

Audited Financial Statements

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

December 31, 2014

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, 2014, 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 2013 financial statements, and in our report dated April 11, 2014, 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 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, 2014, 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 \$741,400 as of December 31, 2014. Our opinion is not modified with respect to that matter.

Washington, DC
May 27, 2015

Lawyers' Committee for Civil Rights Under Law

Statements of Financial Position

December 31,	2014	2013
Assets		
Cash and cash equivalents	\$ 1,996,421	\$ 1,000,325
Investments	4,031,117	3,549,096
Accounts receivable	1,615	2,174
Grants receivable	2,792,705	6,652,132
Unconditional promises to give	987,288	647,077
Prepaid expenses	79,733	92,692
Employee advances and other	278	6,549
Property and equipment, net	242,377	322,197
Total assets	\$ 10,131,534	\$ 12,272,242
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 353,787	\$ 164,166
Accrued expenses	398,873	258,575
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	6,230	16,255
Due to affiliates	3,457	3,457
Lease obligations	17,939	24,063
Line of credit	350,000	500,000
Deferred rent and construction allowance	449,731	563,603
Total liabilities	1,709,629	1,659,731
Net assets		
Unrestricted		
Undesignated	(775,170)	212,626
Board-designated funds	33,770	33,770
Total unrestricted net (deficit) assets	(741,400)	246,396
Temporarily restricted	7,012,796	8,215,606
Permanently restricted	2,150,509	2,150,509
Total net assets	8,421,905	10,612,511
Total liabilities and net assets	\$ 10,131,534	\$ 12,272,242

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statements of Activities

For the Year Ended December 31, 2014 (with Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Totals	2013 Totals
Revenue and other support					
Donated services	\$ -	\$ 26,540,667	\$ -	\$ 26,540,667	\$ 27,042,444
Public support	2,618,405	1,924,943	-	4,543,348	12,152,185
Special event: Higginbotham Dinner net of direct expenses of \$440,616 and \$393,766, respectively	1,476,854	-	-	1,476,854	2,048,420
Legal fees from court awards	690,932	-	-	690,932	301,585
Interest and other income	35,179	107,523	-	142,702	51,413
Net assets released from restrictions	29,789,639	(29,789,639)	-	-	-
Total revenue and other support	34,611,009	(1,216,506)	-	33,394,503	41,596,047
Expenses and losses					
Program services					
Voting Rights	15,184,000	-	-	15,184,000	9,505,328
Fair Housing / Community Development	7,173,631	-	-	7,173,631	11,786,585
Legal Mobilization and Public Policy	5,845,312	-	-	5,845,312	932,414
Employment Discrimination	2,431,989	-	-	2,431,989	4,819,792
Educational Opportunities	1,873,964	-	-	1,873,964	4,833,075
Public Education and General Legal	818,418	-	-	818,418	1,105,221
Total program services	33,327,314	-	-	33,327,314	32,982,415
Supporting services					
Management and general	1,299,007	-	-	1,299,007	1,169,111
Fundraising	1,086,322	-	-	1,086,322	964,204
Total supporting services	2,385,329	-	-	2,385,329	2,133,315
Total expenses	35,712,643	-	-	35,712,643	35,115,730
Change in net assets before net gain on investments	(1,101,634)	(1,216,506)	-	(2,318,140)	6,480,317
Net gain on investments	113,838	13,696	-	127,534	178,102
Change in net assets	(987,796)	(1,202,810)	-	(2,190,606)	6,658,419
Net assets, beginning of year	246,396	8,215,606	2,150,509	10,612,511	3,954,092
Net assets, end of year	\$ (741,400)	\$ 7,012,796	\$ 2,150,509	\$ 8,421,905	\$ 10,612,511

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statements of Cash Flows

Year Ended December 31,	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (2,190,606)	\$ 6,658,419
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	84,053	94,012
Net gain on investments	(127,534)	(178,102)
Uncollectible accounts	7,910	-
Permanently restricted contributions	-	(2,000,000)
Changes in assets and liabilities:		
Accounts receivable	(7,351)	(205)
Grants receivable	3,859,427	(5,279,277)
Promises to give	(340,211)	(75,668)
Prepaid expenses	12,959	190,548
Employee advances and other	6,271	23,371
Accounts payable	189,621	(145,658)
Accrued expenses	140,298	3,312
Payroll taxes and related liabilities	(10,025)	7,037
Deferred rent and construction allowance	(113,872)	(132,912)
Total adjustments	3,701,546	(7,493,542)
Net cash provided by (used in) operating activities	1,510,940	(835,123)
Cash flows from investing activities		
Purchase of property and equipment	(4,233)	(1,124)
Proceeds from sale of investments	1,478,414	147,862
Purchase of investments	(1,832,901)	(1,711,785)
Net cash used in investing activities	(358,720)	(1,565,047)
Cash flows from financing activities		
Proceeds from line of credit	350,000	500,000
Principal payments on the line credit	(500,000)	-
Principal payments on capital leases	(6,124)	(5,597)
Permanently restricted contributions	-	2,000,000
Net cash (used in) provided by financing activities	(156,124)	2,494,403
Net increase in cash and cash equivalents	996,096	94,233
Cash and cash equivalents, beginning of year	1,000,325	906,092
Cash and cash equivalents, end of year	\$ 1,996,421	\$ 1,000,325
Supplemental schedule of noncash investing and financing activities		
Interest paid	\$ 14,222	\$ 4,668

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Functional Expenses

For the Year Ended December 31, 2014 (with Comparative Totals for 2013)

	2014								2013	
	Program Services								2013 Total	
	Voting Rights	Fair Housing/ Community Development	Educational Opportunities	Employment Discrimination	Legal Mobilization and Public Policy	Public Education and General Legal	Management and General	Fundraising	Total	
Salaries and Benefits										
Salaries	1,608,463	741,898	327,681	220,605	422,761	184,348	647,248	480,602	\$ 4,633,606	\$ 4,125,986
Benefits	302,554	147,983	65,249	44,658	84,308	37,264	141,068	95,493	918,577	701,361
	1,911,017	889,881	392,930	265,263	507,069	221,612	788,316	576,095	5,552,183	4,827,347
Contractual services and co-counsel fees	591,001	79,017	15,094	17,083	805	90,414	83,175	275,186	1,151,775	1,227,855
Donated services	11,783,374	5,932,000	1,341,660	2,082,497	5,136,851	264,285	-	-	26,540,667	27,042,444
Rent and occupancy	335,217	133,951	68,549	40,627	77,839	29,417	136,676	75,460	897,736	853,425
Travel and meetings	183,932	42,136	21,018	5,223	46,334	169,768	76,812	17,304	562,527	364,423
Depreciation and amortization	22,052	12,637	6,428	3,451	9,551	2,881	18,919	8,134	84,053	94,012
Office expenses	157,120	48,244	7,651	4,173	39,014	16,410	73,730	83,944	430,286	275,548
Telephone	127,008	23,157	12,421	8,794	16,033	5,629	38,135	8,041	239,218	167,540
Insurance & Interest	20,461	9,960	5,123	2,944	6,015	1,333	18,846	2,784	67,466	66,283
Printing and duplication	29,112	13	454	217	733	11,725	14,382	12,837	69,473	59,778
Temporary help	361	-	42	-	-	673	14,704	15,873	31,653	72,989
Postage and delivery	7,059	1,418	1,735	595	1,107	3,334	29,404	10,664	55,316	49,881
Court costs and professional dues	16,286	1,217	859	1,122	3,961	937	5,908	-	30,290	14,205
Total expenses	\$ 15,184,000	\$ 7,173,631	\$ 1,873,964	\$ 2,431,989	\$ 5,845,312	\$ 818,418	\$ 1,299,007	\$ 1,086,322	\$ 35,712,643	\$ 35,115,730

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

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, 2014 and 2013, management did not identify any uncertain income tax positions. At a minimum, the tax years ended 2011 through 2014 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, 2014. 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

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 \$26,540,667 and \$27,042,444 for the years ended December 31, 2014 and 2013, 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, 2013 are presented only to provide a basis for comparison with fiscal year 2014. The 2013 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, 2013, from which the summarized information was derived. For consistency with the 2014 presentation, the 2013 expenses related to Fair Housing and Community Development have been combined.

Subsequent events: Subsequent events have been evaluated through May 27, 2015, 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,:

2014	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments				
Common stock	\$ 1,773,781	\$ 1,773,781	\$ -	\$ -
US government securities	400,665		400,665	
Corporate bonds	372,889		372,889	
Mutual funds	1,098,420	1,098,420		
Investments carried at fair value	3,645,755	\$ 2,872,201	\$ 773,554	\$ -
Cash management fund*	380,606			
Money market funds*	4,756			
Total investments	\$ 4,031,117			

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

C. FAIR VALUE MEASUREMENTS – CONTINUED

2013	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments				
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			
Total investments	\$ 3,549,096			

*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.

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,:

	2014	2013
Receivable in less than one year	\$ 1,338,538	\$ 3,779,079
Receivable in one to five years	2,618,000	3,815,000
Less: discount to present value	(176,545)	(294,870)
	\$ 3,779,993	\$ 7,299,209

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,:

	2014	2013
Furniture and equipment	\$ 170,582	\$ 169,084
Computers and software	651,960	649,225
Leasehold improvements	<u>578,713</u>	<u>578,713</u>
	1,401,255	1,397,022
Less: accumulated depreciation	<u>(1,158,878)</u>	<u>(1,074,825)</u>
	<u>\$ 242,377</u>	<u>\$ 322,197</u>

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,:

	2014	2013
Furniture and equipment	\$ 32,276	\$ 32,276
Less: accumulated depreciaton	<u>(16,138)</u>	<u>(9,683)</u>
	<u>\$ 16,138</u>	<u>\$ 22,593</u>

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

	Amount
2015	\$ 8,040
2016	8,040
2017	<u>4,020</u>
	20,100
Less: amounts representing interest	<u>(2,161)</u>
	<u>\$ 17,939</u>

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,:

	2014	2013
Domestic Legal Assistance Fund	\$ 16,728	\$ 16,728
Anniversary Fund	11,242	11,242
Lloyd Cutler Memorial Fund	5,800	5,800
	\$ 33,770	\$ 33,770

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,:

	2014	2013
Voting Rights	\$ 3,712,239	\$ 5,330,709
Program Reserves	1,766,637	1,669,918
National Support	631,038	542,769
Education	511,643	189,410
Fair Housing/Community Development	482,362	644,336
Employment Discrimination	71,548	-
Public Policy	13,270	125,000
Legal Mobilization	604	8,334
Less: discount to present value for receivables	(176,545)	(294,870)
	\$ 7,012,796	\$ 8,215,606

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, 2014 and 2013.

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,:

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 121,954	\$ 2,150,509	\$ 2,272,463
Contributions				-
Investment return:				
Interest and dividends	73,573	2,205		75,778
Net appreciation (realized and unrealized)	75,304	17,189		92,493
Total investment return	148,877	19,394	-	168,271
Appropriations	(148,877)			(148,877)
End of year	\$ -	\$ 141,348	\$ 2,150,509	\$ 2,291,857

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 96,256	\$ 150,509	\$ 246,765
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	\$ -	\$ 121,954	\$ 2,150,509	\$ 2,272,463

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

	2014	2013
Ford Foundation	\$ 2,000,000	\$ 2,000,000
B. Segal Fellowship	126,000	126,000
E. Wolf Award	24,509	24,509
	\$ 2,150,509	\$ 2,150,509

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 Board of Directors approved a \$110,110 employer contribution to the plan for the year ended December 31, 2014. This amount is included within accrued expenses as of December 31, 2014. No employer contributions were made 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, 2014 and 2013, 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. 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.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

K. COMMITMENTS AND CONTINGENCIES - CONTINUED

Total anticipated future minimum lease payments under the leases are as follows:

Year Ending December 31,	
2015	\$ 573,963
2016	1,011,061
2017	1,038,905
2018	<u>261,762</u>
	<u>\$ 2,885,691</u>

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 2015. 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. For the year ended December 31, 2014 and 2013, the Lawyers' Committee drew \$350,000 and \$500,000 from the LOC, respectively. The \$350,000 was still outstanding as of December 31, 2014. Interest expense incurred under the LOC for the years ended December 31, 2014 and 2013 was approximately \$12,300 and \$3,600, 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.

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, 2014, the Lawyers' Committee had a deficit unrestricted net assets balance of \$741,400. 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.

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, 2014, and have issued our report thereon dated May 27, 2015, 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
May 27, 2015

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Management Discussion and Analysis

2014 Highlights

The mission of the Lawyers' Committee for Civil Rights Under Law for more than 50 years has been to mobilize the expertise and resources of the private bar to combat racial injustice, and, in that time, tens of millions of Americans have benefitted from our work. In 2014, the Lawyers' Committee faced a myriad of challenges and made great strides in advancing justice for all. Here are a few highlights:

Protecting Democracy

VOTING RIGHTS AND ELECTION PROTECTION

In 2014 the challenge of legally protecting voting rights and helping individual voters retain access increased when the United States Supreme Court in 2013 eliminated pre-clearance requirements for election law changes in states that are traditional voting rights offenders. In response, the Lawyers' Committee pursued an active docket of strategic litigation on matters such as Voter ID laws, purging of voter rolls, and reduction of early voting hours. In addition to our litigation docket, we undertook efforts to educate voters by creating voter information toolkits, launching an updated online voting information App and conducting Twitter Town Hall meetings. During the election season, we fielded more than 43,000 phone calls in law firm based call centers around the country. In addition to the hotlines, we organized or supported field programs in 22 states and captured more than 23,000 voter queries and complaints in the Our Vote Live data base. Overall we had 2,000 legal volunteers. The Lawyers' Committee convened and staffed the National Commission on Voting Rights (NCVR), a diverse panel of voting and civil rights leader to examine the current state of voting rights. By the end of May, 2014, the Commission had conducted 25 state and regional hearings covering 48 states and Washington, DC, and engaged more than 400 regional, state, and local organizations. On the anniversary of the signing of the Voting Rights Act and a year after the Supreme Court's *Shelby County v. Holder* decision, the National Commission on Voting Rights released its first report *Protecting Minority Voters: Our Work is Not Done* showing where and how minority voters continue to be harmed by racial discrimination in voting. The VRP has been involved in more than 20 matters over the past year, many of them litigation of national prominence as well as local importance in Arizona, Georgia, Louisiana, Nevada, Texas, and South Dakota. While many of our legal cases remain in various stages of appeal, we believe we will prevail in numerous precedent setting cases. We had a major victory in Texas *NAACP v. Cascos* when U.S. District Judge Nelva Gonzales Ramos issued a decision ruling that the Texas restrictive photo identification law violated the United States Constitution and Section 2 of the Voting Rights Act finding that it was enacted for the purpose of discriminating against African American and Latino voters, and that it creates a substantial burden on the fundamental right to vote, constitutes a poll tax, and denies minority voters an equal opportunity to participate in the political process. As we move ahead into 2015 and beyond, we are confident that we have strengthened our capacity to wage effective Election Protection efforts in upcoming elections.

Management Discussion and Analysis

Pursuing Police and Criminal Justice Reform

The Lawyers' Committee for Civil Rights was called upon to exercise urgent leadership in the aftermath of the killing of Michael Brown in Ferguson, Missouri. We helped organize a coalition of national civil rights organizations to devise and promote a series of critical reforms in policing. As a coalition leader, we help bring together and amplify the voices and resources of each organization, playing on our strengths and building overall capacity to address the issue of police brutality and the need for systemic change. In addition, we conducted a series of fact-finding meetings to gather insight into specific inequities in the criminal justice system, including inadequate representation of indigent citizens, mass incarceration, improper use of criminal background checks, modern-day debtors' prisons, and racial profiling. We will continue and expand activities to sustain post-Ferguson police reform efforts and address specific, unmet needs in the area of criminal justice reform. The Lawyers' Committee has also worked continuously in a supporting role by coordinating its vast network of pro bono attorneys and experience organizing large-scale pro bono projects to enable the Clemency Project 2014. The Lawyers' Committee designed a process to screen thousands of federal prisoner applications based on criteria released by the U.S. Department of Justice in April 2014. Over 26,000 federal prisoners have applied to be part of the initiative, and 50 law firms have committed to taking on almost 900 matters.

Protecting Consumers

During the foreclosure crisis, in response to a troubling rise of predatory loan modification scams, the Lawyers' Committee created the "Loan Modification Scam Prevention Network" (LMSPN), along with Fannie Mae, Freddie Mac, NeighborWorks America and the Homeownership Preservation Foundation (HPF). The LMPSN database has received more than 43,000 complaints and contributed to foreclosure rescue fraud investigations at over 100 federal, state, and local enforcement agencies. The Lawyers' Committee continued to prosecute 12 of our 14 filed lawsuits on behalf of over 450 distressed homeowners. These litigation efforts have resulted in a total of 120 entities being shut down and individuals being barred from any involvement with mortgage assistance relief services, and the total monetary relief for victims of the scams as a result of settlements, judgments, punitive damages awards, and sanctions through these litigation efforts grew to over \$3.7 million.

Ensuring Access to Opportunity

EDUCATION

An important educational focus area is the Lawyers' Committee's Parental Readiness and Empowerment Program (PREP). PREP seeks to improve K-12 student performance, retention, and access to equal educational opportunities for low-income and minority children in targeted communities by increasing parental engagement. PREP works to ensure that parents become successful advocates for their children so they have meaningful access to a quality education. In 2014, we expanded the program to New York and Minneapolis serving hundreds of parents through

Management Discussion and Analysis

skill-building clinics. Since PREP was launched as a pilot project in 2010, we have since engaged more than 1,500 parents and educators and over 180 legal volunteers in 64 workshops and educational consultation clinics in the New York City, Minneapolis/St. Paul, San Diego, and the Greater Washington, D.C. metropolitan areas. An online platform for PREP is currently in production, which will deliver its best practices and techniques around the country through e-clinics, web-based counseling and dynamic parent-to-parent interactions.

EMPLOYMENT

In 2010 the Bureau of Census implemented a policy preventing applicants with prior criminal or conviction records from obtaining jobs as decennial enumerators. In response, the Lawyers' Committee filed a Title VII suit with many other advocacy organizations on behalf of African-American and Latino applicants who were denied enumerator positions, and who were disproportionately affected by the new screening standards. The U.S. District Court has certified a class of several hundred thousand minority applicants who were unfairly denied the opportunity to compete for positions as enumerators. This is the largest employment discrimination class action in the country. The Employment Project also is working to disseminate best practices for proper use of criminal background checks to avoid discrimination against formerly incarcerated individuals.

Creating Fair and Vital Communities

FAIR HOUSING AND COMMUNITY DEVELOPMENT

The Fair Housing and Community Development Project won a historic exclusionary zoning case in the Village of Garden City, New York. The court found exclusionary zoning adopted by Garden City had a disparate impact on minorities and perpetrated segregation in that community. The project also succeeded in persuading HUD and the State of Mississippi to expand a landmark \$132 million Katrina housing settlement to include over 1,500 households and an additional \$40 million for long overdue repairs. Work was also undertaken to improve Louisiana landlord tenant laws to bring them closer in line with best practices for protecting tenant rights. At the intersection between fair housing and community development we continue to elevate the voices of low-income persons and communities of color to ensure full participation in the decisions that will ultimately determine community development and housing choice in their communities, and are developing strategies to help national organizations, foundations, and federal agencies collaborate most effectively.

Engaging the Public and Policy-Makers in Finding New Solutions

THE PUBLIC POLICY PROJECT

The Public Policy Project launched a Judicial Diversity Program in Washington and North Carolina to provide networking opportunities for lawyers from underrepresented communities, to conduct programs to educate the public about the importance of diversity in the judiciary and regarding various pathways to the bench, and to encourage aspiring attorneys. We have joined a coalition of organizations to create a centralized system for submitting clemency petitions on behalf of potentially eligible federal prisoners. Our Educational Project staff has introduced a bill on proper use of

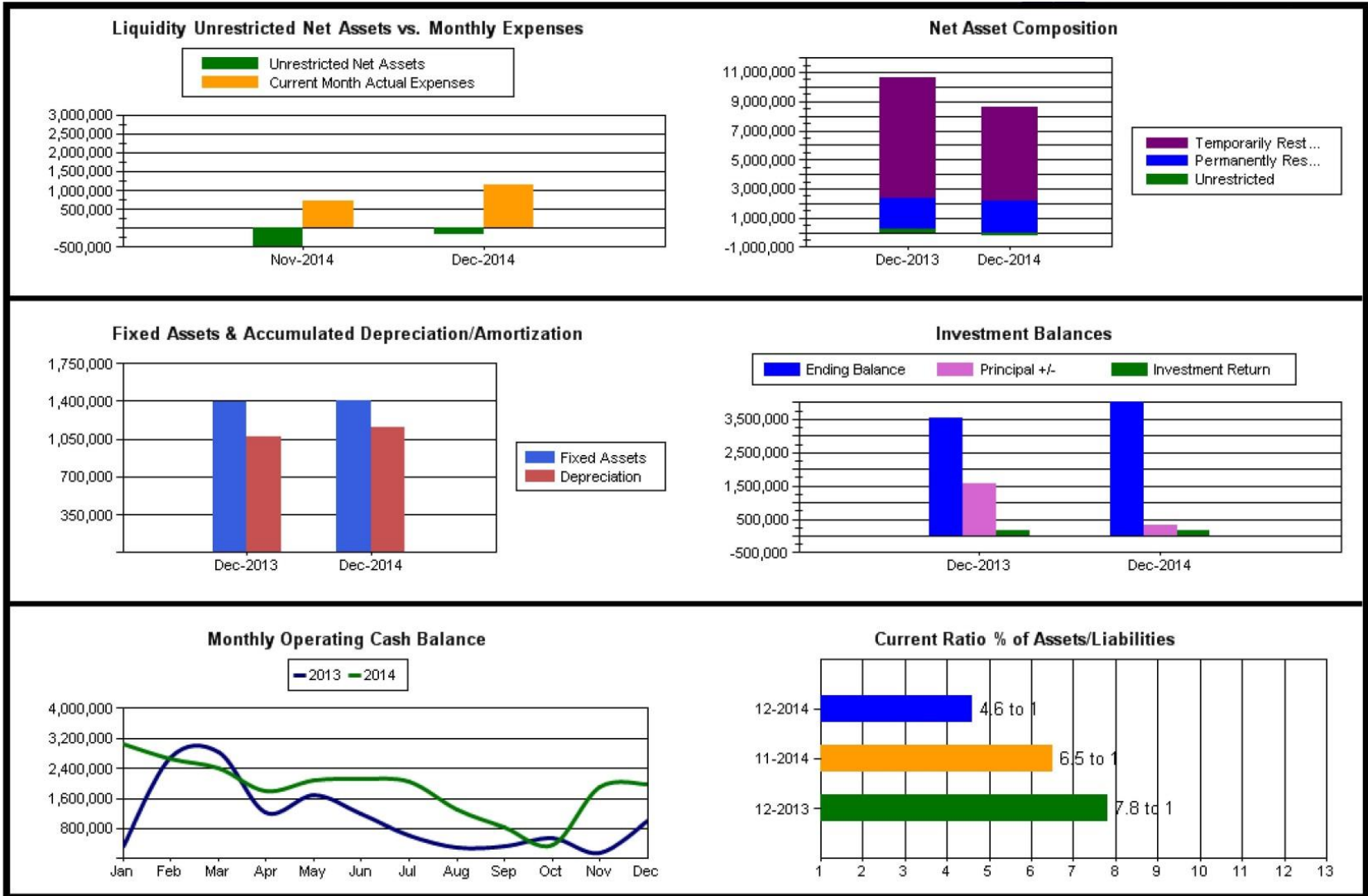
Management Discussion and Analysis

background checks for school employees. The project proposed critical legislation to repair the Voting Rights Act after *Shelby County v. Holder* eliminated key safeguards of the Act which prevented voter suppression. Finally, we have provided special leadership in defining a consensus reform agenda and will support its implementation through public education, administrative law and legislative advocacy in collaboration with other civil rights groups.

The work of the Lawyers' Committee for Civil Rights Under Law has exceptional impact because it is multi-disciplinary—involving litigation, research, legal mobilization, advocacy and education. The work of a small core program staff leverages more than \$25 million worth of donated legal services every year from the nation's major law firms. This voluntary investment means every dollar philanthropically donated to the Lawyers' Committee generates three additional dollars of high quality, donated legal service. The unique and strategic work of the Lawyers' Committee was essential to this nation's quest for racial justice in 2014.

Lawyers' Committee for Civil Rights Under Law

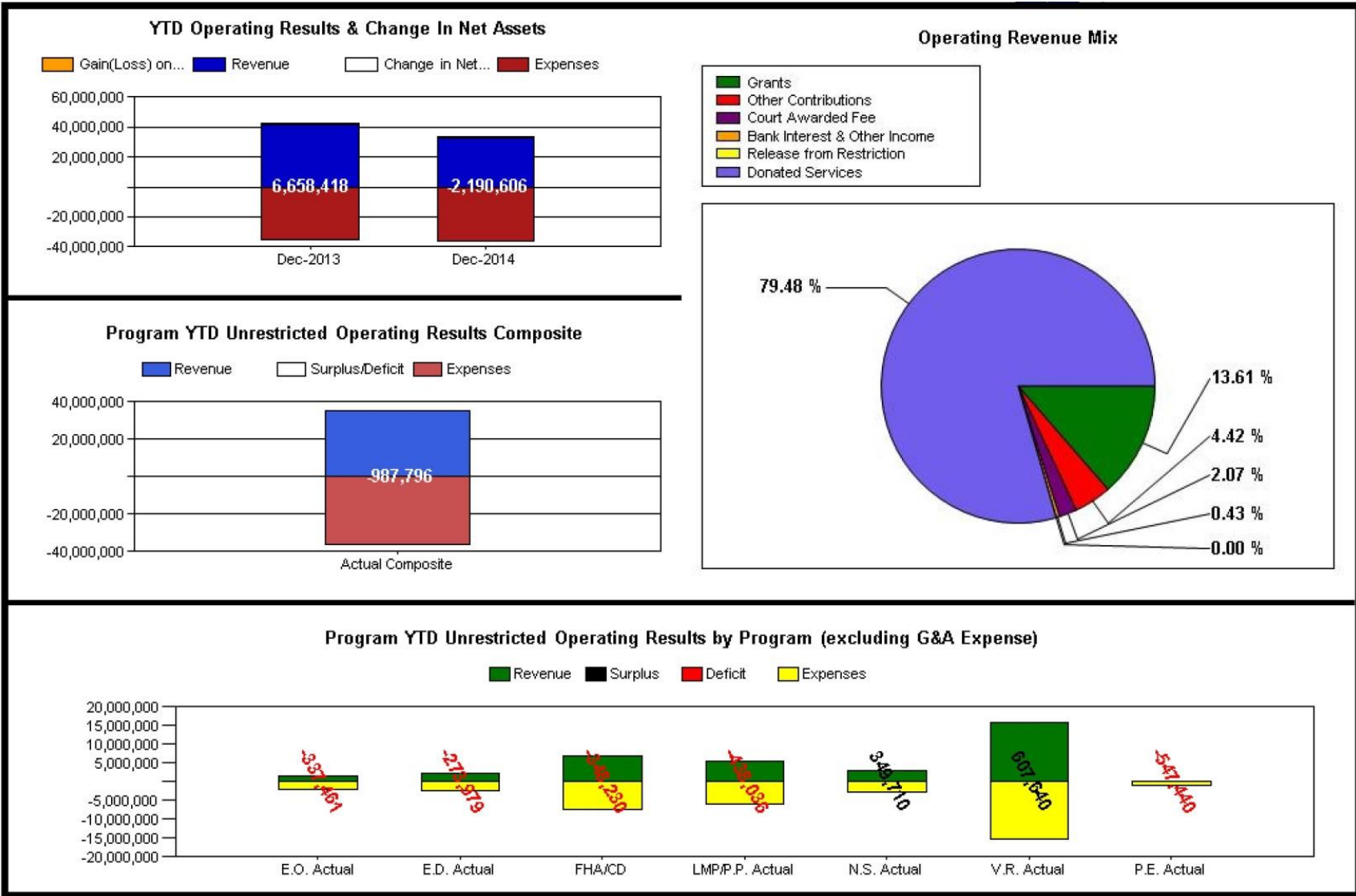
Financial Position, Strength, and Liquidity Dashboard



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.