

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY

FINANCIAL STATEMENTS

December 31, 2014 and 2013



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Law Center on Homelessness and Poverty
Washington, D.C.

We have audited the accompanying financial statements of National Law Center on Homelessness and Poverty, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 2014 financial statements referred to above present fairly, in all material respects, the financial position of National Law Center on Homelessness and Poverty as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Period Financial Statements

The financial statements of National Law Center on Homelessness and Poverty as of December 31, 2013, were audited by other auditors whose report dated June 17, 2014, expressed an unmodified opinion on those statements.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
April 8, 2015

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 183,502 | \$ 121,810 |
| Contributions receivable | 16,050 | 33,561 |
| Prepaid expenses | 2,739 | 14,051 |
| Total current assets | 202,291 | 169,422 |
| EQUIPMENT AND LEASEHOLD IMPROVEMENTS | | |
| Furniture and equipment | 25,451 | 25,451 |
| Computers | 17,438 | 16,663 |
| Software | 9,000 | 9,000 |
| Leashold improvements | 9,651 | 9,651 |
| Equipment and leasehold improvements | 61,540 | 60,765 |
| Accumulated depreciation | (44,333) | (35,834) |
| Equipment and leashold improvements—net | 17,207 | 24,931 |
| OTHER ASSETS | | |
| Deposits | 23,465 | 23,453 |
| Total assets | \$ 242,963 | \$ 217,806 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 33,421 | \$ 38,143 |
| Accrued vacation | 19,041 | 19,435 |
| Total liabilities | 52,462 | 57,578 |
| NET ASSETS | | |
| Unrestricted | 129,840 | 122,400 |
| Temporarily restricted | 60,661 | 37,828 |
| Total net assets | 190,501 | 160,228 |
| Total liabilities and net assets | \$ 242,963 | \$ 217,806 |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|-------------------|
| REVENUE | | | |
| Foundation grants | \$ 358,894 | \$ 60,661 | \$ 419,555 |
| Corporate contributions | 110,476 | - | 110,476 |
| Law firms | 183,200 | - | 183,200 |
| Individual contributions | 202,522 | - | 202,522 |
| Contributed legal and professional services | 3,377,779 | - | 3,377,779 |
| Contributed materials | 7,342 | - | 7,342 |
| Other revenue | 143,323 | - | 143,323 |
| Interest income | 57 | - | 57 |
| Total revenue | 4,383,593 | 60,661 | 4,444,254 |
| Net assets released from restrictions | 37,828 | (37,828) | - |
| Total revenue, gains, and other support | 4,421,421 | 22,833 | 4,444,254 |
| EXPENSES | | | |
| Program services | 4,196,992 | - | 4,196,992 |
| Management and general | 96,353 | - | 96,353 |
| Fundraising | 120,636 | - | 120,636 |
| Total expenses | 4,413,981 | - | 4,413,981 |
| Change in net assets | 7,440 | 22,833 | 30,273 |
| Net assets - beginning of year | 122,400 | 37,828 | 160,228 |
| Net assets - end of year | \$ 129,840 | \$ 60,661 | \$ 190,501 |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

| | Unrestricted | Temporarily Restricted | Total |
|---|-------------------|---------------------------|-------------------|
| REVENUE | | | |
| Foundation grants | \$ 242,839 | \$ 165,250 | \$ 408,089 |
| Corporate contributions | 81,931 | - | 81,931 |
| Law firms | 152,133 | - | 152,133 |
| Individual contributions | 205,159 | 25,000 | 230,159 |
| Contributed legal and professional services | 3,947,554 | - | 3,947,554 |
| Contributed materials | 1,500 | - | 1,500 |
| Other revenue | 14,634 | - | 14,634 |
| Interest income | 71 | - | 71 |
| Rental income | 1,150 | - | 1,150 |
| Realized gain | 199 | - | 199 |
| | <hr/> | <hr/> | <hr/> |
| Total revenue | 4,647,170 | 190,250 | 4,837,420 |
| Net assets released from restrictions | 192,422 | (192,422) | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenue, gains, and other support | 4,839,592 | (2,172) | 4,837,420 |
| EXPENSES | | | |
| Program services | 4,576,981 | - | 4,576,981 |
| Management and general | 134,955 | - | 134,955 |
| Fundraising | 190,123 | - | 190,123 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 4,902,059 | - | 4,902,059 |
| Change in net assets | (62,467) | (2,172) | (64,639) |
| Net assets - beginning of year | 184,867 | 40,000 | 224,867 |
| | <hr/> | <hr/> | <hr/> |
| Net assets - end of year | <u>\$ 122,400</u> | <u>\$ 37,828</u> | <u>\$ 160,228</u> |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

| | Right to Housing | Youth and Education | Civil Rights | Law and Policy | Communica- tion and Outreach | Total Program Services | Manage- ment and General | Fundraising | Total |
|--|---------------------|------------------------|---------------------|-------------------|------------------------------------|------------------------------|--------------------------------|-------------------|---------------------|
| Personnel | \$ 171,416 | \$ 82,690 | \$ 84,730 | \$ 43,834 | \$ 138,964 | \$ 521,634 | \$ 41,648 | \$ 49,165 | \$ 612,447 |
| Accounting | 8,138 | 4,010 | 3,909 | 2,411 | 5,877 | 24,345 | 2,255 | 2,949 | 29,549 |
| Temporary help | 2,131 | 1,050 | 1,024 | 631 | 1,539 | 6,375 | 1,299 | 773 | 8,447 |
| Professional fees | 3,467 | 2,223 | 1,937 | 963 | 61,663 | 70,253 | 900 | 45,677 | 116,830 |
| Bank charges | - | - | - | - | 933 | 933 | 1,599 | - | 2,532 |
| Interest | - | - | - | - | - | - | 249 | - | 249 |
| Insurance | 1,075 | 530 | 517 | 3,742 | 777 | 6,641 | 2,752 | 389 | 9,782 |
| Rent | 39,283 | 19,356 | 18,871 | 11,639 | 28,371 | 117,520 | 10,883 | 14,236 | 142,639 |
| Office supplies | 924 | 455 | 444 | 371 | 1,109 | 3,303 | 1,221 | 334 | 4,858 |
| Leased equipment | 3,471 | 1,710 | 1,667 | 1,028 | 3,347 | 11,223 | 962 | 1,257 | 13,442 |
| Depreciation | 2,341 | 1,153 | 1,124 | 694 | 1,690 | 7,002 | 648 | 849 | 8,499 |
| Telephone and internet | 2,549 | 1,256 | 1,306 | 1,727 | 2,183 | 9,021 | 1,093 | 929 | 11,043 |
| Postage and delivery | 150 | 61 | 133 | 63 | 1,437 | 1,844 | 202 | 927 | 2,973 |
| Printing and reproduction | 419 | 207 | 201 | 562 | 3,379 | 4,768 | 365 | 1,957 | 7,090 |
| Travel | 7,364 | 1,196 | 1,138 | 65 | 1,532 | 11,295 | - | 43 | 11,338 |
| Food and beverage | 31 | - | - | 105 | 28,458 | 28,594 | 87 | - | 28,681 |
| Event production | - | - | - | - | 3,192 | 3,192 | - | - | 3,192 |
| Fees, dues, subscriptions | 447 | 326 | 358 | 4,451 | 7,445 | 13,027 | 5,043 | 376 | 18,446 |
| Staff development | 69 | 34 | 33 | 20 | 950 | 1,106 | 19 | 25 | 1,150 |
| Recruitment and advertising | - | 80 | - | 50 | 615 | 745 | 810 | - | 1,555 |
| Other | - | - | - | - | - | - | 1,460 | - | 1,460 |
| Subtotal | 243,275 | 116,337 | 117,392 | 72,356 | 293,461 | 842,821 | 73,495 | 119,886 | 1,036,202 |
| Contributed legal and professional services | 193,388 | 85,961 | 3,056,729 | - | 18,093 | 3,354,171 | 22,858 | 750 | 3,377,779 |
| Total expenses | <u>\$ 436,663</u> | <u>\$ 202,298</u> | <u>\$ 3,174,121</u> | <u>\$ 72,356</u> | <u>\$ 311,554</u> | <u>\$ 4,196,992</u> | <u>\$ 96,353</u> | <u>\$ 120,636</u> | <u>\$ 4,413,981</u> |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

| | Right to Housing | Youth and Education | Civil Rights | Law and Policy | Communica- tion and Outreach | Total Program Services | Manage- ment and General | Fundraising | Total |
|--|---------------------|------------------------|--------------|-------------------|------------------------------------|------------------------------|--------------------------------|-------------|--------------|
| Personnel | \$ 231,734 | \$ 73,030 | \$ 62,200 | \$ 40,101 | \$ 80,635 | \$ 487,700 | \$ 52,639 | \$ 54,816 | \$ 595,155 |
| Accounting | 10,865 | 3,303 | 2,846 | 1,944 | 3,552 | 22,510 | 3,158 | 2,704 | 28,372 |
| Temporary help | 1,168 | 312 | 93 | 485 | 4,544 | 6,602 | 2,159 | 5,863 | 14,624 |
| Professional fees | 5,643 | 1,685 | 1,452 | 992 | 11,530 | 21,302 | 1,440 | 89,566 | 112,308 |
| Bank charges | 752 | 229 | 197 | 135 | 358 | 1,671 | 943 | 406 | 3,020 |
| Interest | 632 | 192 | 165 | 113 | 301 | 1,403 | 793 | 341 | 2,537 |
| Insurance | 1,815 | 552 | 475 | 4,090 | 593 | 7,525 | 2,535 | 452 | 10,512 |
| Rent | 28,424 | 8,639 | 7,445 | 5,086 | 9,293 | 58,887 | 6,065 | 7,075 | 72,027 |
| Office supplies | 2,776 | 844 | 727 | 497 | 1,011 | 5,855 | 1,901 | 782 | 8,538 |
| Leased equipment | 5,346 | 1,625 | 1,400 | 957 | 1,748 | 11,076 | 429 | 1,331 | 12,836 |
| Depreciation | 536 | 163 | 141 | 96 | 175 | 1,111 | 6,788 | 134 | 8,033 |
| Telephone and internet | 4,146 | 1,260 | 1,086 | 1,995 | 1,470 | 9,957 | 1,138 | 1,073 | 12,168 |
| Postage and delivery | 554 | 243 | 104 | 71 | 696 | 1,668 | 116 | 1,759 | 3,543 |
| Printing and reproduction | 670 | 156 | 201 | 194 | 1,384 | 2,605 | 109 | 2,988 | 5,702 |
| Travel | 5,539 | 682 | 2,367 | 66 | 504 | 9,158 | - | 314 | 9,472 |
| Food and beverage | 63 | 19 | 16 | 179 | 12,765 | 13,042 | 378 | 12,662 | 26,082 |
| Event production | - | - | - | - | 679 | 679 | - | 679 | 1,358 |
| Conference registration | 350 | - | - | 150 | 510 | 1,010 | - | - | 1,010 |
| Fees, dues, subscriptions | 967 | 308 | 372 | 5,220 | 4,588 | 11,455 | 109 | 6,143 | 17,707 |
| Publications and resource materials | - | - | - | 412 | - | 412 | 74 | - | 486 |
| Staff development | - | - | - | 295 | - | 295 | - | - | 295 |
| Recruitment and advertising | - | - | - | 240 | 35 | 275 | 150 | 35 | 460 |
| Other | - | - | - | - | - | - | 10 | - | 10 |
| Fellowship and grants | 6,500 | 1,750 | - | - | - | 8,250 | - | - | 8,250 |
| Subtotal | 308,480 | 94,992 | 81,287 | 63,318 | 136,371 | 684,448 | 80,934 | 189,123 | 954,505 |
| Contributed legal and professional services | 315,553 | 375,187 | 3,003,882 | 142,911 | 55,000 | 3,892,533 | 54,021 | 1,000 | 3,947,554 |
| Total expenses | \$ 624,033 | \$ 470,179 | \$ 3,085,169 | \$ 206,229 | \$ 191,371 | \$ 4,576,981 | \$ 134,955 | \$ 190,123 | \$ 4,902,059 |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 30,273 | \$ (64,639) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 8,499 | 8,033 |
| (Increase) decrease in assets | | |
| Contributions receivable | 17,511 | 22,476 |
| Prepaid expenses | 11,312 | 1,630 |
| Deposits | (12) | (12,610) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | (4,722) | (957) |
| Accrued vacation | (394) | 2,695 |
| Sublease security deposits | - | (700) |
| Net cash flows from operating activities | 62,467 | (44,072) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | - | 168 |
| Purchase of equipment | (775) | (18,680) |
| Net cash flows from investing activities | (775) | (18,512) |
| Net change in cash | 61,692 | (62,584) |
| Cash—beginning of year | 121,810 | 184,394 |
| Cash—end of year | <u>\$ 183,502</u> | <u>\$ 121,810</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for interest | \$ 249 | \$ 2,537 |

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

National Law Center on Homelessness and Poverty (Law Center) is a nonprofit organization, incorporated in the District of Columbia in June 1989. The Law Center is the only national organization dedicated solely to using the power of the law to end and prevent homelessness. With support of a large network of pro bono lawyers, we address the immediate and long-term needs of people who are homeless or at risk through outreach and training, advocacy, impact litigation, and public education.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Law Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Law Center in perpetuity.

Contributions Receivable

Contributions receivable are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions are recognized only when the conditions on which they depend are substantially met and the receivable become unconditional. All contributions receivable are receivable within one year.

Equipment and Leasehold Improvements

Acquisitions of equipment and leasehold improvements in excess of \$750 are capitalized. Purchases of equipment and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line method over three to seven years, the estimated useful lives of the assets.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donated materials are recorded as contributions at fair market value at the date of donation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Law Center.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

The following program services are included in the accompanying financial statements:

Right to Housing

The Law Center is working to change the way policy makers and the American people think about housing, with one goal in mind: creating an enforceable right to safe, affordable housing. We fight to prevent homelessness for renters, create homes and communities for homeless people using surplus government property, and prevent economically vulnerable domestic violence survivors from becoming homeless.

Youth and Education Rights

To ensure stability for homeless children, the federal McKinney-Vento Act gives them the right to remain in school, receive free transportation to and from school, receive free school meals and access to extracurricular activities. The Law Center provides training and technical assistance to schools and advocates, making sure they understand homeless children's rights, as well as advance legal protections for families.

Civil Rights of People Experiencing Homelessness

The Law Center strives to make sure people who are homeless aren't arrested and punished for their misfortune and that they can retain their dignity and rights. The civil rights program has two main focuses: ending the criminalization of homelessness and protecting the right to vote for homeless people.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes Status

The Law Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Law Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Law Center's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Law Center is no longer subject to such examinations for tax years before 2011.

Date of Management's Review

Management has evaluated subsequent events through April 8, 2015, the date which the financial statements were available to be issued.

NOTE 2 – LINE OF CREDIT

The Law Center has a \$50,000 commercial line of credit, of which \$50,000 was available on December 31, 2014 and 2013. Bank advances carry an effective interest rate of 8.5%.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

| | 2014 | 2013 |
|-----------------------------------|-----------|-----------|
| Right to Housing Program | \$ 24,991 | \$ - |
| Youth and Education Program | - | 12,078 |
| Community and Outreach | 19,991 | - |
| Other programs | 15,679 | - |
| Management and general | - | 25,750 |
| Temporarily restricted net assets | \$ 60,661 | \$ 37,828 |

NOTE 4 – DONATED SERVICES

The fair value of donated services included as contributed legal and professional services was \$3,377,779 and \$3,949,054 for 2014 and 2013.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – LEASES

The Law Center leases office space under a lease which expires December 31, 2023. This lease requires monthly payments of \$11,716. The Law Center also leases equipment under a lease which expires August 18, 2016. This lease requires monthly payments of \$976.

Rent expenses for these leases totaled \$154,351 and \$84,863 for 2014 and 2013.

Future minimum lease payments are as follows:

| | | |
|------------|----|---------|
| 2015 | \$ | 140,589 |
| 2016 | | 140,589 |
| 2017 | | 140,589 |
| 2018 | | 140,589 |
| 2019 | | 140,589 |
| Thereafter | | 562,356 |