

Audited Financial Statements

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

December 31, 2018

Lawyers' Committee For Civil Rights Under Law

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T A T E



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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, 2018, 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 2017 financial statements, and in our report dated November 16, 2018, 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, 2018, 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.

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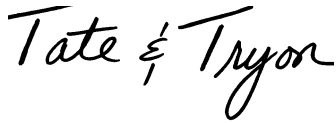
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Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, Lawyers' Committee adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Lawyers' Committee's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in black ink that reads "Tate & Tryon". The signature is written in a cursive, flowing style.

Washington, DC
November 18, 2019

Lawyers' Committee for Civil Rights Under Law

Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	\$ 5,562,941	\$ 6,092,196
Investments	4,039,835	4,072,180
Accounts receivable	56,956	225,721
Grants receivable	2,786,472	1,989,609
Promises to give	923,588	742,867
Prepaid expenses	219,051	180,084
Employee advances and other	-	500
Property and equipment, net	2,699,859	92,396
Total assets	\$ 16,288,702	\$ 13,395,553
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 426,640	\$ 230,325
Accrued expenses	472,341	195,001
Deferred revenue	-	115,000
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	35,749	5,638
Line of credit	-	1,909,758
Deferred rent and construction allowance	2,735,594	184,876
Total liabilities	3,799,936	2,770,210
Net assets		
Without donor restrictions		
Undesignated	4,925,933	728,162
Board-designated funds	33,770	33,770
Total net assets without donor restrictions	4,959,703	761,932
With donor restrictions - time and purpose restricted	5,378,554	7,712,902
With donor restrictions - restricted into perpetuity	2,150,509	2,150,509
Total net assets with donor restrictions	7,529,063	9,863,411
Total net assets	12,488,766	10,625,343
Total liabilities and net assets	\$ 16,288,702	\$ 13,395,553

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Activities

For the Year Ended December 31, 2018 (with Comparative Totals for 2017)

	With Donor Restrictions			2018 Totals	2017 Totals
	Without Donor Restrictions	Time & Purpose Restrictions	Restricted into Perpetuity		
Revenue and other support					
Public support	\$ 4,500,105	\$ 3,628,651	\$ -	\$ 8,128,756	\$ 6,934,084
Special event: Higginbotham Dinner net of direct expenses of \$357,200 and \$318,083, respectively	2,029,170	-	-	2,029,170	1,652,352
Legal fees from court awards	1,449,390	-	-	1,449,390	655,996
Interest and other income	268,491	52,474	-	320,965	202,189
Net assets released from restrictions	5,812,261	(5,812,261)	-	-	-
Total revenue and other support	14,059,417	(2,131,136)	-	11,928,281	9,444,621
Expenses and losses					
Program services					
Stop Hate	651,155	-	-	651,155	1,448,145
Voting Rights	2,355,691	-	-	2,355,691	1,382,720
Public Education and General Legal	1,593,109	-	-	1,593,109	1,170,978
Fair Housing / Community Development	599,793	-	-	599,793	603,598
Legal Mobilization and Public Policy	300,899	-	-	300,899	447,904
Educational Opportunities	663,851	-	-	663,851	562,333
Economic Justice	522,076	-	-	522,076	208,127
Criminal Justice	586,521	-	-	586,521	139,845
Fellowships	519,030	-	-	519,030	-
Total program services	7,792,125	-	-	7,792,125	5,963,650
Supporting services					
Fundraising	633,928	-	-	633,928	666,647
Management and general	1,435,593	-	-	1,435,593	611,610
Total supporting services	2,069,521	-	-	2,069,521	1,278,257
Total expenses	9,861,646	-	-	9,861,646	7,241,907
Change in net assets before net return on investments and donated services	4,197,771	(2,131,136)	-	2,066,635	2,202,714
Net return on investments	-	(203,212)	-	(203,212)	258,006
In-kind legal services	45,803,803	-	-	45,803,803	31,834,601
In-kind legal services - Clemency Project 2014	-	-	-	-	1,275,921
Imputed program service expense for in-kind legal services	(45,803,803)	-	-	(45,803,803)	(33,110,522)
Change in net assets	4,197,771	(2,334,348)	-	1,863,423	2,460,720
Net assets, beginning of year	761,932	7,712,902	2,150,509	10,625,343	8,164,623
Net assets, end of year	\$ 4,959,703	\$ 5,378,554	\$ 2,150,509	\$ 12,488,766	\$ 10,625,343

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,863,423	\$ 2,460,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Fixed assets acquired via tenant improvement allowance	(2,183,589)	-
Depreciation and amortization	138,793	82,964
Net loss (gain) on investments	203,212	(258,006)
Bad debt expense	362,688	24,400
Accounts receivable	168,765	(225,713)
Grants receivable	(796,863)	1,826,701
Promises to give	(543,409)	10,792
Prepaid expenses	(38,967)	(441)
Employee advances and other	500	(500)
Accounts payable	196,315	44,286
Accrued expenses	277,340	(529,987)
Deferred revenue	(115,000)	115,000
Payroll taxes and related liabilities	30,111	(351)
Deferred rent and construction allowance	2,550,718	(383,791)
Total adjustments	250,614	705,354
Net cash provided by operating activities	2,114,037	3,166,074
Cash flows from investing activities		
Purchase of property and equipment	(562,667)	(19,808)
Proceeds from sale of investments	2,842,377	1,256,890
Purchase of investments	(3,013,244)	(1,373,440)
Net cash used in investing activities	(733,534)	(136,358)
Cash flows from financing activities		
Proceeds from line of credit	-	80,448
Principal payments on the line of credit	(1,909,758)	(577,031)
Principal payments on capital leases	-	(3,917)
Net cash used in financing activities	(1,909,758)	(500,500)
Net (decrease) increase in cash and cash equivalents	(529,255)	2,529,216
Cash and cash equivalents, beginning of year	6,092,196	3,562,980
Cash and cash equivalents, end of year	\$ 5,562,941	\$ 6,092,196
Supplemental Information		
Interest paid	\$ 49,252	\$ 80,542
<u>Noncash investing and financing transactions:</u>		
Fixed assets acquired via tenant improvement allowance	\$ 2,183,589	\$ -

See notes to the financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Functional Expenses

For the Year Ended December 31, 2018 (with Comparative Totals for 2017)

	Program Services											2017 Total		
	Stop Date	Voting Rights	Public Education and General Legal	Fair Housing/ Community Development	Legal Mobilization and Public Policy	Educational Opportunities	Economic Justice	Criminal Justice	Fellowships	Fundraising	Management and General		Total	
Salaries and Benefits														
Salaries	\$ 327,822	\$ 1,223,838	\$ 842,714	\$ 312,327	\$ 133,219	\$ 404,679	\$ 311,847	\$ 357,598	\$ 338,472	\$ 278,337	\$ 650,128	\$ 5,180,981	\$ 4,447,573	
Benefits	70,642	259,609	183,243	67,652	28,550	85,528	66,384	75,948	73,157	59,199	137,691	1,107,603	703,076	
	398,464	1,483,447	1,025,957	379,979	161,769	490,207	378,231	433,546	411,629	337,536	787,819	6,288,584	5,150,649	
Contractual services and co-counsel fees	50,855	50,600	70,915	52,284	32,641	5,469	23,366	7,439	-	78,506	347,008	719,083	540,467	
Rent and occupancy	68,098	246,358	166,609	62,727	31,468	69,426	54,599	61,339	54,281	103,653	226,783	1,145,341	566,263	
Travel and meetings	33,407	154,460	66,133	39,302	37,753	24,575	10,934	20,861	172	9,157	13,560	410,314	190,452	
Technology and research	32,974	108,921	72,554	3,478	1,203	4,930	465	1,326	-	299	147,767	373,917	257,464	
Communications	225	15,737	13,002	78	180	658	180	391	-	831	3,004	34,286	35,140	
Office expenses	668	29,520	1,087	173	2,764	87	436	260	150	37,892	81,552	154,589	201,381	
Insurance & Interest	5,730	20,728	14,018	5,278	2,648	5,841	4,594	5,161	4,567	8,722	19,081	96,368	123,613	
Depreciation and amortization	8,252	29,854	20,190	7,601	3,813	8,413	6,616	7,433	6,578	12,561	27,482	138,793	82,964	
Printing and duplication	577	2,029	1,552	-	1,383	50	-	164	-	971	18,637	25,363	28,129	
Postage and delivery	117	1,940	267	153	1,128	10	184	807	-	1,201	26,295	32,102	38,439	
Court costs and professional dues	611	14,758	4,754	1,600	500	1,510	1,439	1,697	860	-	2,378	30,107	18,578	
Temporary help	-	12,176	10,861	-	-	500	-	-	-	-	26,574	50,111	8,368	
Bad debt	-	-	-	-	-	-	-	-	-	-	362,688	362,688	-	
Allocation of indirect costs	51,177	185,163	125,210	47,140	23,649	52,175	41,032	46,097	40,793	42,599	(655,035)	-	-	
Total expenses before donated services	651,155	2,355,691	1,593,109	599,793	300,899	663,851	522,076	586,521	519,030	633,928	1,435,593	9,861,646	7,241,907	
In-kind legal services	1,294,091	24,792,516	5,913,469	2,667,515	-	2,583,650	1,423,701	7,128,861	-	-	-	45,803,803	33,110,522	
Total expenses	\$ 1,945,246	\$ 27,148,207	\$ 7,506,578	\$ 3,267,308	\$ 300,899	\$ 3,247,501	\$ 1,945,777	\$ 7,715,382	\$ 519,030	\$ 633,928	\$ 1,435,593	\$ 55,665,449	\$ 40,352,429	

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 (IRC), 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 IRC.

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 3.33% and 2.23% as of December 31, 2018 and 2017, respectively. Conditional promises to give are not included as support until the conditions are substantially met. Bad debt expense for the years ended December 31, 2018 and 2017 amounted to \$362,688 and \$24,400, respectively. Promises to give are presented net of an allowance for doubtful accounts of \$362,688 and \$-0- as of December 31, 2018 and 2017, respectively.

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:

Without donor restrictions: Net assets without donor restrictions 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.

With donor restrictions: Net assets with donor restrictions include those net assets whose use by the Lawyers' Committee has been donor-restricted with specified time or purpose limitations or that the donated funds be maintained in perpetuity but permit the Lawyers' Committee to use investment income derived from the donated assets for either specified or unspecified purposes. See Notes G and H for details regarding net assets with donor restrictions.

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 \$45,803,803 and \$31,834,601 for the years ended December 31, 2018 and 2017, 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 \$0- and \$1,275,921 for the years ended December 31, 2018 and 2017, respectively.

Functional allocation of expenses: Certain costs are allocated among multiple program services or supporting services activities. Allocable costs include facilities, general office, executive office, and information technology support. The costs are allocated among program services and supporting services activities based on the estimated amount of labor costs utilized by each area.

Change in accounting policies: The Lawyers' Committee adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. ASU No. 2016-04 refreshes current accounting standards by simplifying the presentation of net assets on the face of the financial statements and enhancing disclosures related to liquidity. Accounting and reporting changes related to ASU No. 2016-14 have been retrospectively applied as if the policy had always been in effect. There was no change in the Organization's previously reported changes in net assets as a result of the adoption the ASU.

Comparative totals: The financial statements and footnote disclosures for the year ended December 31, 2017 are presented only to provide a basis for comparison with fiscal year 2018. The 2017 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, 2017, 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 18, 2019, 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,:

2018	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments				
Common stock	\$ 611,306	\$ 611,306		\$ -
US government securities	454,128		454,128	
Corporate bonds	355,257		355,257	
Mutual funds	2,213,650	2,213,650		
Investments carried at fair value	3,634,341	\$ 2,824,956	\$ 809,385	\$ -
Cash management fund*	405,494			
Total investments	\$ 4,039,835			

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			

*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,:

	2018	2017
Receivable in less than one year	\$ 3,071,183	\$ 1,841,839
Receivable in one to five years	1,069,360	931,310
Less: discount to present value	(67,795)	(40,673)
Less: allowance for doubtful accounts	(362,688)	-
	\$ 3,710,060	\$ 2,732,476
Grants receivable	\$ 2,786,472	\$ 1,989,609
Promises to give	923,588	742,867
	\$ 3,710,060	\$ 2,732,476

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,:

	2018	2017
Furniture and equipment	\$ 425,468	\$ 170,582
Computers and software	835,735	749,038
Leasehold improvements	2,292,390	578,713
	3,553,593	1,498,333
Less: accumulated depreciation	(853,734)	(1,405,937)
	\$ 2,699,859	\$ 92,396

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

F. BOARD-DESIGNATED NET ASSETS

Board-designated net assets are not subject to donor restrictions. Rather, they have been designated by the Board for certain purposes as shown below as of December 31,:

	2018	2017
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. NET ASSETS WITH DONOR RESTRICTIONS – TIME AND PURPOSE RESTRICTIONS

The Lawyers' Committee receives long-term grants from foundations and corporations which are often restricted by the donor for use in certain programs. In addition, some of the funds are to be expended over a period of one or more years.

Net assets with donor restrictions subject to time and purpose restrictions consists of the following at December 31,:

	2018	2017
Voting Rights	\$ 1,025,299	\$ 2,104,528
Program Reserves	1,199,268	1,552,798
Employment Discrimination	1,465,465	1,492,740
Criminal Justice	650,189	1,211,711
Stop Hate Crime	391,530	617,401
General Legal	-	452,609
Educational Opportunities	-	166,475
Fair Housing/Community Development	714,599	152,007
Fellowship Funding	-	3,306
Less: discount to present value for receivables	(67,796)	(40,673)
	\$ 5,378,554	\$ 7,712,902

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS – RESTRICTED INTO PERPETUITY

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.

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 net assets restricted into perpetuity 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 net assets with donor restrictions.

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. As of December 31, 2018, there were no such deficiencies.

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. NET ASSETS WITH DONOR RESTRICTIONS – RESTRICTED INTO PERPETUITY - CONTINUED

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

2018	Purpose Restricted	Historical Value	Total
Beginning of year	\$ 147,407	\$ 2,150,509	\$ 2,297,916
Contributions			-
Investment return:			
Interest and dividends	1,932		1,932
Net appreciation (realized and unrealized)	(19,518)		(19,518)
Investment fees			-
Total investment return	(17,586)	-	(17,586)
Net appropriations and transfers	-	-	-
End of year	\$ 129,821	\$ 2,150,509	\$ 2,280,330

2017	Purpose Restricted	Historical Value	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

Net assets restricted into perpetuity consist of the following at December 31,:

	2018	2017
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. Expenses related to this plan were \$227,472 and \$-0- for the years ended December 31, 2018 and 2017, respectively.

During 2018, the Lawyers' Committee created a nonqualified deferred compensation plan under section 457(b) of the IRC for the benefit of a key employee. Expenses related to the 457(b) plan were \$16,000 for the year ended December 31, 2018. The accrued liability of \$16,000 for this plan is included within accrued expenses as of December 31, 2018 on the statement of financial position.

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, the Lawyers' Committee had established an account at the financial institution of \$120,390 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 as of December 31, 2017. The letter of credit was terminated in 2018 and the collateral was released.

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 total tenant improvement and structural penetration allowance of up to \$2,337,915. As of December 31, 2018, \$2,183,589 of the allowance had been utilized. The Lawyers' Committee is required to provide a security deposit to the landlord. Thus, the Lawyers' Committee has provided a \$498,978 and \$391,636 letter of credit, issued by a commercial bank, in favor of the landlord as of December 31, 2018 and 2017, respectively. In addition, the Lawyers' Committee has established an account at the financial institution of \$509,168 and \$400,025 as of December 31, 2018 and 2017, respectively, 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 letter of credit expires on December 21, 2018 and automatically renews each year unless terminated by the bank.

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.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

J. COMMITMENTS AND CONTINGENCIES - CONTINUED

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

Year Ending December 31,	Amount
2019	\$ 409,906
2020	1,242,879
2021	1,273,918
2022	1,305,784
2023	1,338,453
2024 - 2031	<u>11,152,976</u>
	<u>\$ 16,723,916</u>

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: 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 4.77% and 3.81% at December 31, 2018 and 2017, respectively. All borrowings are collateralized by certain investments of the Lawyers' Committee. The fair value of those investments was \$3,814,612 and \$3,717,996 as of December 31, 2018 and 2017, 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 \$-0- and \$1,909,758 as of December 31, 2018 and 2017, respectively. Interest expense incurred under the revolving line of credit for the years ended December 31, 2018 and 2017 was approximately \$49,252 and \$80,400, 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.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

J. COMMITMENTS AND CONTINGENCIES - CONTINUED

Organizational merger: Effective June 17, 2019, the Julius L. Chambers Center for Civil Rights (the Center) merged with the Committee. The Center was a North Carolina nonprofit corporation and was exempt from income tax under section 501(c)(3) of the IRC. Under the terms of the merger agreement, the Committee was the surviving corporation and succeeded to all the rights and liabilities of the Center. In addition, the Committee agreed to maintain an office in North Carolina for at least 12 months.

K. LIQUIDITY

The Lawyers' Committee's process of liquidity management calls for the organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. The policy of the Lawyers' Committee is to maintain sufficient cash to meet obligations in a timely manner and to meet expenses occurring as a result of unanticipated activities.

Management periodically reviews the Lawyers' Committee's liquid asset needs and assesses the adequacy of the cash and cash equivalent balances.

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ 5,562,941
Investments	4,039,835
Accounts receivable	56,956
Grants receivable	2,786,472
Promises to give	<u>923,588</u>
<i>Total financial assets</i>	13,369,792
<u>Less:</u>	
Cash held as collateral	(509,168)
Custodial escrow funds	(129,612)
Board-designated net assets	(33,770)
Net assets with donor restrictions	<u>(7,529,063)</u>
<i>Net financial assets available for expenditure</i>	<u>\$ 5,168,179</u>