

Audited Financial Statements

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

December 31, 2017

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, 2017, 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 2016 financial statements, and in our report dated September 5, 2017, 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, 2017, 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
November 16, 2018

Lawyers' Committee for Civil Rights Under Law

Statements of Financial Position

December 31,	2017	2016
Assets		
Cash and cash equivalents	\$ 6,092,196	\$ 3,562,980
Investments	4,072,180	3,697,624
Accounts receivable	225,721	8
Grants receivable	1,948,936	3,790,637
Promises to give	783,540	803,732
Prepaid expenses	180,084	179,643
Employee advances and other	500	-
Property and equipment, net	92,396	155,552
Total assets	\$ 13,395,553	\$ 12,190,176
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 230,325	\$ 186,039
Accrued expenses	195,001	724,988
Deferred revenue	115,000	-
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	5,638	5,989
Lease obligations	-	3,917
Line of credit	1,909,758	2,406,341
Deferred rent and construction allowance	184,876	568,667
Total liabilities	2,770,210	4,025,553
Net assets		
Unrestricted		
Undesignated	728,162	(2,059,797)
Board-designated funds	33,770	33,770
Total unrestricted net assets (deficit)	761,932	(2,026,027)
Temporarily restricted	7,712,902	8,040,141
Permanently restricted	2,150,509	2,150,509
Total net assets	10,625,343	8,164,623
Total liabilities and net assets	13,395,553	\$ 12,190,176

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Activities

For the Year Ended December 31, 2017 (with Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
Revenue and other support					
Public support	\$ 1,267,869	\$ 5,666,215	\$ -	\$ 6,934,084	\$ 8,902,513
Special event: Higginbotham Dinner net of direct expenses of \$318,083 and \$303,123, respectively	1,652,352	-	-	1,652,352	1,414,585
Legal fees from court awards	655,996	-	-	655,996	267,576
Interest and other income	186,460	15,729	-	202,189	125,963
Net assets released from restrictions	6,032,485	(6,032,485)	-	-	-
Total revenue and other support	9,795,162	(350,541)	-	9,444,621	10,710,637
Expenses and losses					
Program services					
Stop Hate	1,448,145	-	-	1,448,145	-
Voting Rights	1,382,720	-	-	1,382,720	2,888,057
Public Education and General Legal	1,170,978	-	-	1,170,978	850,291
Fair Housing / Community Development	603,598	-	-	603,598	824,772
Legal Mobilization and Public Policy	447,904	-	-	447,904	613,426
Educational Opportunities	562,333	-	-	562,333	564,601
Economic Justice	208,127	-	-	208,127	162,707
Criminal Justice	139,845	-	-	139,845	-
Total program services	5,963,650	-	-	5,963,650	5,903,854
Supporting services					
Fundraising	666,647	-	-	666,647	577,348
Management and general	611,610	-	-	611,610	709,531
Total supporting services	1,278,257	-	-	1,278,257	1,286,879
Total expenses	7,241,907	-	-	7,241,907	7,190,733
Change in net assets before					
net return on investments and donated services	2,553,255	(350,541)	-	2,202,714	3,519,904
Net return on investments	234,704	23,302	-	258,006	117,309
In-kind legal services	31,834,601	-	-	31,834,601	41,696,164
In-kind legal services - Clemency Project 2014	1,275,921	-	-	1,275,921	55,913,969
Imputed program service expense for in-kind legal services	(33,110,522)	-	-	(33,110,522)	(97,610,133)
Change in net assets	2,787,959	(327,239)	-	2,460,720	3,637,213
Net assets (deficit), beginning of year	(2,026,027)	8,040,141	2,150,509	8,164,623	4,527,410
Net assets, end of year	\$ 761,932	\$ 7,712,902	\$ 2,150,509	\$ 10,625,343	\$ 8,164,623

Lawyers' Committee for Civil Rights Under Law

Statements of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 2,460,720	\$ 3,637,213
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	82,964	81,868
Net gain on investments	(258,006)	(117,309)
Bad debt expense	24,400	8,500
Changes in assets and liabilities:		
Accounts receivable	(225,713)	78,683
Grants receivable	1,826,701	(2,935,637)
Promises to give	10,792	32,466
Prepaid expenses	(441)	(17,213)
Employee advances and other	(500)	-
Accounts payable	44,286	95,916
Accrued expenses	(529,987)	460,880
Deferred revenue	115,000	-
Payroll taxes and related liabilities	(351)	(484)
Due to affiliate	-	(3,457)
Deferred rent and construction allowance	(383,791)	(56,440)
Total adjustments	705,354	(2,372,227)
Net cash provided by operating activities	3,166,074	1,264,986
Cash flows from investing activities		
Purchase of property and equipment	(19,808)	(11,595)
Proceeds from sale of investments	1,256,890	1,656,528
Purchase of investments	(1,373,440)	(1,690,144)
Net cash used in investing activities	(136,358)	(45,211)
Cash flows from financing activities		
Proceeds from line of credit	80,448	83,803
Principal payments on the line of credit	(577,031)	(105,245)
Principal payments on capital leases	(3,917)	(7,325)
Net cash used in financing activities	(500,500)	(28,767)
Net increase in cash and cash equivalents	2,529,216	1,191,008
Cash and cash equivalents, beginning of year	3,562,980	2,371,972
Cash and cash equivalents, end of year	\$ 6,092,196	\$ 3,562,980
Supplemental Information		
Interest paid	\$ 80,542	\$ 84,819

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Functional Expenses

For the Year Ended December 31, 2017 (with Comparative Totals for 2016)

	Program Services											2016	
	Stop	Voting	Public	Fair Housing/	Legal	Educational	Economic	Criminal	Fundraising	Management	Total	2016	
	Rate	Rights	Education	Community	Mobilization	Opportunities	Justice	Justice		and General		Total	
Salaries and Benefits													
Salaries	\$ 753,342	\$ 788,034	\$ 748,180	\$ 408,641	\$ 269,193	\$ 356,971	\$ 146,253	\$ 109,063	\$ 439,086	\$ 428,810	\$ 4,447,573	\$ 4,087,587	
Benefits	122,160	141,434	122,297	68,351	44,518	58,728	22,738	14,349	73,283	35,218	703,076	686,860	
	875,502	929,468	870,477	476,992	313,711	415,699	168,991	123,412	512,369	464,028	5,150,649	4,774,447	
Contractual services and co-counsel fees	304,148	27,750	65,237	11,708	39,686	11,919	2,763	1,492	61,994	13,770	540,467	650,987	
Rent and occupancy	143,062	114,280	94,684	52,819	27,117	53,057	15,976	8,622	27,011	29,635	566,263	549,154	
Travel and meetings	26,963	59,698	37,593	17,647	26,619	4,163	6,352	23	8,729	2,665	190,452	304,329	
Technology and research	14,631	156,925	22,704	8,543	3,367	41,166	3,176	813	3,085	3,054	257,464	295,096	
Communications	528	16,381	11,023	-	270	1,843	180	-	3,376	1,539	35,140	161,019	
Office expenses	22,057	24,614	18,268	9,149	23,657	9,978	2,625	1,320	30,547	59,166	201,381	150,352	
Insurance & Interest	29,596	24,521	20,115	12,947	6,700	12,391	3,836	2,281	5,081	6,145	123,613	137,869	
Depreciation and amortization	20,960	16,743	13,872	7,739	3,973	7,774	2,341	1,263	3,957	4,342	82,964	81,868	
Printing and duplication	5,227	5,194	5,774	1,436	1,203	1,533	480	265	6,159	858	28,129	43,048	
Postage and delivery	3,189	2,818	3,669	1,718	577	1,169	433	183	4,116	20,567	38,439	22,101	
Court costs and professional dues	1,100	3,384	6,480	2,464	800	1,203	842	100	-	2,205	18,578	14,096	
Temporary help	1,182	944	1,082	436	224	438	132	71	223	3,636	8,368	6,367	
Total expenses before donated services	1,448,145	1,382,720	1,170,978	603,598	447,904	562,333	208,127	139,845	666,647	611,610	7,241,907	7,190,733	
In-kind legal services	1,063,495	9,194,630	4,741,760	4,393,878	1,275,921	4,149,437	2,512,553	5,778,848	-	-	33,110,522	97,610,133	
Total expenses	\$ 2,511,640	\$ 10,577,350	\$ 5,912,738	\$ 4,997,476	\$ 1,723,825	\$ 4,711,770	\$ 2,720,680	\$ 5,918,693	\$ 666,647	\$ 611,610	\$ 40,352,429	\$ 104,800,866	

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

A. ORGANIZATION 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, 2017. 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, 2017 and 2016 amounted to \$24,400 and \$8,500, 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

A. ORGANIZATION 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 F 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 G 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 H 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 \$31,834,601 and \$41,696,164 for the years ended December 31, 2017 and 2016, 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 \$1,275,921 and \$55,913,969 for the years ended December 31, 2017 and 2016, 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, 2016 are presented only to provide a basis for comparison with fiscal year 2017. The 2016 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, 2016, from which the summarized information was derived.

Measure of operations: The Lawyers' Committee does not include the net return on investments and donated services in the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through November 16, 2018, which is the date the financial statements were available to be issued.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

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 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 securities 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,:

2017	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments				
Common stock	\$ 968,036	\$ 968,036	\$ -	\$ -
US government securities	576,883		576,883	
Corporate bonds	779,844		779,844	
Mutual funds	1,457,190	1,457,190		
Investments carried at fair value	3,781,953	\$ 2,425,226	\$ 1,356,727	\$ -
Cash management fund*	290,227			
Total investments	\$ 4,072,180			

2016	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments				
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			
Total investments	\$ 3,697,624			

*The cash management fund is not subject to the provisions of fair value measurements as it is 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,:

	2017	2016
Receivable in less than one year	\$ 1,841,839	\$ 3,572,839
Receivable in one to five years	931,310	1,106,050
Less: discount to present value	<u>(40,673)</u>	<u>(84,520)</u>
	<u>\$ 2,732,476</u>	<u>\$ 4,594,369</u>
Grants receivable	\$ 1,948,936	\$ 3,790,637
Promises to give	<u>783,540</u>	<u>803,732</u>
	<u>\$ 2,732,476</u>	<u>\$ 4,594,369</u>

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,:

	2017	2016
Furniture and equipment	\$ 170,582	\$ 170,582
Computers and software	749,038	729,230
Leasehold improvements	<u>578,713</u>	<u>578,713</u>
	1,498,333	1,478,525
Less: accumulated depreciation	<u>(1,405,937)</u>	<u>(1,322,973)</u>
	<u>\$ 92,396</u>	<u>\$ 155,552</u>

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

F. BOARD-DESIGNATED NET ASSETS

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

	2017	2016
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

G. 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,:

	2017	2016
Voting Rights	\$ 2,104,528	\$ 2,147,545
Program Reserves	1,552,798	1,555,248
Employment Discrimination	1,492,740	-
Criminal Justice	1,211,711	-
Stop Hate Crime	617,401	1,975,001
General Legal	452,609	624,167
Educational Opportunities	166,475	489,846
Fair Housing/Community Development	152,007	600,000
Fellowship Funding	3,306	-
National Support	-	619,557
Public Policy	-	113,297
Less: discount to present value for receivables	(40,673)	(84,520)
	\$ 7,712,902	\$ 8,040,141

H. 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.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

H. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

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.

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, 2017 and 2016.

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.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

H. 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,:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 147,407	\$ 2,150,509	\$ 2,297,916
Contributions				-
Investment return:				
Interest and dividends	58,963	-		58,963
Net appreciation (realized and unrealized)	94,117	-		94,117
Investment fees	(24,759)			(24,759)
Total investment return	128,321	-	-	128,321
Net appropriations and transfers	(128,321)	-	-	(128,321)
End of year	\$ -	\$ 147,407	\$ 2,150,509	\$ 2,297,916

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 appreciation (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	\$ -	\$ 147,407	\$ 2,150,509	\$ 2,297,916

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

	2017	2016
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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

I. 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, 2017 and 2016.

J. COMMITMENTS AND CONTINGENCIES

Commitments: The Lawyers' Committee entered into operating lease agreements for the rental of office and storage space at 1401 New York Avenue, NW, Washington, DC that was scheduled to expire in April 2018. The Lawyers' Committee remained at 1401 New York Avenue until the rental commencement date of the 1500 K Street lease discussed below. The landlord had 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, 2017 and 2016, the Lawyers' Committee had established an account at the financial institution of \$120,170 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.

On December 22, 2017, the Lawyers' Committee entered into an office space lease at 1500 K Street, NW, Washington, DC. The rent commencement date for the 1500 K Street lease was July 1, 2018. The lease is scheduled to expire on June 30, 2031 and the Lawyers' Committee has the option to extend the lease term for an additional 60 months. The lease provides for abatement of the first 16 months of rent and a tenant improvement allowance of \$1,825,100. The Lawyers' Committee is required to provide a security deposit of \$391,636 to the landlord. Thus, the Lawyers' Committee has provided a \$391,636 letter of credit, issued by a commercial bank, in favor of the landlord.

The office space leases contain annual escalation clauses, which adjust base rentals. Furthermore, during the course of its leases, 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
2018	\$ 522,954
2019	160,578
2020	975,516
2021	999,882
2022	1,024,884
2023 - 2031	9,802,980
	<u>\$ 13,486,794</u>

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

J. COMMITMENTS AND CONTINGENCIES - CONTINUED

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, 2017. There was no balance outstanding as of December 31, 2017. No interest expense was incurred under the working capital line of credit for the years ended December 31, 2017 and 2016.

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 3.81% and 3.42% at December 31, 2017 and 2016, respectively. All borrowings are collateralized by certain investments of the Lawyers' Committee. The fair value of those investments was \$3,717,996 and \$3,373,925 as of December 31, 2017 and 2016, 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 \$1,909,758 and \$2,406,341 as of December 31, 2017 and 2016, respectively. Interest expense incurred under the revolving line of credit for the years ended December 31, 2017 and 2016 was approximately \$80,400 and \$80,300, 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.

K. UNRESTRICTED NET ASSETS BALANCE

As of December 31, 2016, the Lawyers' Committee had a deficit unrestricted net assets balance of \$2,026,027. During 2017, the organization generated a positive change in unrestricted net assets of \$2,787,959 which resulted in unrestricted net assets of \$761,932 as of December 31, 2017. The Lawyers' Committee's governance and management will continue to closely monitor the organization's financial performance and operational adjustments will be made as deemed necessary in accordance with the organization's financial position.