757,021</b>

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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### A. LAWYERS' COMMITTEE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lawyers' Committee: Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee) is a nonpartisan not-for-profit organization, formed in 1963 to develop better public understanding of civil rights and the related judicial and legal processes. The main goal of the Lawyers' Committee is to "secure, through the rule of law, equal justice under law."

The Lawyers' Committee acquires its funds mainly through foundation grants, contributions, and court awarded fees. These funds are expended to provide representation without cost in administrative and judicial proceedings to victims of unlawful discriminatory practices.

Income tax status: The Lawyers' Committee is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Lawyers' Committee has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Basis of accounting: The Lawyers' Committee prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

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

Cash and cash equivalents: For financial statement purposes, the Lawyers' Committee considers highly liquid investments with maturities of three months or less to be cash equivalents.

Grants receivable and unconditional promises to give: The Lawyers' Committee has received funding commitments and unconditional promises to give from various foundations and donors. Amounts due in excess of one year have been discounted to present value using a rate of 3.50% as of December 31, 2016. Conditional promises to give are not included as support until the conditions are substantially met. Management is of the opinion that all unconditional promises to give are collectible, and that the fair value of the receivables approximates the carrying value shown on the financial statements. Balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of this direct write-off method approximates the results that would be presented if an allowance for bad debt were recorded. Bad debt expense for the years ended December 31, 2016 and 2015 amounted to \$8,500 and \$150,760, respectively.

Due to affiliates: The Lawyers' Committee allocates a portion of its Higginbotham Dinner revenue and Combined Federal Campaign and United Way revenue to assist local Lawyers' Committees (Committees). The local Committees are not related to the Lawyers' Committee in any way, except that they function in a similar capacity. Each local Committee is a separate and distinct entity.



# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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### A. LAWYERS' COMMITTEE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net assets: For financial statement purposes, net assets consist of the following:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. See Note G for details regarding Board-designated net assets.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Lawyers' Committee has been donor restricted by specified time or purpose limitations. See Note H for details regarding temporarily restricted net assets.

Permanently restricted: Permanently restricted net assets must be maintained in perpetuity by the Lawyers' Committee. Generally, the donors permit the Lawyers' Committee to use all or part of the income earned on related investments for general or specific purposes. See Note I for details regarding permanently restricted net assets.

In-kind legal services: Contributions of in-kind services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at fair market value. Included are pro-bono services provided to the Lawyers' Committee in furtherance of its mission by lawyers and law firms. The fair value of these services has been estimated by the law firms to be \$41,696,164 and \$20,352,366 for the years ended December 31, 2016 and 2015, respectively. Additional pro bono services were donated by law firms for the unique, time limited Clemency Project 2014. The fair value of these services has been estimated by law firms to be \$55,913,969 and \$34,005,535 for the years ended December 31, 2016 and 2015, respectively.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Comparative totals: The financial statements and footnote disclosures for the year ended December 31, 2015 are presented only to provide a basis for comparison with fiscal year 2016. The 2015 fiscal year financial statements and footnote disclosures are not intended to present all information necessary for the fair presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Lawyers' Committee's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Measure of operations: The Lawyers' Committee does not include gain (loss) on investments in the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through September 5, 2017, which is the date the financial statements were available to be issued.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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### B. CONCENTRATIONS

Credit risk: The Lawyers' Committee maintains demand deposits with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Lawyers' Committee.

Market risk: The Lawyers' Committee invests funds in a professionally managed portfolio that contains various types of marketable securities. Investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

### C. FAIR VALUE MEASUREMENTS

The Lawyers' Committee has implemented the accounting standards topic regarding fair value measurements. This standard establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data; and

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments using Level 1 inputs consist of investments in stocks of companies nationally and across various industries and are valued based on quoted market prices at the reporting date for those or similar investments in active markets. Additionally, investments in mutual funds listed on a national market or exchange are valued at the last sales price or, if there is no sale and the market is still considered active, at the last transaction price before year-end.

Investments using Level 2 inputs consist of government bonds and corporate bonds and are valued using an outside data and pricing company (the Company). In determining the fair value of the investments, the Company uses a market approach based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the Company's estimate to be a reasonable approximation of the fair value of the investments.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### C. FAIR VALUE MEASUREMENTS – CONTINUED

The following is a summary of the input levels used to determine fair values, measured on a recurring basis, at December 31,:

2016	Total	Fair Value		
		Level 1	Level 2	Level 3
<b>Investments</b>				
Common stock	\$ 925,742	\$ 925,742	\$ -	\$ -
US government securities	713,605		713,605	
Corporate bonds	594,609		594,609	
Mutual funds	1,310,557	1,310,557		
Investments carried at fair value	3,544,513	\$ 2,236,299	\$ 1,308,214	\$ -
Cash management fund*	153,111			
<b>Total investments</b>	<b>\$ 3,697,624</b>			

2015	Total	Fair Value		
		Level 1	Level 2	Level 3
<b>Investments</b>				
Common stock	\$ 855,971	\$ 855,971	\$ -	\$ -
US government securities	761,922		761,922	
Corporate bonds	683,676		683,676	
Mutual funds	1,114,516	1,114,516		
Investments carried at fair value	3,416,085	\$ 1,970,487	\$ 1,445,598	\$ -
Cash management fund*	125,856			
Money market funds*	4,758			
<b>Total investments</b>	<b>\$ 3,546,699</b>			

\*The cash management fund and money market funds are not subject to the provisions of fair value measurements as they were recorded at cost. Management believes that cost approximates fair value for these items.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### D. GRANTS RECEIVABLE AND PROMISES TO GIVE

The anticipated timing of future cash flows related to grants receivable and promises to give were as follows at December 31,:

	<b>2016</b>	<b>2015</b>
Receivable in less than one year	\$ 3,572,839	\$ 1,167,592
Receivable in one to five years	1,106,050	584,213
Less: discount to present value	<u>(84,520)</u>	<u>(52,107)</u>
	<b><u>\$ 4,594,369</u></b>	<b><u>\$ 1,699,698</u></b>
Grants receivable	\$ 3,790,637	\$ 855,000
Promises to give	<u>803,732</u>	<u>844,698</u>
	<b><u>\$ 4,594,369</u></b>	<b><u>\$ 1,699,698</u></b>

### E. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than or equal to \$1,000 are capitalized at cost. Donated property and equipment is capitalized at fair market value at the date of the gift. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 - 10 years
Computers and software	3 years

Leasehold improvements are amortized over the lesser of the remaining office lease term or the estimated useful lives of the improvements. Assets under capital lease are amortized over the lesser of the lease term or the useful life of the leased asset.

Property and equipment consists of the following at December 31,:

	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 170,582	\$ 170,582
Computers and software	729,230	717,632
Leasehold improvements	<u>578,713</u>	<u>578,713</u>
	1,478,525	1,466,927
Less: accumulated depreciation	<u>(1,322,973)</u>	<u>(1,241,102)</u>
	<b><u>\$ 155,552</u></b>	<b><u>\$ 225,825</u></b>

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### F. CAPITAL LEASE OBLIGATIONS

The Lawyers' Committee has entered into a capital equipment lease that expired June 2017. The aggregate lease payments were discounted at the inception of the lease and the net present value was recorded as a liability. The fair value of the related equipment was recorded as a component of property and equipment and is being amortized over the life of the related lease. The leased equipment has the following book value at December 31,:

	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 32,276	\$ 32,276
Less: accumulated depreciaton	<u>(29,049)</u>	<u>(22,594)</u>
	<b><u>\$ 3,227</u></b>	<b><u>\$ 9,682</u></b>

Future minimum lease payments and the present value of payments under the capital lease obligations are as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2017	<u>4,021</u>
	4,021
Less: amounts representing interest	<u>(104)</u>
	<b><u>\$ 3,917</u></b>

### G. BOARD-DESIGNATED NET ASSETS

Board-designated net assets consists of the following at December 31,:

	<b>2016</b>	<b>2015</b>
Domestic Legal Assistance Fund	\$ 16,728	\$ 16,728
Anniversary Fund	11,242	11,242
Lloyd Cutler Memorial Fund	<u>5,800</u>	<u>5,800</u>
	<b><u>\$ 33,770</u></b>	<b><u>\$ 33,770</u></b>

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### H. TEMPORARILY RESTRICTED NET ASSETS

The Lawyers' Committee receives long-term grants from foundations and corporations which specify that funds are to be expended over a period of one or more years.

Temporarily restricted net assets consists of the following at December 31,:

	2016	2015
Voting Rights	\$ 2,147,545	\$ 1,914,166
Stop Hate Crime	1,975,001	-
Program Reserves	1,555,248	1,449,193
General Legal	624,167	-
National Support	619,557	613,105
Fair Housing/Community Development	600,000	284,523
Educational Opportunities	489,846	232,499
Public Policy	113,297	300,000
Economic Justice	-	52,756
Legal Mobilization	-	300
Less: discount to present value for receivables	(84,520)	(52,107)
	<u>\$ 8,040,141</u>	<u>\$ 4,794,435</u>

### I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING

The Lawyers' Committee's endowments consist of funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with these endowments are classified and reported based on the existence or absence of donor-imposed restrictions. These endowments represent the accumulation of contributions to increase the Lawyers' Committee's permanently restricted net assets.

During the year ended December 31, 2013, the Lawyers' Committee received a \$2,000,000 contribution from the Ford Foundation. The grant is to be used to create an operating reserve fund (the Reserve). The Lawyers' Committee is permitted to borrow funds from the Reserve as long as such borrowings comply with the approved policy governing the use of the funds. The Lawyers' Committee is also encouraged to have a repayment plan in place for any borrowings made from the Reserve.

Investment earnings related to the Reserve are available for current year operations.

#### *Interpretation of Relevant Law*

Though the Board of Directors of the Lawyers' Committee has not conducted a formal analysis of its compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the District of Columbia in 2008, the Board has established policies regarding the preservation, investment and expenditure of permanently restricted net assets. Consistent with generally accepted accounting principles (GAAP), the Board believes that permanently restricted funds require the preservation of the fair value of the gifts, and that earnings on those funds should be classified in accordance with the donor's stipulations, if any, as temporarily restricted.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted Lawyers' Committee funds may fall below the level that current law requires the Lawyers' Committee to retain for a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies resulted from unfavorable market fluctuations for the years ended December 31, 2016 and 2015.

#### *Return Objectives and Risk Parameters*

The Board of Directors of the Lawyers' Committee has adopted a policy for the management of the Lawyers' Committee's assets. These investment policies articulate the broad investment philosophy that governs the management of the assets of the Lawyers' Committee.

#### *Strategies Employed for Achieving Objectives*

The Lawyers' Committee is committed to a long-term approach with a balanced program of investments to preserve and enhance the real purchasing power of the fund so as to provide a stable and, in real terms, constant stream of investment income. The Lawyers' Committee's investment objective is to attain a rate of return comparable to relevant investment indexes.

The following is a summary of endowment activity and composition as of and for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 141,990	\$ 2,150,509	\$ 2,292,499
Contributions				-
Investment return:				
Interest and dividends	49,780	3,091		52,871
Net depreciation (realized and unrealized)	38,653	2,326		40,979
Investment fees	(24,584)			(24,584)
Total investment return	63,849	5,417	-	69,266
Net appropriations and transfers	(63,849)	-	-	(63,849)
End of year	<b>\$ -</b>	<b>\$ 147,407</b>	<b>\$ 2,150,509</b>	<b>\$ 2,297,916</b>

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

The following is a summary of endowment activity and composition as of and for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 141,348	\$ 2,150,509	\$ 2,291,857
Contributions				-
Investment return:				
Interest and dividends	52,749	3,213		55,962
Net appreciation (realized and unrealized)	(45,310)	(2,571)		(47,881)
Investment fees	(21,457)			(21,457)
Total investment return	(14,018)	642	-	(13,376)
Net appropriations and transfers	14,018	-	-	14,018
End of year	<b>\$ -</b>	<b>\$ 141,990</b>	<b>\$ 2,150,509</b>	<b>\$ 2,292,499</b>

Permanently restricted net assets consist of the following at December 31,:

	2016	2015
Ford Foundation	\$ 2,000,000	\$ 2,000,000
B. Segal Fellowship	126,000	126,000
E. Wolf Award	24,509	24,509
	<b>\$ 2,150,509</b>	<b>\$ 2,150,509</b>

### J. EMPLOYEE ANNUITY PLAN

The Lawyers' Committee has a tax-deferred annuity plan as described in Section 403(b) of the Internal Revenue Code covering substantially all employees. The employer has the option of contributing or not contributing to the plan each year. There were no employer contributions made to the plan for the years ended December 31, 2016 and 2015.

### K. COMMITMENTS AND CONTINGENCIES

Commitments: The Lawyers' Committee entered into operating lease agreements for the rental of office and storage space expiring in April 2018. The landlord has required the Lawyers' Committee to establish a \$120,000 letter of credit with a financial institution to serve as a security deposit. In addition, as of December 31, 2016 and 2015, the Lawyers' Committee has established an account at the financial institution of \$120,060 to serve as collateral for the letter of credit. This collateral account is included with "cash and cash equivalents" on the statements of financial position.



# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### K. COMMITMENTS AND CONTINGENCIES - CONTINUED

The leases contain an annual escalation clause, which adjusts base rentals. In addition, the landlord provided the Lawyers' Committee with a construction allowance of \$581,335. Furthermore, during the course of the lease, the Lawyers' Committee has received various rental abatements. In accordance with U.S. generally accepted accounting principles, deferred rent and construction allowance represents the amount by which straight-line rental expense exceeds rental payments.

Total anticipated future minimum lease payments under the office and storage space leases are as follows:

Year Ending December 31,	Amount
2017	\$ 1,033,220
2018	<u>347,512</u>
	<b><u>\$ 1,380,732</u></b>

In addition, the Lawyers' Committee has entered into a lease agreement for certain office equipment that expires in July 2021. Annual lease payments of \$8,100 are due over the term of this lease.

Lines of Credit: The Lawyers' Committee had a working capital line of credit agreement with a financial institution in the amount of \$1,000,000. The working capital line of credit matured December 2016. Borrowings under the working capital line of credit accrued interest at a rate of 4.00%. All borrowings were collateralized by the receivables of the Lawyers' Committee. The Lawyers' Committee did not have any draws from the working capital line of credit during the years ended December 31, 2016 and 2015. There was no balance outstanding as of December 31, 2016 and 2015. Interest expense incurred under the working capital line of credit for the years ended December 31, 2016 and 2015 was approximately \$0 and \$12,300, respectively.

During 2015, the Lawyers' Committee entered into a loan management account agreement with a financial institution which included a revolving line of credit. The amount of the revolving line of credit and the corresponding interest rate vary on a weekly basis. The variable interest rate was 3.01% and 3.42% at December 31, 2016 and 2015, respectively. All borrowings are collateralized by certain investments of the Lawyers' Committee. The fair value of those investments was \$3,373,925 and \$3,531,175 as of December 31, 2016 and 2015, respectively and represents the total amount available under the revolving line of credit as of those dates. The outstanding balance on the line of credit was \$2,406,341 and \$2,427,783 as of December 31, 2016 and 2015, respectively. Interest expense incurred under the revolving line of credit for the years ended December 31, 2016 and 2015 was approximately \$80,300 and \$22,800, respectively.

Employment Contract: The Lawyers' Committee has entered into an employment agreement with its President and Executive Director. The agreement stipulates that the Lawyers' Committee will be liable for severance and other payments under certain circumstances.

Contingencies: Management represents that there have been no material claims, suits or complaints filed, nor any pending against the Lawyers' Committee. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations if they were disposed of unfavorably.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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### **K. COMMITMENTS AND CONTINGENCIES - CONTINUED**

In the current and prior years, the Lawyers' Committee has received revenue from private foundations and the U.S. Federal government. These contracts are subject to audit by the contributing entity. However, the Lawyers' Committee believes that adjustments, if any, as a result of such audits will not have a material effect upon the financial statements.

### **L. DEFICIT UNRESTRICTED NET ASSETS BALANCE**

As of December 31, 2015, the Lawyers' Committee had a deficit unrestricted net assets balance of \$2,417,534. During 2016, the organization generated a positive change in unrestricted net assets of \$391,507 which decreased the deficit in unrestricted net assets to \$2,026,027. The Lawyers' Committee's governance and management are aware of the deficit and intend to closely monitor the organization's financial performance. As a result, operational adjustments will be made as deemed necessary in accordance with the organization's financial position. However, the ultimate outcome of these efforts cannot be predicted.