

Audited Financial Statements

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

December 31, 2015

Lawyers' Committee For Civil Rights Under Law

Contents

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



A Professional Corporation

Certified Public
Accountants
and Consultants

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

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, 2015, 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 2014 financial statements, and in our report dated May 27, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note L to the financial statements, the Lawyers' Committee's unrestricted net assets were in a deficit balance of \$2,417,534 as of December 31, 2015. Our opinion is not modified with respect to that matter.

Washington, DC
August 31, 2016

**Lawyers' Committee
for Civil Rights Under Law**

Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 2,371,972	\$ 1,996,421
Investments	3,546,699	4,031,117
Accounts receivable	78,691	1,615
Grants receivable	855,000	2,792,705
Unconditional promises to give	844,698	987,288
Prepaid expenses	162,430	79,733
Employee advances and other	-	278
Property and equipment, net	225,825	242,377
Total assets	\$ 8,085,315	\$ 10,131,534
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 90,123	\$ 353,787
Accrued expenses	264,108	398,873
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	6,473	6,230
Due to affiliates	3,457	3,457
Lease obligations	11,242	17,939
Line of credit	2,427,783	350,000
Deferred rent and construction allowance	625,107	449,731
Total liabilities	3,557,905	1,709,629
Net assets		
Unrestricted		
Undesignated	(2,451,304)	(775,170)
Board-designated funds	33,770	33,770
Total unrestricted net (deficit) assets	(2,417,534)	(741,400)
Temporarily restricted	4,794,435	7,012,796
Permanently restricted	2,150,509	2,150,509
Total net assets	4,527,410	8,421,905
Total liabilities and net assets	8,085,315	\$ 10,131,534

Lawyers' Committee for Civil Rights Under Law

Statements of Activities

For the Year Ended December 31, 2015 (with Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Totals	2014 Totals
Revenue and other support					
Donated services	\$ -	\$ 54,357,901	\$ -	54,357,901	\$ 26,540,667
Public support	1,233,570	1,652,803	-	2,886,373	4,543,348
Special event: Higginbotham Dinner net of direct expenses of \$431,996 and \$440,616, respectively	1,296,298	-	-	1,296,298	1,476,854
Interest and other income	169,227	119,822	-	289,049	179,913
Legal fees from court awards	130,631	-	-	130,631	690,932
Net assets released from restrictions	58,508,617	(58,508,617)	-	-	-
Total revenue and other support	61,338,343	(2,378,091)	-	58,960,252	33,431,714
Expenses and losses					
Program services					
Legal Mobilization and Public Policy	34,712,942	-	-	34,712,942	5,845,312
Fair Housing / Community Development	7,493,112	-	-	7,493,112	7,173,631
Voting Rights	5,613,689	-	-	5,613,689	15,184,000
Public Education and General Legal	4,816,705	-	-	4,816,705	818,418
Educational Opportunities	4,410,789	-	-	4,410,789	1,873,964
Employment Discrimination	3,145,123	-	-	3,145,123	2,431,989
Total program services	60,192,360	-	-	60,192,360	33,327,314
Supporting services					
Management and general	1,478,535	-	-	1,478,535	1,336,218
Fundraising	1,086,126	-	-	1,086,126	1,086,322
Total supporting services	2,564,661	-	-	2,564,661	2,422,540
Total expenses	62,757,021	-	-	62,757,021	35,749,854
Change in net assets before net (loss) gain on investments and transfers	(1,418,678)	(2,378,091)	-	(3,796,769)	(2,318,140)
Net (loss) gain on investments	(36,778)	(60,948)	-	(97,726)	127,534
Transfer of net assets	(220,678)	220,678	-	-	-
Change in net assets	(1,676,134)	(2,218,361)	-	(3,894,495)	(2,190,606)
Net assets, beginning of year	(741,400)	7,012,796	2,150,509	8,421,905	10,612,511
Net assets, end of year	\$ (2,417,534)	\$ 4,794,435	\$ 2,150,509	\$ 4,527,410	\$ 8,421,905

**Lawyers' Committee
for Civil Rights Under Law**

Statements of Cash Flows

Year Ended December 31,	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (3,894,495)	\$ (2,190,606)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	57,989	84,053
Net loss (gain) on investments	97,726	(127,534)
Bad debt expense	150,760	7,910
Changes in assets and liabilities:		
Accounts receivable	(77,076)	(7,351)
Grants receivable	1,937,705	3,859,427
Promises to give	(8,170)	(340,211)
Prepaid expenses	(82,697)	12,959
Employee advances and other	278	6,271
Accounts payable	(263,664)	189,621
Accrued expenses	(134,765)	140,298
Payroll taxes and related liabilities	243	(10,025)
Deferred rent and construction allowance	175,376	(113,872)
Total adjustments	1,853,705	3,701,546
Net cash (used in) provided by operating activities	(2,040,790)	1,510,940
Cash flows from investing activities		
Purchase of property and equipment	(41,437)	(4,233)
Proceeds from sale of investments	3,528,263	1,478,414
Purchase of investments	(3,141,571)	(1,832,901)
Net cash provided by (used in) investing activities	345,255	(358,720)
Cash flows from financing activities		
Proceeds from line of credit	2,427,783	350,000
Principal payments on the line of credit	(350,000)	(500,000)
Principal payments on capital leases	(6,697)	(6,124)
Net cash provided by (used in) financing activities	2,071,086	(156,124)
Net increase in cash and cash equivalents	375,551	996,096
Cash and cash equivalents, beginning of year	1,996,421	1,000,325
Cash and cash equivalents, end of year	\$ 2,371,972	\$ 1,996,421
Supplemental schedule of noncash investing and financing activities		
Interest paid	\$ 31,935	\$ 14,222

**Lawyers' Committee
for Civil Rights Under Law**

Statement of Functional Expenses

For the Year Ended December 31, 2015 (with Comparative Totals for 2014)

	2015								2014	
	Program Services								Total	2014 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		
Salaries and Benefits										
Salaries	1,659,546	617,928	303,376	184,553	425,959	576,448	618,980	495,284	\$ 4,882,074	\$ 4,633,606
Benefits	313,656	111,465	55,602	33,659	87,197	76,403	87,465	90,988	856,435	918,577
	1,973,202	729,393	358,978	218,212	513,156	652,851	706,445	586,272	5,738,509	5,552,183
Contractual services and co-counsel fees	9,089	9,921	29,026	8,320	10,641	37,137	406,761	189,227	700,122	1,151,775
Donated services	2,983,007	6,624,282	3,926,616	2,857,370	34,005,535	3,961,279	-	-	54,358,089	26,540,667
Rent and occupancy	327,276	71,131	43,948	25,064	85,201	50,809	108,993	80,860	793,282	897,736
Travel and meetings	66,855	17,591	27,661	17,669	42,554	69,169	3,686	30,994	276,179	562,527
Depreciation and amortization	9,238	9,280	4,678	2,645	8,456	4,495	10,892	8,305	57,989	84,053
Office expenses	79,859	13,841	6,428	3,772	27,916	27,561	102,579	171,158	433,114	467,497
Telephone	79,761	7,982	6,164	5,795	10,523	10,369	63,592	7,670	191,856	239,218
Insurance & Interest	15,138	8,080	4,506	2,520	7,104	1,827	37,982	3,224	80,381	67,466
Printing and duplication	10,138	322	117	2,460	605	377	9,555	4,032	27,606	69,473
Temporary help	20	-	-	-	-	-	9,820	80	9,920	31,653
Postage and delivery	6,261	606	362	265	551	831	16,702	4,304	29,882	55,316
Court costs and professional dues	53,845	683	2,305	1,031	700	-	1,528	-	60,092	30,290
Total expenses	\$ 5,613,689	\$ 7,493,112	\$ 4,410,789	\$ 3,145,123	\$ 34,712,942	\$ 4,816,705	\$ 1,478,535	\$ 1,086,126	\$ 62,757,021	\$ 35,749,854

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.

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, 2015. 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, 2015 and 2014 amounted to \$150,760 and \$7,910, 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. 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 \$54,357,901 and \$26,540,667 for the years ended December 31, 2015 and 2014, 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.

Reclassification: Investment fees of \$37,211 have been reclassified from interest and other income to management and general expense within the 2014 statement of activities to conform with the current year's presentation.

Comparative totals: The financial statements and footnote disclosures for the year ended December 31, 2014 are presented only to provide a basis for comparison with fiscal year 2015. The 2014 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, 2014, from which the summarized information was derived.

Subsequent events: Subsequent events have been evaluated through August 31, 2016, 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 nationally and across various industries and are valued based on quoted market prices at the reporting date for those or similar investments in active markets. Additionally, investments in mutual funds listed on a national market or exchange are valued at the last sales price or, if there is no sale and the market is still considered active, at the last transaction price before year-end.

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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

C. FAIR VALUE MEASUREMENTS – CONTINUED

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

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

2014	Fair Value			
	Total	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			

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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

D. GRANTS RECEIVABLE AND 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,:

	2015	2014
Receivable in less than one year	\$ 1,167,592	\$ 1,338,538
Receivable in one to five years	584,213	2,618,000
Less: discount to present value	<u>(52,107)</u>	<u>(176,545)</u>
	\$ 1,699,698	\$ 3,779,993
Grants receivable	\$ 855,000	\$ 2,792,705
Unconditional promises to give	<u>844,698</u>	<u>987,288</u>
	\$ 1,699,698	\$ 3,779,993

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,:

	2015	2014
Furniture and equipment	\$ 170,582	\$ 170,582
Computers and software	717,632	651,960
Leasehold improvements	<u>578,713</u>	<u>578,713</u>
	1,466,927	1,401,255
Less: accumulated depreciation	<u>(1,241,102)</u>	<u>(1,158,878)</u>
	\$ 225,825	\$ 242,377

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

F. CAPITAL LEASE OBLIGATIONS

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

	2015	2014
Furniture and equipment	\$ 32,276	\$ 32,276
Less: accumulated depreciation	<u>(22,594)</u>	<u>(16,138)</u>
	<u>\$ 9,682</u>	<u>\$ 16,138</u>

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

Year ending December 31,	Amount
2016	8,040
2017	<u>4,020</u>
	12,060
Less: amounts representing interest	<u>(818)</u>
	<u>\$ 11,242</u>

G. BOARD-DESIGNATED NET ASSETS

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

	2015	2014
Domestic Legal Assistance Fund	\$ 16,728	\$ 16,728
Anniversary Fund	11,242	11,242
Lloyd Cutler Memorial Fund	<u>5,800</u>	<u>5,800</u>
	<u>\$ 33,770</u>	<u>\$ 33,770</u>

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.

During 2015, the Lawyers' Committee concluded that certain funds related to the Shestack campaign were most appropriately classified as temporarily restricted net assets. As a result, the Lawyers' Committee has presented a \$220,678 transfer from unrestricted to temporarily restricted net assets.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

H. TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

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

	2015	2014
Voting Rights	\$ 1,914,166	\$ 3,712,239
Program Reserves	1,449,193	1,766,637
National Support	613,105	631,038
Public Policy	300,000	13,270
Fair Housing/Community Development	284,523	482,362
Education	232,499	511,643
Employment Discrimination	52,756	71,548
Legal Mobilization	300	604
Less: discount to present value for receivables	<u>(52,107)</u>	<u>(176,545)</u>
	<u>\$ 4,794,435</u>	<u>\$ 7,012,796</u>

I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING

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

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

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

Interpretation of Relevant Law

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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted Lawyers' Committee funds may fall below the level that current law requires the Lawyers' Committee to retain for a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies resulted from unfavorable market fluctuations for the years ended December 31, 2015 and 2014.

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, 2015:

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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

I. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT REPORTING - CONTINUED

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 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)	96,775	17,189		113,964
Investment fees	<u>(21,471)</u>			<u>(21,471)</u>
Total investment return	148,877	19,394		168,271
Appropriations	<u>(148,877)</u>	-		<u>(148,877)</u>
End of year	<u>\$ -</u>	<u>\$ 141,348</u>	<u>\$ 2,150,509</u>	<u>\$ 2,291,857</u>

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

	2015	2014
Ford Foundation	\$ 2,000,000	\$ 2,000,000
B. Segal Fellowship	126,000	126,000
E. Wolf Award	<u>24,509</u>	<u>24,509</u>
	<u>\$ 2,150,509</u>	<u>\$ 2,150,509</u>

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 was included within accrued expenses as of December 31, 2014. No employer contributions were made to the plan for the year ended December 31, 2015.

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, 2015 and 2014, the Lawyers' Committee has established an account at the financial institution of \$120,000 to serve as collateral for the letter of credit. This collateral account is included with "cash and cash equivalents" on the statements of financial position.

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

K. COMMITMENTS AND CONTINGENCIES - CONTINUED

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

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

Year Ending December 31,	Amount
2016	\$ 1,011,061
2017	1,038,905
2018	261,762
	\$ 2,311,728

Lines of Credit: The Lawyers' Committee has a working capital line of credit agreement with a financial institution in the amount of \$1,000,000. The working capital line of credit matures December 2016. Borrowings under the working capital line of credit accrue interest at a rate of 4.00%. All borrowings are 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 year ended December 31, 2015 and drew \$350,000 from the working capital line of credit during the year ended December 31, 2014. There was no balance outstanding as of December 31, 2015 and \$350,000 was outstanding as of December 31, 2014. Interest expense incurred under the working capital line of credit for the years ended December 31, 2015 and 2014 was approximately \$12,300 and \$3,600, respectively.

During 2015, the Lawyers' Committee entered into a loan management account agreement with a financial institution which included a revolving line of credit. The amount of the revolving line of credit and the corresponding interest rate vary on a weekly basis. At December 31, 2015, the variable interest rate was 3.42%. All borrowings are collateralized by certain investments of the Lawyers' Committee. The fair value of those investments was \$3,531,175 as of December 31, 2015 and represents the total amount available under the revolving line of credit at December 31, 2015. The Lawyers' Committee drew \$2,427,783 from the revolving line of credit during 2015 all of which was outstanding as of December 31, 2015. Interest expense incurred under the revolving line of credit for the year ended December 31, 2015 was approximately \$22,783.

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

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

Lawyers' Committee for Civil Rights Under Law

Notes to the Financial Statements

K. COMMITMENTS AND CONTINGENCIES - CONTINUED

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

L. DEFICIT UNRESTRICTED NET ASSETS BALANCE

As of December 31, 2014, the Lawyers' Committee had a deficit unrestricted net assets balance of \$741,400. During 2015, the deficit increased to \$2,417,534. 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.