

NATIONAL LAW CENTER
ON HOMELESSNESS & POVERTY

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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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 statements of financial position as of December 31, 2018 and 2017, and 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 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 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, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, the National Law Center on Homelessness and Poverty adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
August 9, 2019

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 175,978	\$ 148,336
Contributions receivable	24,884	88,256
Prepaid expenses	23,064	23,477
Total current assets	223,926	260,069
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture and equipment	25,451	25,451
Computers	18,221	18,221
Software	19,342	19,342
Leasehold improvements	9,651	9,651
Equipment and leasehold improvements	72,665	72,665
Accumulated depreciation	(64,554)	(57,719)
Equipment and leasehold improvements, net	8,111	14,946
OTHER ASSETS		
Deposits	23,489	23,489
Total assets	\$ 255,526	\$ 298,504
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,328	\$ 4,581
Accrued payroll	16,371	26,118
Accrued vacation	9,355	27,098
Total liabilities	37,054	57,797
NET ASSETS		
Without donor restrictions	149,188	190,707
With donor restrictions	69,284	50,000
Total net assets	218,472	240,707
Total liabilities and net assets	\$ 255,526	\$ 298,504

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 138,000	\$ 80,000	\$ 218,000
Corporate contributions	77,650	-	77,650
Law firm contributions	265,325	-	265,325
Individual contributions	392,533	-	392,533
Contributed legal and professional services	5,178,246	-	5,178,246
Other revenue	5,388	-	5,388
Subtotal	6,057,142	80,000	6,137,142
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	60,716	(60,716)	-
Total support and revenue	6,117,858	19,284	6,137,142
EXPENSES			
Program services			
Right to Housing	162,269	-	162,269
Youth and Education	169,294	-	169,294
Civil Rights	250,999	-	250,999
Law and Policy	5,228,895	-	5,228,895
Communication and Outreach	173,618	-	173,618
Total program services	5,985,075	-	5,985,075
Supporting activities			
Management and general	89,760	-	89,760
Fundraising	84,542	-	84,542
Total supporting activities	174,302	-	174,302
Total expenses	6,159,377	-	6,159,377
Change in net assets	(41,519)	19,284	(22,235)
Net assets at beginning of year	190,707	50,000	240,707
Net assets at end of year	<u>\$ 149,188</u>	<u>\$ 69,284</u>	<u>\$ 218,472</u>

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 137,000	\$ 299,355	\$ 436,355
Corporate contributions	75,600	-	75,600
Law firm contributions	254,250	-	254,250
Individual contributions	332,283	-	332,283
Contributed legal and professional services	6,270,856	-	6,270,856
Other revenue	13,350	-	13,350
Subtotal	7,083,339	299,355	7,382,694
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	288,220	(288,220)	-
Total support and revenue	7,371,559	11,135	7,382,694
EXPENSES			
Program services			
Right to Housing	221,700	-	221,700
Youth and Education	193,126	-	193,126
Civil Rights	267,707	-	267,707
Law and Policy	6,292,277	-	6,292,277
Communication and Outreach	161,098	-	161,098
Total program services	7,135,908	-	7,135,908
Supporting activities			
Management and general	102,970	-	102,970
Fundraising	91,784	-	91,784
Total supporting activities	194,754	-	194,754
Total expenses	7,330,662	-	7,330,662
Change in net assets	40,897	11,135	52,032
Net assets at beginning of year	149,810	38,865	188,675
Net assets at end of year	<u>\$ 190,707</u>	<u>\$ 50,000</u>	<u>\$ 240,707</u>

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Right to Housing	Youth and Education	Civil Rights	Law and Policy	Communic- ation and Outreach	Total Program Services	Manage- ment and General	Fundraising	Total
Personnel	\$ 118,470	\$ 112,520	\$ 182,589	\$ 20,958	\$ 102,274	536,811	\$ 32,121	\$ 45,153	\$ 614,085
Rent	33,558	31,873	51,721	5,937	28,970	152,059	9,099	12,790	173,948
Professional fees	-	-	-	1,827	1,829	3,656	3,584	20,695	27,935
Accounting	-	-	-	-	-	-	29,256	-	29,256
Event production	-	-	-	-	25,388	25,388	-	-	25,388
Fees, dues, subscriptions	-	-	-	11,954	2,429	14,383	5,914	1,138	21,435
Leased equipment	1,173	1,115	1,809	208	1,013	5,318	318	447	6,083
Travel	911	380	1,679	1,662	4,625	9,257	26	1,104	10,387
Telephone and internet	1,592	1,512	2,453	282	1,374	7,213	432	607	8,252
Printing and reproduction	1,800	1,710	2,774	318	1,555	8,157	488	686	9,331
Insurance	2,417	2,296	3,725	428	2,087	10,953	655	921	12,529
Depreciation	1,319	1,252	2,032	233	1,138	5,974	358	503	6,835
Fellowship and grants	-	15,625	-	5,775	-	21,400	-	-	21,400
Postage and delivery	343	326	528	60	296	1,553	93	131	1,777
Conference registration	-	33	-	1,559	-	1,592	-	-	1,592
Bank charges	-	-	-	-	-	-	5,338	-	5,338
Office supplies	686	652	1,058	121	593	3,110	186	262	3,558
Recruitment and advertising	-	-	-	227	-	227	732	105	1,064
Food and beverage	-	-	-	-	-	-	260	-	260
Staff development	-	-	-	-	47	47	-	-	47
Other	-	-	631	-	-	631	-	-	631
Subtotal	162,269	169,294	250,999	51,549	173,618	807,729	88,860	84,542	981,131
Contributed legal and professional services	-	-	-	5,177,346	-	5,177,346	900	-	5,178,246
Total expenses	\$ 162,269	\$ 169,294	\$ 250,999	\$ 5,228,895	\$ 173,618	\$ 5,985,075	\$ 89,760	\$ 84,542	\$ 6,159,377

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Right to Housing	Youth and Education	Civil Rights	Law and Policy	Communic- ation and Outreach	Total Program Services	Manage- ment and General	Fundraising	Total
Personnel	\$ 164,877	\$ 143,300	\$ 197,444	\$ 1,289	\$ 86,855	\$ 593,765	\$ 51,345	\$ 54,433	\$ 699,543
Rent	40,197	34,936	48,136	314	21,175	144,758	12,518	13,271	170,547
Professional fees	222	-	2,762	5,209	24,356	32,549	735	5,834	39,118
Accounting	-	-	-	-	-	-	27,223	-	27,223
Event production	-	-	-	-	13,157	13,157	-	8,771	21,928
Fees, dues, subscriptions	-	684	271	9,420	7,486	17,861	524	-	18,385
Leased equipment	1,137	988	1,361	9	599	4,094	354	375	4,823
Travel	5,446	3,770	5,974	124	783	16,097	-	4,958	21,055
Telephone and internet	2,454	2,132	2,938	19	1,293	8,836	764	810	10,410
Printing and reproduction	2,930	2,547	3,509	23	1,544	10,553	912	967	12,432
Insurance	2,200	1,912	2,634	17	1,159	7,922	685	726	9,333
Depreciation	787	684	942	6	414	2,833	245	260	3,338
Fellowship and grants	-	-	-	5,500	-	5,500	-	-	5,500
Postage and delivery	639	555	765	5	336	2,300	199	211	2,710
Conference registration	-	913	-	1,025	-	1,938	-	850	2,788
Bank charges	-	-	-	-	-	-	3,427	-	3,427
Office supplies	811	705	971	6	427	2,920	253	268	3,441
Recruitment and advertising	-	-	-	75	1,464	1,539	1,545	50	3,134
Food and beverage	-	-	-	-	-	-	323	-	323
Staff development	-	-	-	-	50	50	154	-	204
Other	-	-	-	-	-	-	144	-	144
Subtotal	221,700	193,126	267,707	23,041	161,098	866,672	101,350	91,784	1,059,806
Contributed legal and professional services	-	-	-	6,269,236	-	6,269,236	1,620	-	6,270,856
Total expenses	\$ 221,700	\$ 193,126	\$ 267,707	\$ 6,292,277	\$ 161,098	\$ 7,135,908	\$ 102,970	\$ 91,784	\$ 7,330,662

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,235)	\$ 52,032
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	6,835	3,338
Decrease (increase) in assets		
Contributions receivable	63,372	58,964
Prepaid expenses	413	(2,207)
Increase (decrease) in liabilities		
Accounts payable	6,747	(15,334)
Refundable grant advances	-	(119,446)
Accrued payroll	(9,747)	(1,768)
Accrued vacation	(17,743)	(1,381)
	27,642	(25,802)
Net cash flows from operating activities	27,642	(25,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of software and website redesign	-	(10,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	-	30,000
Payments on line of credit	-	(30,000)
	-	-
Net cash flows from financing activities	-	-
Net change in cash	27,642	(36,144)
Cash at beginning of year	148,336	184,480
Cash at end of year	\$ 175,978	\$ 148,336
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ 94

See accompanying notes.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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 are recognized as revenue when received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

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.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional services, rent, office supplies, equipment, telephone & internet, postage and delivery, conference registration, fees, dues & subscriptions, recruitment / advertising and a portion of personnel, which are allocated based on the percentage of direct costs.

The following program services and supporting activities 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

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

The Law Center strives to make sure people who are homeless are not 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.

Law and Policy

The Law Center uses legal and policy advocacy to accomplish programmatic goals and fulfill its mission. All of the Law Center's programs benefit from legal and policy advocacy, including Civil Rights, Right to Housing, and Youth and Education Rights.

Communication and Outreach

The Law Center uses communications and outreach towards specific audiences and the general public in order to accomplish its mission of changing laws and policies. This includes program work accomplished through outreach to the general public.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management and general

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Law Center's program strategy; secure proper administrative functioning of the board of directors; and manage the financial and budgetary responsibilities of the Law Center.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

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.

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).

Adoption of New Accounting Pronouncement

National Law Center on Homelessness and Poverty adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through August 9, 2019, the date which the financial statements were available to be issued.

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 – LEASES

The Law Center leases office space under a lease which expires August 31, 2024. This lease requires monthly payments of \$14,496 increasing 2.5% each year and an additional \$2 per square foot beginning in the sixth year. The Law Center leases office equipment under a lease which expires September 31, 2021. This lease requires monthly payments of \$311. Lease expense for these leases for the year ended December 31, 2018 and 2017 totaled \$180,031 and \$175,370, respectively. Future minimum lease payments are as follows:

2019	\$ 183,607
2020	195,290
2021	206,122
2022	215,267
2023	227,507
Thereafter	<u>159,686</u>
Total	<u><u>1,187,479</u></u>

NOTE 3 – DONATED SERVICES

The value of donated services for 2018 and 2017 recorded in the statements of activities and corresponding program services and supporting activities for which they were used are:

	<u>2018</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional legal services	\$ 5,177,346	\$ -	\$ -	\$ 5,177,346
Accounting services	<u>-</u>	<u>900</u>	<u>-</u>	<u>900</u>
Total donated services	<u><u>\$ 5,177,346</u></u>	<u><u>900</u></u>	<u><u>-</u></u>	<u><u>\$ 5,178,246</u></u>
	<u>2017</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional legal services	\$ 6,269,236	\$ -	\$ -	\$ 6,269,236
Accounting services	<u>-</u>	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Total donated services	<u><u>\$ 6,269,236</u></u>	<u><u>1,620</u></u>	<u><u>-</u></u>	<u><u>\$ 6,270,856</u></u>

NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 – LIQUIDITY AND AVAILABILITY

The following table reflects the National Law Center on Homelessness and Poverty's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the date of the statement of financial position because of internal board designations or donor-imposed restrictions.

Financial assets at end of year	
Cash	\$ 175,978
Contributions receivable	<u>24,884</u>
 Total financial assets at end of year	 200,862
 Less amounts not available for general expenditures within one year due to:	
Restricted by donor - imposed with purpose restrictions	<u>69,284</u>
 Financial assets available to meet general expenditures within one year	 <u><u>\$ 131,578</u></u>

As part of National Law Center on Homelessness and Poverty's liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As a non-profit, donor-funded organization, National Law Center on Homelessness and Poverty receives significant contributions each year from donors on a regular basis, which are available to meet annual cash needs for general operating expenditures.