

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

Financial Report  
December 31, 2020

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## Independent Auditor's Report

RSM US LLP

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Lawyers' Committee for Civil Rights Under Law (the Lawyers' Committee) which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Washington, D.C.  
December 16, 2021

Lawyers' Committee for Civil Rights Under Law

Statements of Financial Position  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 12,222,863	\$ 6,390,474
Investments	29,873,097	6,760,140
Accounts receivable	71,936	64,563
Grants receivable, net	4,218,364	4,110,865
Promises to give, net	800,070	226,363
Prepaid expenses and other	894,564	223,307
Property and equipment, net	2,401,876	2,626,043
<b>Total assets</b>	<b>\$ 50,482,770</b>	<b>\$ 20,401,755</b>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 901,655	\$ 300,647
Accrued expenses	454,277	382,612
Deferred revenue	50,000	21,000
Custodial escrow funds	129,612	129,612
Payroll taxes and related liabilities	47,732	41,778
Paycheck Protection Program loan	1,263,700	-
Deferred rent	3,506,831	3,623,303
<b>Total liabilities</b>	<b>6,353,807</b>	<b>4,498,952</b>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	26,308,691	5,230,061
Board-designated funds	33,770	33,770
<b>Total net assets without donor restrictions</b>	<b>26,342,461</b>	<b>5,263,831</b>
With donor restrictions	17,786,502	10,638,972
<b>Total net assets</b>	<b>44,128,963</b>	<b>15,902,803</b>
<b>Total liabilities and net assets</b>	<b>\$ 50,482,770</b>	<b>\$ 20,401,755</b>

See notes to financial statements.

## Lawyers' Committee for Civil Rights Under Law

### Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Public support	\$ 22,583,574	\$ 16,483,784	\$ 39,067,358
Special event: Higginbotham Dinner net of direct expenses of \$33,918	1,153,990	-	1,153,990
Legal fees from court awards	1,135,231	-	1,135,231
Interest and other income	426,486	126,582	553,068
Net assets released from restrictions	10,053,469	(10,053,469)	-
<b>Total revenue and other support</b>	<b>35,352,750</b>	<b>6,556,897</b>	<b>41,909,647</b>
Expenses:			
Program services:			
Voting rights	5,632,971	-	5,632,971
Public education and general legal	1,612,913	-	1,612,913
Fair housing/community development	746,486	-	746,486
Economic justice and COVID-19	644,913	-	644,913
Criminal justice	637,005	-	637,005
Educational opportunities	616,252	-	616,252
Stop Hate	516,638	-	516,638
Census	482,714	-	482,714
Capacity building	427,186	-	427,186
NC regional office	409,538	-	409,538
Fellowships	307,688	-	307,688
Legal mobilization and public policy	291,923	-	291,923
<b>Total program services</b>	<b>12,326,227</b>	<b>-</b>	<b>12,326,227</b>
Supporting services:			
Management and general	1,107,218	-	1,107,218
Fundraising	797,832	-	797,832
<b>Total supporting services</b>	<b>1,905,050</b>	<b>-</b>	<b>1,905,050</b>
<b>Total expenses</b>	<b>14,231,277</b>	<b>-</b>	<b>14,231,277</b>
<b>Change in net assets before net return on investments and donated services</b>	<b>21,121,473</b>	<b>6,556,897</b>	<b>27,678,370</b>
Net return on investments	(42,843)	590,633	547,790
In-kind legal services	191,202,115	-	191,202,115
Imputed program service expense for in-kind legal services	(191,202,115)	-	(191,202,115)
<b>Change in net assets</b>	<b>21,078,630</b>	<b>7,147,530</b>	<b>28,226,160</b>
Net assets:			
Beginning	5,263,831	10,638,972	15,902,803
Ending	\$ 26,342,461	\$ 17,786,502	\$ 44,128,963

See notes to financial statements.

## Lawyers' Committee for Civil Rights Under Law

### Statement of Activities Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Public support	\$ 3,626,383	\$ 6,867,077	\$ 10,493,460
Special event: Higginbotham Dinner net of direct expenses of \$327,677	1,377,327	-	1,377,327
Legal fees from court awards	522,696	10,199	532,895
Interest and other income	158,848	421,990	580,838
Net assets released from restrictions	4,309,391	(4,309,391)	-
Reserve on restricted promises to give	-	(303,194)	(303,194)
<b>Total revenue and other support</b>	<b>9,994,645</b>	<b>2,686,681</b>	<b>12,681,326</b>
Expenses:			
Program services:			
Voting rights	2,385,664	-	2,385,664
Public education and general legal	1,878,852	-	1,878,852
Fair housing/community development	603,939	-	603,939
Economic justice and COVID-19	629,437	-	629,437
Criminal justice	673,267	-	673,267
Educational opportunities	540,231	-	540,231
Stop Hate	609,884	-	609,884
Census	50,248	-	50,248
Capacity building	15,377	-	15,377
NC regional office	167,510	-	167,510
Fellowships	575,499	-	575,499
Legal mobilization and public policy	294,691	-	294,691
<b>Total program services</b>	<b>8,424,599</b>	<b>-</b>	<b>8,424,599</b>
Supporting services:			
Management and general	732,837	-	732,837
Fundraising	681,209	-	681,209
<b>Total supporting services</b>	<b>1,414,046</b>	<b>-</b>	<b>1,414,046</b>
<b>Total expenses</b>	<b>9,838,645</b>	<b>-</b>	<b>9,838,645</b>
<b>Change in net assets before net return on investments, donated services, and other item</b>	<b>156,000</b>	<b>2,686,681</b>	<b>2,842,681</b>
Net return on investments	(37,356)	423,228	385,872
In-kind legal services	24,472,138	-	24,472,138
Imputed program service expense for in-kind legal services	(24,472,138)	-	(24,472,138)
Acquisition of Chambers Center for Civil Rights net assets	185,484	-	185,484
<b>Change in net assets</b>	<b>304,128</b>	<b>3,109,909</b>	<b>3,414,037</b>
Net assets:			
Beginning	4,959,703	7,529,063	12,488,766
Ending	\$ 5,263,831	\$ 10,638,972	\$ 15,902,803

See notes to financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Functional Expenses  
Year Ended December 31, 2020

	Program Services													Total	
	Voting Rights	Public Education and General Legal	Fair Housing/Community Development	Economic Justice and COVID-19	Criminal Justice	Educational Opportunities	Stop Hate	Census	Capacity Building	NC Regional Office	Fellowships	Legal Mobilization and Public Policy	Management and General		Fundraising
Salaries and benefits:															
Salaries	\$ 2,145,890	\$ 678,825	\$ 391,025	\$ 427,756	\$ 428,903	\$ 411,187	\$ 303,406	\$ 289,343	\$ 170,124	\$ 292,253	\$ 198,104	\$ 201,114	\$ 883,617	\$ 500,862	\$ 7,322,409
Benefits	502,658	159,009	91,594	100,198	100,467	96,317	71,070	67,776	39,850	68,458	48,404	47,109	206,516	117,788	1,717,214
	<u>2,648,548</u>	<u>837,834</u>	<u>482,619</u>	<u>527,954</u>	<u>529,370</u>	<u>507,504</u>	<u>374,476</u>	<u>357,119</u>	<u>209,974</u>	<u>360,711</u>	<u>246,508</u>	<u>248,223</u>	<u>1,090,133</u>	<u>618,650</u>	<u>9,039,623</u>
Contractual services and co-counsel fees	413,562	410,726	134,071	11,882	95	-	40,732	12,266	130,773	273	-	-	151,328	32,224	1,337,932
Technology and research	1,016,796	30,326	3,034	2,582	4,283	7,325	14,583	31,174	15,284	3,205	5,403	455	102,032	7,792	1,244,274
Rent and occupancy	394,985	114,001	52,762	45,583	45,024	43,557	36,516	34,118	30,194	14,400	21,837	19,132	165,159	58,788	1,076,056
Communications	389,207	43,486	-	46	-	-	450	6,726	-	-	-	-	22,652	-	462,567
Temporary help	245,889	15,035	-	195	465	555	-	-	-	-	9,000	360	10,279	5,280	287,058
Office expenses	11,860	14,007	1,440	4,774	1,510	6,260	1,799	869	3,859	1,259	556	1,086	186,515	1,501	237,295
Depreciation and amortization	101,613	29,328	13,573	11,726	11,583	11,205	9,394	8,777	7,768	-	5,618	5,308	42,489	15,124	273,506
Travel and meetings	47,159	17,425	13,508	575	4,289	2,151	5,309	123	3,818	672	-	-	16,679	33,918	145,626
Postage and delivery	62	34	8	-	183	-	-	453	-	114	-	26	49,614	1,322	51,816
Court costs and professional dues	25,677	5,429	1,311	1,562	2,602	1,351	623	-	322	2,091	546	117	8,583	-	50,214
Insurance and interest	10,803	3,118	1,443	1,247	1,231	1,191	999	933	826	869	597	564	4,520	1,608	29,949
Printing and duplication	8,038	159	136	-	34	-	2,287	2,621	-	291	-	-	7,615	8,098	29,279
Total expenses before overhead allocation	5,314,199	1,520,908	703,905	608,126	600,669	581,099	487,168	455,179	402,818	383,885	290,065	275,271	1,857,598	784,305	14,265,195
Allocation of overhead	318,772	92,005	42,581	36,787	36,336	35,153	29,470	27,535	24,368	25,653	17,623	16,652	(750,380)	47,445	-
Total expenses after overhead allocation	5,632,971	1,612,913	746,486	644,913	637,005	616,252	516,638	482,714	427,186	409,538	307,688	291,923	1,107,218	831,750	14,265,195
In-kind legal services	162,129,271	3,482,535	10,009,858	2,627,490	8,102,144	1,862,346	1,251,410	-	-	1,737,061	-	-	-	-	191,202,115
Total expenses	<u>167,762,242</u>	<u>5,095,448</u>	<u>10,756,344</u>	<u>3,272,403</u>	<u>8,739,149</u>	<u>2,478,598</u>	<u>1,768,048</u>	<u>482,714</u>	<u>427,186</u>	<u>2,146,599</u>	<u>307,688</u>	<u>291,923</u>	<u>1,107,218</u>	<u>831,750</u>	<u>205,467,310</u>
Less, Higginbotham Dinner expenses included within revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,918)	(33,918)
Total expenses per statement of activities	<u>\$ 167,762,242</u>	<u>\$ 5,095,448</u>	<u>\$ 10,756,344</u>	<u>\$ 3,272,403</u>	<u>\$ 8,739,149</u>	<u>\$ 2,478,598</u>	<u>\$ 1,768,048</u>	<u>\$ 482,714</u>	<u>\$ 427,186</u>	<u>\$ 2,146,599</u>	<u>\$ 307,688</u>	<u>\$ 291,923</u>	<u>\$ 1,107,218</u>	<u>\$ 797,832</u>	<u>\$ 205,433,392</u>

See notes to financial statements.

Lawyers' Committee for Civil Rights Under Law

Statement of Functional Expenses  
Year Ended December 31, 2019

	Program Services													Total		
	Voting Rights	Public Education and General Legal	Fair Housing/Community Development	Economic Justice and COVID-19	Criminal Justice	Educational Opportunities	Stop Hate	Census	Capacity Building	NC Regional Office	Fellowships	Legal Mobilization and Public Policy	Management and General		Fundraising	
Salaries and benefits:																
Salaries	\$ 1,484,830	\$ 1,146,192	\$ 363,092	\$ 384,784	\$ 439,648	\$ 347,291	\$ 377,929	\$ 7,906	\$ 11,136	\$ 122,585	\$ 383,659	\$ 204,685	\$ 339,554	\$ 417,751	\$ 6,031,042	
Benefits	291,343	224,904	71,247	75,501	86,259	68,247	74,155	1,549	2,182	24,016	75,275	40,155	68,555	82,030	1,185,418	
	1,776,173	1,371,096	434,339	460,285	525,907	415,538	452,084	9,455	13,318	146,601	458,934	244,840	408,109	499,781	7,216,460	
Contractual services and co-counsel fees	35,265	63,401	16,575	54,611	490	5,955	21,058	95	-	430	4,948	324	57,259	2,766	263,177	
Technology and research	58,172	13,739	2,607	2,025	4,688	2,073	11,621	-	-	1,467	38	206	113,460	6	210,102	
Rent and occupancy	210,492	166,246	53,438	55,694	59,571	47,801	53,964	29,555	1,495	7,011	50,758	26,020	157,003	86,520	1,005,568	
Communications	1,114	13,983	-	17	115	458	285	-	-	185	210	225	808	-	17,400	
Temporary help	585	737	-	885	-	-	-	-	-	-	15,420	660	2,926	14,343	35,556	
Office expenses	15,261	20,120	4,277	4,590	4,662	3,529	4,688	1,756	89	1,152	3,255	1,560	158,281	7,926	231,146	
Depreciation and amortization	52,966	41,832	13,447	14,014	14,990	12,028	13,579	7,437	376	3	12,772	6,547	38,815	22,463	251,269	
Travel and meetings	127,288	101,690	51,930	10,542	28,309	28,625	22,601	-	-	7,325	4,841	2,470	58,832	329,051	773,504	
Postage and delivery	1,369	347	285	44	117	7	96	-	-	390	30	-	25,837	5,496	34,018	
Court costs and professional dues	10,755	6,385	2,702	1,442	1,509	2,385	778	-	-	1,715	539	-	3,416	-	31,626	
Insurance and interest	13,889	10,970	3,526	3,675	3,931	3,154	3,561	1,950	99	1,231	3,349	1,717	10,178	5,891	67,121	
Printing and duplication	417	3,791	75	-	5,856	128	4,627	-	-	-	-	24	14,457	-	29,375	
Total expenses before overhead allocation	2,303,746	1,814,337	583,201	607,824	650,145	521,681	588,942	50,248	15,377	167,510	555,094	284,593	1,049,381	974,243	10,166,322	
Allocation of overhead	81,918	64,515	20,738	21,613	23,122	18,550	20,942	-	-	-	20,405	10,098	(316,544)	34,643	-	
Total expenses after overhead allocation	2,385,664	1,878,852	603,939	629,437	673,267	540,231	609,884	50,248	15,377	167,510	575,499	294,691	732,837	1,008,886	10,166,322	
In-kind legal services	12,603,385	2,530,519	1,695,772	572,407	2,900,917	2,367,961	1,801,177	-	-	-	-	-	-	-	24,472,138	
Total expenses	14,989,049	4,409,371	2,299,711	1,201,844	3,574,184	2,908,192	2,411,061	50,248	15,377	167,510	575,499	294,691	732,837	1,008,886	34,638,460	
Less, Higginbotham Dinner expenses included within revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(327,677)	
Total expenses per statement of activities	\$ 14,989,049	\$ 4,409,371	\$ 2,299,711	\$ 1,201,844	\$ 3,574,184	\$ 2,908,192	\$ 2,411,061	\$ 50,248	\$ 15,377	\$ 167,510	\$ 575,499	\$ 294,691	\$ 732,837	\$ 681,209	\$ 34,310,783	

See notes to financial statements.



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

**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 28,226,160	\$ 3,414,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	273,506	251,269
Net realized and unrealized gain on investments	(590,633)	(423,228)
Reserve on restricted promises to give	-	303,194
Deferred rent	(116,472)	887,709
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(7,373)	(7,607)
Grants receivable, net	(107,499)	(1,324,393)
Promises to give, net	(573,707)	394,031
Prepaid expenses	(671,257)	(4,256)
Increase (decrease) in:		
Accounts payable	601,008	(125,993)
Accrued expenses	71,665	(89,729)
Deferred revenue	29,000	21,000
Payroll taxes and related liabilities	5,954	6,029
<b>Net cash provided by operating activities</b>	<b>27,140,352</b>	<b>3,302,063</b>
Cash flows from investing activities:		
Purchase of property and equipment	(49,339)	(177,453)
Proceeds from sale of investments	18,385,634	2,796,392
Purchase of investments	(40,907,958)	(5,093,469)
<b>Net cash used in investing activities</b>	<b>(22,571,663)</b>	<b>(2,474,530)</b>
Cash flows from financing activities:		
Borrowings on Paycheck Protection Program loan	1,263,700	-
<b>Net cash provided by financing activities</b>	<b>1,263,700</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,832,389</b>	<b>827,533</b>
Cash and cash equivalents		
Beginning	6,390,474	5,562,941
Ending	<b>\$ 12,222,863</b>	<b>\$ 6,390,474</b>

See notes to financial statements.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Lawyers' Committee for Civil Rights Under Law (the Lawyers' Committee) is a nonpartisan nonprofit 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.

Effective June 17, 2019, the Julius L. Chambers Center for Civil Rights (the Center) contributed its net assets to the Lawyers' Committee via an Agreement and Plan of Merger (the Agreement). 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 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.

A summary of the Lawyers' Committee's significant accounting policies follows:

**Basis of presentation:** The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Lawyers' Committee is required to report information regarding its financial position and activities according to the following two classes to net assets:

**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 7 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 Note 8 for details regarding net assets with donor restrictions.

**Use of estimates:** The preparation of financial statements in accordance with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**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.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Adoption of recent accounting pronouncements:** In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Lawyers' Committee adopted the standard for contributions received effective for the year ended December 31, 2019. The Lawyers' Committee adopted the standard for contributions made effective for the year ended December 31, 2020 using the modified prospective method. Based on the Lawyers' Committee's review of the contributions it makes, the timing and amount of expense recognized previously is consistent with how expense is recognized under this new standard. The adoption had no impact on the statements of financial position and the statements of activities.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The Lawyers' Committee adopted the provisions of ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 had no impact on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Lawyers' Committee adopted the new standard, as amended, effective for the year ended December 31, 2020, using the modified retrospective method. The adoption of this standard had no material impact on the financial statements.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Lawyers' Committee considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. All cash held by the investment custodians are considered investments.

**Financial risk:** The Lawyers' Committee maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Lawyers' Committee has not experienced any losses in such accounts. The Lawyers' Committee believes it is not exposed to any significant financial risk on cash.

The Lawyers' Committee invests in a professionally managed portfolio that contains various marketable securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the financial statements.

**Investments:** Investments in marketable securities are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the statement of activities.

**Grants receivable and 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% as of December 31, 2020 and 2019. Conditional promises to give are not included as support until the conditions are substantially met. Bad debt expense for the years ended December 31, 2020 and 2019, amounted to \$0 and \$303,194, respectively. Promises to give are presented net of an allowance for doubtful accounts of \$300,000 as of December 31, 2020 and 2019.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**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 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:

	<u>Years</u>
Furniture and equipment	5-10
Computers and software	3

Leasehold improvements are amortized over the lesser of the remaining office lease term or the estimated useful lives of the improvements.

**Valuation of long-lived assets:** The Lawyers' Committee reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**Deferred rent:** Operating lease expenses are recorded based on the straight-line method over the life of the lease, with the difference between rent paid and straight-line expenses recorded as deferred rent. Leasehold improvements acquired using the construction allowance have been recorded as a component of property and equipment with a corresponding liability recorded within deferred rent.

**Contributions and grants:** Contributions and grants are recognized as support when promised unconditionally and are recorded net of any current year allowance or discount activity. The Lawyers' Committee reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to the Lawyers' Committee's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restriction. Contributions that are restricted by the donor are reported as net assets without donor restriction if the restriction expires in the same reporting period in which the contribution is recognized.

Contributions of legal fees from court awards are recognized at the earlier of the date of receipt or commitment from the awarding firm. Special event revenue consists primarily of contributions related to the annual Higginbotham Dinner. Revenue from special events is recognized in the period the event takes place.

**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 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 \$191,202,115 and \$24,472,138 for the years ended December 31, 2020 and 2019, respectively.

**Notes to Financial Statements**

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**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**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.

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective, as amended by ASU 2020-05, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Lawyers' Committee has not evaluated the impact of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Lawyers' Committee's fiscal year ending December 31, 2022. ASU 2020-07 is not expected to have a significant impact on the Lawyers' Committee's financial statements.

**Reclassifications:** Certain 2019 amounts have been reclassified to conform to the 2020 presentation. There was no change to the previously reported change in net assets as a result.

**Subsequent events:** Subsequent events have been evaluated through December 16, 2021, which is the date the financial statements were available to be issued.

**Note 2. Liquidity and Availability of Financial Assets**

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.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability of Financial Assets (Continued)

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 12,222,863	\$ 6,390,474
Investments	29,873,097	6,760,140
Accounts receivable	71,936	64,563
Grants receivable, net	4,218,364	4,110,865
Promises to give, net	800,070	226,363
Total financial assets	<u>47,186,330</u>	<u>17,552,405</u>
Less:		
Cash held as collateral	-	(509,319)
Custodial escrow funds	(129,612)	(129,612)
Board-designated net assets	(33,770)	(33,770)
Net assets with donor restrictions	<u>(17,786,502)</u>	<u>(10,638,972)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,236,446</u>	<u>\$ 6,240,732</u>

#### Note 3. 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 GAAP 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.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

#### Note 3. Fair Value Measurements (Continued)

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.

The following is a summary of the input levels used to determine fair values, measured on a recurring basis, at December 31, 2020 and 2019:

	2020			
	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments:				
Common stock	\$ 2,921,270	\$ 2,921,270	\$ -	\$ -
U.S. government securities	4,275,175	-	4,275,175	-
Corporate bonds	2,075,121	-	2,075,121	-
Mutual and exchange traded funds – equities	2,358,782	2,358,782	-	-
Mutual and exchange traded funds – fixed income	2,274,365	2,274,365	-	-
Money market funds	15,197,964	15,197,964	-	-
Investments carried at fair value	29,102,677	\$22,752,381	\$ 6,350,296	\$ -
Cash management fund*	770,420			
Total investments	<u>\$29,873,097</u>			
	2019			
	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments:				
Common stock	\$ 706,425	\$ 706,425	\$ -	\$ -
U.S. government securities	504,042	-	504,042	-
Corporate bonds	370,658	-	370,658	-
Mutual and exchange traded funds – equities	656,526	656,526	-	-
Mutual and exchange traded funds – fixed income	1,887,503	1,887,503	-	-
Money market funds	2,024,022	2,024,022	-	-
Investments carried at fair value	6,149,176	\$ 5,274,476	\$ 874,700	\$ -
Cash management fund*	610,964			
Total investments	<u>\$ 6,760,140</u>			

\* 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 Financial Statements

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#### Note 4. 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, 2020 and 2019:

	2020	2019
Due in less than one year	\$ 4,386,229	\$ 3,703,723
Due in one to five years	1,000,000	1,001,300
Less discount to present value	(67,795)	(67,795)
Less allowance for doubtful accounts	(300,000)	(300,000)
	<u>\$ 5,018,434</u>	<u>\$ 4,337,228</u>
Grants receivable	\$ 4,218,364	\$ 4,110,865
Promises to give	800,070	226,363
	<u>\$ 5,018,434</u>	<u>\$ 4,337,228</u>

#### Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 490,699	\$ 490,699
Computers and software	889,642	840,304
Leasehold improvements	2,411,216	2,411,216
	<u>3,791,557</u>	<u>3,742,219</u>
Less accumulated depreciation	(1,389,681)	(1,116,176)
	<u>\$ 2,401,876</u>	<u>\$ 2,626,043</u>

#### Note 6. Notes Payable

**Line 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 corresponding interest rate varies on a weekly basis. No amounts were outstanding under the line of credit as of December 31, 2020 and 2019. Interest expense incurred under the revolving line of credit for the years ended December 31, 2020 and 2019 was \$0.

**Paycheck Protection Program loan:** Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Lawyer's Committee applied for a Paycheck Protection Program (PPP) loan with the Small Business Administration (SBA) and received a loan of \$1,263,700 in May 2020. The PPP loan has an interest rate of 1% per annum. The loan and related accrued interest are forgivable after 24 weeks if the Lawyers' Committee used the proceeds for eligible purposes. The Lawyers' Committee chose to account for the loan in accordance with ASC 470 and will record a gain on loan forgiveness in the period when official notification is received.

In July 2021, the Lawyers' Committee received notification that the entire PPP loan, and all accrued interest, had been forgiven by the SBA.



## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 7. 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, 2020 and 2019:

	2020	2019
Domestic Legal Assistance Fund	\$ 16,728	\$ 16,728
Anniversary Fund	11,242	11,242
Lloyd Cutler Memorial Fund	5,800	5,800
	<u>\$ 33,770</u>	<u>\$ 33,770</u>

#### Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following at December 31, 2020 and 2019:

	2020	2019
Purpose-restricted net assets:		
Voting rights	\$ 6,960,464	\$ 3,138,325
Economic justice	1,455,389	1,872,867
Program reserves	1,071,586	913,404
Fair housing/community development	1,414,744	614,238
Capacity building	1,562,816	590,000
Criminal justice	301,177	399,942
Census	325,256	314,752
COVID-19	333,481	-
Black voices, black justice	459,983	-
Education	325,000	-
Legal partnerships	273,695	-
Other	155,513	-
Environmental justice (NC office)	-	19,535
Net assets subject to purpose restrictions	<u>14,639,104</u>	<u>7,863,063</u>
Endowment	<u>3,147,398</u>	<u>2,775,909</u>
	<u>\$ 17,786,502</u>	<u>\$ 10,638,972</u>

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 these net assets.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 8. Net Assets With Donor Restrictions (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. As of December 31, 2020 and 2019, 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.

The following is a summary of donor-restricted endowment activity and composition as of and for the year ended December 31, 2020 and 2019:

	2020		
	Accumulated Earnings	Original Value	Total
Beginning of year	\$ 625,400	\$ 2,150,509	\$ 2,775,909
Net investment return	371,489	-	371,489
End of year	<u>\$ 996,889</u>	<u>\$ 2,150,509</u>	<u>\$ 3,147,398</u>

  

	2019		
	Accumulated Earnings	Original Value	Total
Beginning of year	\$ 322,880	\$ 2,150,509	\$ 2,473,389
Net investment return	302,520	-	302,520
End of year	<u>\$ 625,400</u>	<u>\$ 2,150,509</u>	<u>\$ 2,775,909</u>

#### Note 9. 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 \$216,491 and \$127,799 for the years ended December 31, 2020 and 2019, 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. Amounts due under the Plan were approximately \$40,000 and \$13,000 as of December 31, 2020 and 2019, respectively.

## Lawyers' Committee for Civil Rights Under Law

### Notes to Financial Statements

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#### Note 10. Commitments and Contingencies

**Leases:** On December 22, 2017, the Lawyers' Committee entered into an office space lease at 1500 K Street, NW, Washington, D.C. 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. The Lawyers' Committee was required to provide a security deposit to the landlord. Thus, the Lawyers' Committee had provided a \$498,978 letter of credit, issued by a commercial bank, in favor of the landlord as of December 31, 2019. The letter of credit was not renewed in 2020. As a result, \$498,978 was transferred to the landlord during 2020 to be held as a security deposit. This amount is included within the December 31, 2020 balance of prepaid expenses and other assets. In April 2021, the Lawyers' Committee obtained a \$600,000 letter of credit to serve as the security deposit. This letter of credit expires in April 2022. The Lawyers' Committee's letters of credit are secured by cash deposits included within cash and cash equivalents on the statement of financial position.

The office space leases contain annual escalation clauses, which adjust base rentals.

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

Years ending December 31:	
2021	\$ 1,282,504
2022	1,314,583
2023	1,347,471
2024	1,381,077
2025	1,415,606
Thereafter	8,566,600
	<u>\$ 15,307,841</u>

In addition, the Lawyers' Committee has entered into a lease agreement for certain office equipment that expires in January 2025. Annual lease payments of \$7,776 are due over the term of this lease.

**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.

**COVID-19 pandemic:** The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including the geographic areas in which the Lawyers' Committee operates. While the Lawyers' Committee has endeavored to mitigate the financial impact to its operations, it is unknown how long these conditions will last. Accordingly, there could be negative impacts to operations, the extent to which will depend on future developments which are highly uncertain and cannot be predicted.