

**Audited Financial Statements**

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

*December 31, 2013*

# Lawyers' Committee For Civil Rights Under Law

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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, 2013, and the related statements 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 2012 financial statements, and in our report dated July 19, 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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, 2013, 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.

Washington, DC  
April 11, 2014

# Lawyers' Committee for Civil Rights Under Law

## Statements of Financial Position

<i>December 31,</i>	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 1,000,325	\$ 906,092
Investments	3,549,096	1,807,071
Accounts receivable	2,174	1,969
Grants receivable	6,652,132	1,372,855
Unconditional promises to give	647,077	571,409
Prepaid expenses	92,692	283,240
Employee advances and other	6,549	29,920
Property and equipment, net	322,197	415,085
<b>Total assets</b>	<b>\$ 12,272,242</b>	<b>\$ 5,387,641</b>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	\$ 178,147	\$ 323,805
Accrued expenses	244,594	241,282
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	16,255	9,218
Due to affiliates	3,457	3,457
Lease obligations	24,063	29,660
Line of credit	500,000	-
Deferred rent and construction allowance	563,603	696,515
Total liabilities	1,659,731	1,433,549
Net assets		
Unrestricted		
Undesignated	212,626	(302,241)
Board-designated funds	33,770	33,770
Total unrestricted net assets	246,396	(268,471)
Temporarily restricted	8,215,606	4,072,054
Permanently restricted	2,150,509	150,509
Total net assets	10,612,511	3,954,092
<b>Total liabilities and net assets</b>	<b>\$ 12,272,242</b>	<b>\$ 5,387,641</b>

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Statements of Activities

***For the Year Ended December 31, 2013 (with Comparative Totals for 2012)***

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<b>2013 Totals</b>	<b>2012 Totals</b>
<b>Revenue and other support</b>					
Donated services	\$ -	\$ 27,042,444	\$ -	\$ 27,042,444	\$ 42,433,444
Public support	4,341,222	5,810,963	2,000,000	12,152,185	5,754,909
Special event: Higginbotham Dinner net of direct expenses of \$393,766 and \$313,215, respectively	2,048,420			2,048,420	1,330,708
Legal fees from court awards	301,585		-	301,585	153,041
Interest and other income	30,775	20,638		51,413	38,260
Net assets released from restrictions	28,871,779	(28,871,779)	-	-	-
<b>Total revenue and other support</b>	<b>35,593,781</b>	<b>4,002,266</b>	<b>2,000,000</b>	<b>41,596,047</b>	<b>49,710,362</b>
<b>Expenses and losses</b>					
<b>Program services</b>					
Fair Housing	11,786,585	-	-	11,786,585	8,166,689
Voting Rights	8,466,584	-	-	8,466,584	29,758,846
Educational Opportunities	4,833,075	-	-	4,833,075	7,932,597
Employment Discrimination	4,819,792	-	-	4,819,792	709,201
Community Development	1,038,744	-	-	1,038,744	719,772
Legal Mobilization and Public Policy	932,414	-	-	932,414	567,303
Public Education and General Legal	1,105,221	-	-	1,105,221	203,397
<b>Total program services</b>	<b>32,982,415</b>	<b>-</b>	<b>-</b>	<b>32,982,415</b>	<b>48,057,805</b>
<b>Supporting services</b>					
Fundraising	964,204	-	-	964,204	1,045,573
Management and general	1,169,111	-	-	1,169,111	1,277,422
<b>Total supporting services</b>	<b>2,133,315</b>	<b>-</b>	<b>-</b>	<b>2,133,315</b>	<b>2,322,995</b>
<b>Total expenses</b>	<b>35,115,730</b>	<b>-</b>	<b>-</b>	<b>35,115,730</b>	<b>50,380,800</b>
Change in net assets before net gain on investments	478,051	4,002,266	2,000,000	6,480,317	(670,438)
Net gain on investments	36,816	141,286		178,102	82,300
<b>Change in net assets</b>	<b>514,867</b>	<b>4,143,552</b>	<b>2,000,000</b>	<b>6,658,419</b>	<b>(588,138)</b>
Net assets, beginning of year	(268,471)	4,072,054	150,509	3,954,092	4,542,230
<b>Net assets, end of year</b>	<b>\$ 246,396</b>	<b>\$ 8,215,606</b>	<b>\$ 2,150,509</b>	<b>\$ 10,612,511</b>	<b>\$ 3,954,092</b>

# Lawyers' Committee for Civil Rights Under Law

## Statements of Cash Flows

<i>Year Ended December 31,</i>	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,658,419	\$ (588,138)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	94,012	238,896
Net gain on investments	(178,102)	(82,300)
Permanently restricted contributions	(2,000,000)	-
Donated software	-	-
Changes in assets and liabilities:		
Accounts receivable	(205)	20,574
Grants receivable	(5,279,277)	997,634
Promises to give	(75,668)	(456,431)
Prepaid expenses	190,548	(206,280)
Employee advances and other	23,371	(7,815)
Accounts payable	(145,658)	249,401
Accrued expenses	3,312	45,131
Payroll taxes and related liabilities	7,037	2,142
Due to affiliates	-	(21,079)
Deferred rent and construction allowance	(132,912)	(104,071)
Total adjustments	(7,493,542)	675,802
Net cash provided by operating activities	(835,123)	87,664
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,124)	(35,081)
Proceeds from sale of investments	147,862	919,267
Purchase of investments	(1,711,785)	(867,977)
Net cash (used in) provided by investing activities	(1,565,047)	16,209
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	500,000	-
(Principal payments on) acquisition of capital leases	(5,597)	16,332
Permanently restricted contributions	2,000,000	-
Net cash provided by financing activities	2,494,403	16,332
<b>Net increase in cash and cash equivalents</b>	<b>94,233</b>	<b>120,205</b>
Cash and cash equivalents, beginning of year	906,092	785,887
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,000,325</b>	<b>\$ 906,092</b>
<b>Supplemental schedule of noncash investing and financing activities</b>		
Interest paid	\$ 4,668	\$ 232

See notes to the financial statements.

# Lawyers' Committee for Civil Rights Under Law

## Statement of Functional Expenses

*For the Year Ended December 31, 2013 (with Comparative Totals for 2012)*

	2013											2012
	Program Services											2012 Total
	Voting Rights	Fair Housing	Educational Opportunities	Community Development	Employment Discrimination	Legal Mobilization and Public Policy	Public Education and General Legal	Management and General	Fundraising	Total		
Salaries and Benefits												
Salaries	\$ 1,006,931	\$ 748,398	\$ 399,067	\$ 267,813	\$ 258,565	\$ 324,539	\$ 141,391	\$ 563,313	\$ 415,969	\$ 4,125,986	\$ 4,208,742	
Benefits	167,541	122,512	65,906	44,143	42,514	54,123	27,017	109,337	68,268	701,361	680,664	
	1,174,472	870,910	464,973	311,956	301,079	378,662	168,408	672,650	484,237	4,827,347	4,889,406	
Contractual services and co-counsel fees	6,930,274	10,650,051	4,202,099	647,109	4,424,553	400,820	792,870	118,380	104,143	28,270,299	43,422,260	
Rent and occupancy	208,344	143,064	87,323	47,654	47,985	61,198	8,968	130,508	118,381	853,425	875,893	
Travel and meetings	38,766	49,098	31,407	7,944	18,904	36,776	109,307	12,696	59,525	364,423	392,941	
Depreciation and amortization	23,097	16,234	9,813	5,385	5,492	6,791	1,030	13,124	13,046	94,012	238,896	
Office expenses	29,778	18,211	10,943	5,902	6,355	25,760	11,863	84,117	82,619	275,548	215,477	
Telephone	29,545	18,673	11,331	6,909	7,173	12,307	1,430	68,510	11,662	167,540	185,361	
Insurance & Interest	17,316	14,130	8,304	4,436	4,467	3,987	869	6,949	5,825	66,283	48,101	
Printing and duplication	6,596	1,903	1,516	547	778	2,022	2,948	6,926	36,542	59,778	32,981	
Temporary help	200	-	200	-	200	100	-	39,064	33,225	72,989	34,748	
Postage and delivery	5,933	3,172	1,710	772	1,314	2,466	5,859	13,976	14,679	49,881	27,367	
Court costs and professional dues	2,263	1,139	3,456	130	1,492	1,525	1,669	2,211	320	14,205	17,369	
<b>Total expenses</b>	<b>\$ 8,466,584</b>	<b>\$ 11,786,585</b>	<b>\$ 4,833,075</b>	<b>\$ 1,038,744</b>	<b>\$ 4,819,792</b>	<b>\$ 932,414</b>	<b>\$ 1,105,221</b>	<b>\$ 1,169,111</b>	<b>\$ 964,204</b>	<b>\$ 35,115,730</b>	<b>\$ 50,380,800</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.

The Lawyers' Committee adopted the accounting standard related to uncertain income tax positions. This standard requires that realization of an uncertain income tax position must be more likely than not (greater than 50% likelihood of realization) before it can be recognized in the financial statements. For the years ended December 31, 2013 and 2012, management did not identify any uncertain income tax positions. At a minimum, the tax years ended 2010 through 2013 are open for examination by taxing authorities.

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 3.25% as of December 31, 2013. 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.

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.

Donated services: Contributions of donated 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 by lawyers and law firms. The fair value of these services has been estimated by the law firms to be \$27,042,444 and \$42,433,444 for the years ended December 31, 2013 and 2012, 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, 2012 are presented only to provide a basis for comparison with fiscal year 2013. The 2012 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, 2012, from which the summarized information was derived.

Reclassifications: Certain 2012 amounts have been reclassified to conform to 2013's presentation. Management believes the 2013 presentation is more reflective of the composition of the Lawyers' Committee's revenue and expenses.

Subsequent events: Subsequent events have been evaluated through April 11, 2014, which is the date the financial statements were available to be issued.

### 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.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### B. CONCENTRATIONS – CONTINUED

*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.

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

2013	Total	Fair Value		
		Level 1	Level 2	Level 3
<b>Investments</b>				
Common stock	\$ 1,670,427	\$ 1,670,427	\$ -	\$ -
US government securities	390,641		390,641	
Corporate bonds	386,928		386,928	
Mutual funds	947,429	947,429		
Investments carried at fair value	3,395,425	\$ 2,617,856	\$ 777,569	\$ -
Cash management fund*	148,915			
Money market funds*	4,756			
<b>Total investments</b>	<b>\$ 3,549,096</b>			

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### C. FAIR VALUE MEASUREMENTS – CONTINUED

2012	Total	Fair Value		
		Level 1	Level 2	Level 3
<b>Investments</b>				
Common stock	\$ 391,164	\$ 391,164	\$ -	\$ -
Mutual funds	1,215,299	1,215,299		
Investments carried at fair value	1,606,463	\$ 1,606,463	\$ -	\$ -
Cash management fund*	15,854			
Money market funds*	84,754			
Certificate of deposit*	100,000			
<b>Total investments</b>	<b>\$ 1,807,071</b>			

\*The cash management fund, money market funds, and the certificate of deposit 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.

Investments using Level 2 inputs consist of government bonds and corporate bonds and are priced 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.

### D. GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

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

	2013	2012
Receivable in less than one year	\$ 3,779,079	\$ 1,444,264
Receivable in one to five years	3,815,000	500,000
Less, discount to present value	(294,870)	-
	<b>\$ 7,299,209</b>	<b>\$ 1,944,264</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

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### E. PROPERTY AND EQUIPMENT - CONTINUED

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>2013</b>	<b>2012</b>
Furniture and equipment	\$ 169,084	\$ 169,084
Computers and software	649,225	648,098
Leasehold improvements	<u>578,713</u>	<u>578,713</u>
	1,397,022	1,395,895
Less: accumulated depreciation	<u>(1,074,825)</u>	<u>(980,810)</u>
	<b><u>\$ 322,197</u></b>	<b><u>\$ 415,085</u></b>

### F. CAPITAL LEASE OBLIGATIONS

The Lawyers' Committee has entered into a capital equipment lease expiring in 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 leases. The leased equipment has the following book value at December 31,:

	<b>2013</b>	<b>2012</b>
Furniture and equipment	\$ 32,276	\$ 32,276
Less: accumulated depreciaton	<u>(9,683)</u>	<u>(3,228)</u>
	<b><u>\$ 22,593</u></b>	<b><u>\$ 29,048</u></b>

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

	<b>Amount</b>
2014	\$ 8,040
2015	8,040
2016	8,040
2017	<u>4,020</u>
	28,140
Less, amounts representing interest	<u>(4,077)</u>
	<b><u>\$ 24,063</u></b>

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

### G. BOARD-DESIGNATED NET ASSETS

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

	<b>2013</b>	<b>2012</b>
Domestic Legal Assistance Fund	\$ 16,728	\$ 16,728
Anniversary Fund	11,242	11,242
Lloyd Cutler Memorial Fund	5,800	5,800
	<b>\$ 33,770</b>	<b>\$ 33,770</b>

### 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,:

	<b>2013</b>	<b>2012</b>
Voting Rights	\$ 5,330,709	\$ 655,248
Program Reserves	1,669,918	1,507,995
Fair Housing	396,666	425,000
National Support	542,769	517,769
Community Development	247,670	515,170
Education	189,410	158,577
Public Policy	125,000	-
Legal Mobilization	8,334	-
Loan Modification Scam Prevention	-	292,295
Less, discount to present value for receivables	(294,870)	-
	<b>\$ 8,215,606</b>	<b>\$ 4,072,054</b>

### 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.

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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

#### *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.

#### *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, 2013 and 2012.

#### *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.

Endowment activity and composition as of and for the year ended December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ -	\$ 150,509	\$ 150,509
Contributions			2,000,000	2,000,000
Investment return:				
Interest and dividends	20,824	3,276		24,100
Net appreciation (realized and unrealized)	25,446	22,422		47,868
Total investment return	46,270	25,698	-	71,968
Appropriations	(46,270)	-	-	(46,270)
End of year	\$ -	\$ 25,698	\$ 2,150,509	\$ 2,176,207

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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

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

	2013	2012
Ford Foundation	\$ 2,000,000	\$ -
B. Segal Fellowship	126,000	126,000
E. Wolf Award	24,509	24,509
	<b>\$ 2,150,509</b>	<b>\$ 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. The Lawyers' Committee did not contribute to the plan for the year ended December 31, 2013.

### K. COMMITMENTS AND CONTINGENCIES

Commitments: The Lawyers' Committee entered into operating lease agreements for the rental of office and storage space expiring in March 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, 2013 and 2012, the Lawyers' Committee has established an account at the financial institution of \$129,613 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.

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. 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.

As of December 31, 2013, total future minimum lease payments under the leases are as follows:

#### Year Ending December 31,

2014	\$ 962,572
2015	988,827
2016	1,015,833
2017	1,039,569
2018	260,634
	<b>\$ 4,267,435</b>

# Lawyers' Committee for Civil Rights Under Law

## Notes to the Financial Statements

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### K. COMMITMENTS AND CONTINGENCIES

Line of Credit: During 2012, the Lawyers' Committee entered into a working capital line of credit (the LOC) agreement with a financial institution in the amount of \$1,000,000. The line of credit matures in December 2014. Borrowings under the line of credit accrue interest at a rate of 3.75%. All borrowings are collateralized by the receivables of the Lawyers' Committee. The Lawyers' Committee did not draw any funds from the LOC during 2012. For the year ended December 31, 2013, the Lawyers' Committee drew \$500,000 from the LOC. This amount was still outstanding as of December 31, 2013. Interest expense incurred under the LOC for the year ended December 31, 2013 was \$3,594.

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.

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.



T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

and Consultants

## Independent Auditor's Report on the Other Information

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

We have audited the financial statements of Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee) as of and for the year ended December 31, 2013, and have issued our report thereon dated April 11, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The other information is presented for purposes of additional analysis and is not a required part of the financial statements. Such other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Washington, DC  
April 11, 2014

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# Lawyers' Committee for Civil Rights Under Law

## Management Discussion and Analysis Year Ended December 31, 2013

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### 2013 Highlights

- The Educational Opportunities Project (EOP) secured a landmark victory in *Coalition v. Maryland Higher Education Commission*, which established that Maryland's policy of duplicating programs at its four historically black colleges and universities at geographically proximate traditionally white institutions perpetuates a segregated system of higher education in violation of the constitution. The EOP also expanded the Parental Readiness and Empowerment Program into New York and Minneapolis and assisted court-involved youth in South Jersey to resume their education and challenge their illegal suspensions and expulsions.
- The Fair Housing Project, on December 6<sup>th</sup>, 2013, won a historic exclusionary zoning case, *MHANY, et al., v. County of Nassau, and Village of Garden City, et al.* The Court found that exclusionary zoning adopted by Garden City had a disparate impact on minorities and tended to perpetuate segregation in that community. Also, the Fair Housing Team and our local affiliate in Mississippi persuaded Housing and Urban Development and the State of Mississippi to expand a landmark \$132 million Katrina housing settlement to include over 1,500 more households and add \$40 million more in long overdue repair assistance. In addition, on October 28, 2013, the Fair Housing Team collaborated with the Washington Lawyers' Committee and filed an *amicus curiae* brief in *Mt. Holly Citizens in Action v. Township of Mt. Holly*, arguing that the Court should uphold the nearly 40 years of precedent that have unanimously recognized that violations of the Fair Housing Act can be proved through a disparate impact analysis as well as evidence of intentional discrimination.
- The Voting Rights Project won a decisive victory before the Supreme Court in *Arizona v. Inter-Tribal Council of Arizona, Inc.* The Court held that Arizona is prohibited by the National Voter Registration Act from applying its documentary proof of citizenship provision to individuals who apply to register to vote using the Federal Form. The Voting Rights Project also released an authoritative report entitled *Recommendations & Case Studies Presented to the Presidential Commission on Election Administration*, using the information gained from almost a decade of Election Protection data, for the President's Commission on Election Administration.

# Lawyers' Committee for Civil Rights Under Law

## Management Discussion and Analysis Year Ended December 31, 2013

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- Loan Modification Scam Prevention Network Initiative, tasked with combatting loan modification scammers, in conjunction with its pro bono law firm co-counsel, filed 14 lawsuits against loan modification scam operators on behalf of over 400 distressed homeowners, seeking both monetary and injunctive relief. To date, we have obtained injunctions against 30 entities and 50 individuals, shutting down these scam operations and recovering through court orders and settlements, over \$500,000 for hundreds of homeowners.
- In June 2013 the Young Lawyers' Committee for Civil Rights Under Law was launched. The purpose of the Committee is to engage and build the next generation of legal leaders in the fight for racial justice.
- The Community Development Project provided legal assistance on over 30 matters with more than 30 local and national partners and allies. The project also completed a two-year New Orleans Title Clearing Initiative in conjunction with three local partners; this initiative resulted in clearing title for nearly 750 property owners that were unable to rebuild their homes after Hurricane Katrina because they could not show clear title. The economic benefit to those owners is in excess of \$10 million.
- The Employment Discrimination Project (EDP) filed and briefed a Motion to Certify a Class in *Houser v. Pritzker*, of nearly 300,000 African-American applicants for temporary positions in the 2010 Census who were denied jobs because of an arrest record. The EDP also filed suit in *Hardie v. NCAA* on behalf of the coach of an elite high school women's team who was excluded from coaching in NCAA certified tournaments due to a criminal conviction more than ten years earlier. Also, on May 21, 2013 the EDP issued a report entitled "Best Practice Standards: The Proper Use of Criminal Records in Hiring", which provides guidance to employers and background screeners on complying with regulations on evaluating applicants.
- The Judicial Diversity Program, which seeks to increase representation from people of diverse backgrounds on the judicial bench, has continued to expand. The Program began its second year of the Washington State Mentorship program and launched the North Carolina Program in Raleigh and Charlotte, NC.

# Lawyers' Committee for Civil Rights Under Law

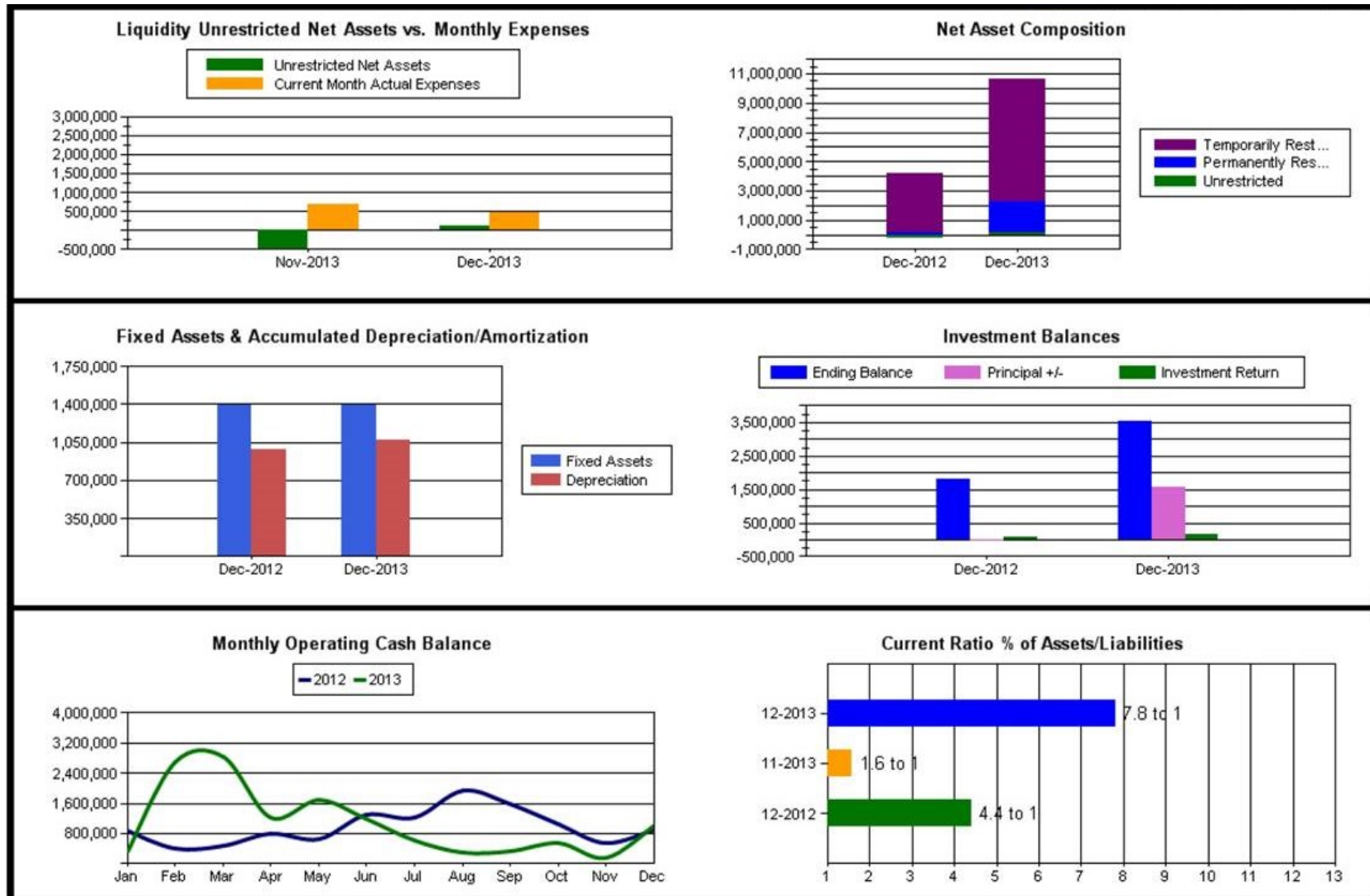
## Management Discussion and Analysis Year Ended December 31, 2013

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- We expanded our footprint on Criminal Justice issues by organizing panels on Racial Disparities in Gun Violence, launching a new Criminal Justice reform blog, and providing congressional testimony on Racial Profiling and Stand Your Ground Laws.
- The Lawyers' Committee's 50th Anniversary celebrations this year were a resounding success. The Lawyers' Committee hosted a series of celebratory events from June 19th through August 1st, including: a stellar Kickoff Reception, a 50<sup>th</sup> Anniversary Higginbotham Gala, a "Racial Justice in the New America" legal symposium, and finally a phenomenal White House Reception hosted by President Barack Obama and Attorney General Eric Holder. In addition, we published *Moving America Toward Justice: The Lawyers' Committee for Civil Rights Under Law*, a stunning commemorative book. The 50<sup>th</sup> Anniversary year of the Lawyers' Committee coincided with the 50<sup>th</sup> Anniversaries of many major civil rights milestones, this timing provided a great opportunity for the Lawyers' Committee to increase its visibility as a leader in the racial justice arena and also to remind Americans of how far we have come and yet, how much inequality still exists in our society today.

# Lawyers' Committee for Civil Rights Under Law

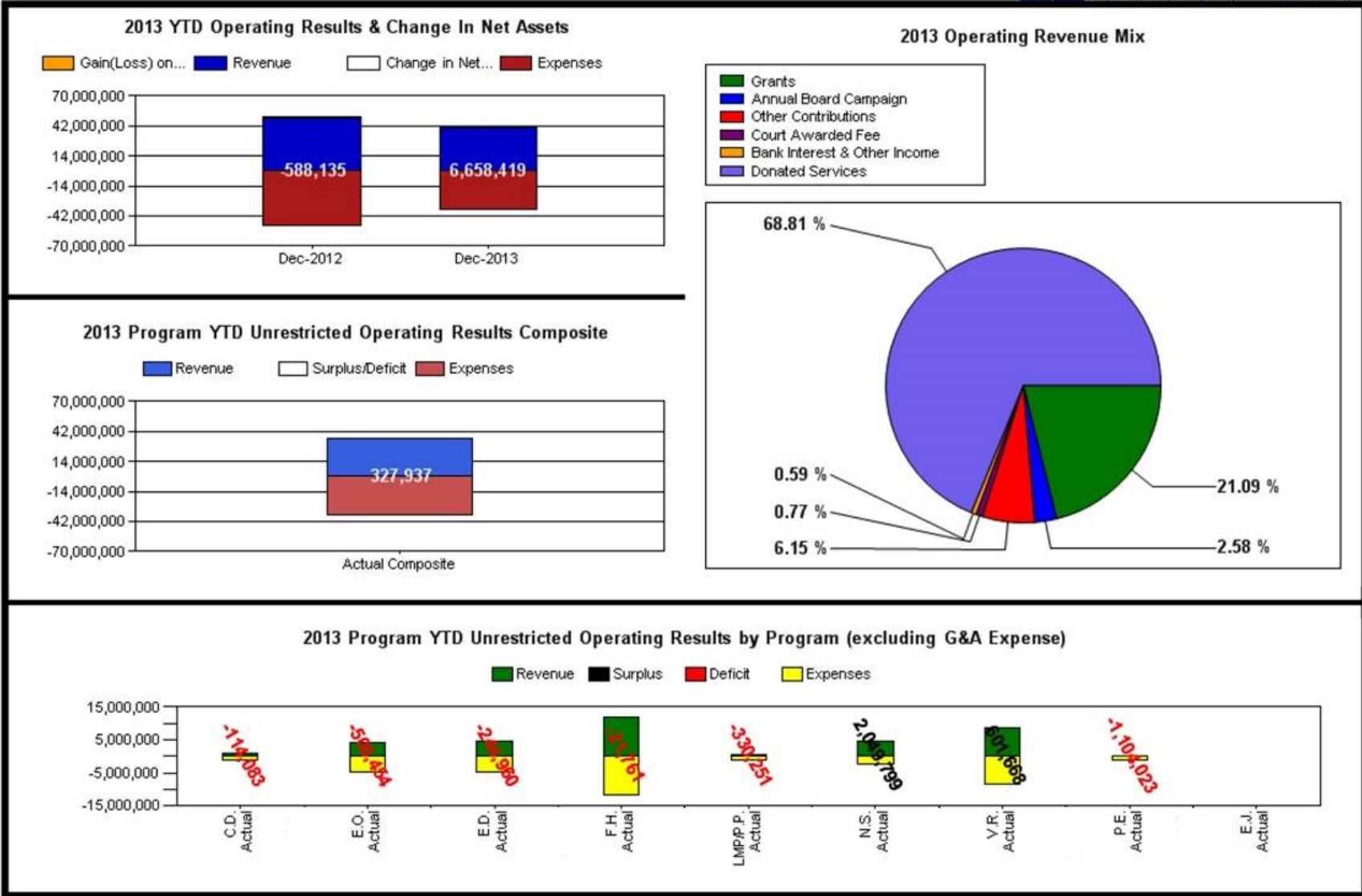
## Financial Position, Strength, and Liquidity Dashboard



See independent auditor's report on the other information.

# Lawyers' Committee for Civil Rights Under Law

## Operating Programs Dashboard



See independent auditor's report on the other information.