



Christian Legal Society

Consolidated Financial Statements
For the Years Ended
December 31, 2004 and 2003
With Independent Auditors' Report

Christian Legal Society
Consolidated Financial Statements
For the Years Ended December 31, 2004 and 2003
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
CHRISTIAN LEGAL SOCIETY
Annandale, Virginia

We have audited the accompanying consolidated statements of financial position of CHRISTIAN LEGAL SOCIETY (the "Society") as of December 31, 2004 and 2003 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHRISTIAN LEGAL SOCIETY at December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald, Snyder & Co., P.C.

McLean, Virginia
January 28, 2005
(except for Notes G and M, as to which the date is February 14, 2005)

Christian Legal Society

Consolidated Statements of Financial Position

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 85,980	\$ 113,869
Accounts and grants receivable	107,188	134,843
Pledges receivable, net	169,312	214,383
Property held for sale	68,000	68,000
Prepaid expenses and other current assets	<u>1,253</u>	<u>5,307</u>
Total current assets	431,733	536,402
PLEDGES RECEIVABLE, net	-	59,126
PROPERTY AND EQUIPMENT, net	102,828	160,795
OTHER ASSETS	<u>11,866</u>	<u>12,798</u>
	<u>\$ 546,427</u>	<u>\$ 769,121</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 106,453	\$ 129,434
Accrued expenses	104,311	88,279
Line of credit	61,000	16,000
Note payable	7,080	6,570
Accrued vacation expense	66,432	55,724
Deferred revenue	<u>133,056</u>	<u>140,423</u>
Total current liabilities	478,332	436,430
NOTE PAYABLE	3,408	10,913
NOTES PAYABLE - board members	<u>150,000</u>	<u>150,000</u>
Total liabilities	631,740	597,343
COMMITMENTS	-	-
NET ASSETS:		
Unrestricted - undesignated	(383,711)	(283,827)
Temporarily restricted	<u>298,398</u>	<u>455,605</u>
Total net assets	<u>(85,313)</u>	<u>171,778</u>
	<u>\$ 546,427</u>	<u>\$ 769,121</u>

Christian Legal Society
Consolidated Statements of Activities
For the Years Ended December 31, 2004 and 2003

	2004			2003		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 786,114	\$ 209,978	\$ 996,092	\$ 771,319	\$ 355,801	\$ 1,127,120
Grants	152,050	358,829	510,879	173,975	315,164	489,139
Membership dues	339,853	-	339,853	351,902	-	351,902
Conference registration	366,013	-	366,013	202,516	-	202,516
Professional fees	50,740	-	50,740	10,922	-	10,922
Released from restriction	<u>726,014</u>	<u>(726,014)</u>	<u>-</u>	<u>296,188</u>	<u>(296,188)</u>	<u>-</u>
Total support and revenue	<u>2,420,784</u>	<u>(157,207)</u>	<u>2,263,577</u>	<u>1,806,822</u>	<u>374,777</u>	<u>2,181,599</u>
EXPENSES:						
Program services:						
Membership ministries	407,878	-	407,878	456,674	-	456,674
Public ministries	349,945	-	349,945	238,142	-	238,142
Conferences	568,480	-	568,480	444,754	-	444,754
Law student ministries	148,726	-	148,726	171,471	-	171,471
Center for Law and Religious Freedom	<u>722,011</u>	<u>-</u>	<u>722,011</u>	<u>633,907</u>	<u>-</u>	<u>633,907</u>
Total program services	<u>2,197,040</u>	<u>-</u>	<u>2,197,040</u>	<u>1,944,948</u>	<u>-</u>	<u>1,944,948</u>
Supporting services:						
Administration	149,953	-	149,953	191,646	-	191,646
Development	<u>173,675</u>	<u>-</u>	<u>173,675</u>	<u>81,863</u>	<u>-</u>	<u>81,863</u>
Total supporting services	<u>323,628</u>	<u>-</u>	<u>323,628</u>	<u>273,509</u>	<u>-</u>	<u>273,509</u>
Total expenses	<u>2,520,668</u>	<u>-</u>	<u>2,520,668</u>	<u>2,218,457</u>	<u>-</u>	<u>2,218,457</u>
CHANGE IN NET ASSETS	(99,884)	(157,207)	(257,091)	(411,635)	374,777	(36,858)
NET ASSETS, BEGINNING OF YEAR	<u>(283,827)</u>	<u>455,605</u>	<u>171,778</u>	<u>127,808</u>	<u>80,828</u>	<u>208,636</u>
NET ASSETS, END OF YEAR	\$ <u>(383,711)</u>	\$ <u>298,398</u>	\$ <u>(85,313)</u>	\$ <u>(283,827)</u>	\$ <u>455,605</u>	\$ <u>171,778</u>

Christian Legal Society

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2004

	Program Services					Support Services			Total
	Membership Ministries	Public Ministries	Conferences	Law Student Ministries	Center for Law and Religious Freedom	Total Program Services	Administration	Development	
Salaries and benefits	\$ 236,665	\$ 158,977	\$ 100,822	\$ 89,716	\$ 439,608	\$ 1,025,788	\$ 91,677	\$ 108,279	\$ 1,225,744
Computer expenses	3,832	426	-	611	1,987	6,856	2,323	925	10,104
Chapter/membership support	9,508	251	277,405	231	126	287,521	1,344	121	288,986
Employee related expenses	11,522	748	5,962	78	6,431	24,741	7,199	778	32,718
Bank charges -									
ministry specific	2,981	2,525	1,742	2,634	3,556	13,438	1,296	963	15,697
CLRF - advocacy	69	-	-	-	24,590	24,659	-	-	24,659
Office expenses -									
ministry specific	33,226	113,694	103,441	16,933	44,342	311,636	9,447	8,417	329,500
Travel	16,060	7,143	11,101	6,103	13,788	54,195	3,438	5,243	62,876
Headquarters facility costs	15,469	9,075	8,374	6,793	51,879	91,590	6,375	10,385	108,350
Equipment and supplies	12,188	10,768	9,158	4,521	21,163	57,798	3,820	5,595	67,213
Office services	16,800	14,071	12,939	6,192	27,563	77,565	1,538	7,458	86,561
Caging and database management	8,929	5,998	3,804	3,385	16,586	38,702	7,972	4,956	51,630
CLSNNet website costs	30,473	26,269	18,081	11,417	51,517	137,757	12,814	9,611	160,182
Publications:									
Christian Lawyer	5,191	-	-	-	-	5,191	-	-	5,191
Conference	-	-	15,651	-	-	15,651	-	319	15,970
Donor appeal	-	-	-	-	-	-	-	2,989	2,989
Dues renewal	360	-	-	-	-	360	-	-	360
Insider	-	-	-	-	1,373	1,373	-	5,166	6,539
Project Reach Out	-	-	-	-	17,502	17,502	-	2,452	19,954
Miscellaneous	4,605	-	-	112	-	4,717	710	18	5,445
	<u>\$ 407,878</u>	<u>\$ 349,945</u>	<u>\$ 568,480</u>	<u>\$ 148,726</u>	<u>\$ 722,011</u>	<u>\$ 2,197,040</u>	<u>\$ 149,953</u>	<u>\$ 173,675</u>	<u>\$ 2,520,668</u>

The accompanying notes are an integral part of these consolidated financial statements.

Christian Legal Society

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2003

	Program Services					Support Services			Total
	Membership Ministries	Public Ministries	Conferences	Law Student Ministries	Center for Law and Religious Freedom	Total Program Services	Administration	Development	
Salaries and benefits	\$ 265,949	\$ 87,887	\$ 120,889	\$ 99,961	\$ 394,299	\$ 968,985	\$ 119,109	\$ 47,021	\$ 1,135,115
Computer expenses	1,379	-	214	-	105	1,698	487	145	2,330
Chapter/membership support	8,536	1,135	182,163	2,574	630	195,038	3,554	1,287	199,879
Employee related expenses	11,789	1,414	2,177	401	2,169	17,950	3,167	1,035	22,152
Bank charges - ministry speci	4,095	450	871	1,042	2,849	9,307	5,511	838	15,656
CLRF - advocacy	-	-	-	-	24,257	24,257	-	-	24,257
Office expenses - ministry specific	27,748	90,870	23,125	11,747	28,283	181,773	2,841	5,251	189,865
Travel	11,570	5,758	20,266	8,235	6,562	52,391	1,762	1,495	55,648
Headquarters facility costs	17,109	1,864	8,045	12,890	44,189	84,097	7,813	4,195	96,105
Equipment and supplies	14,642	7,499	9,634	5,318	18,170	55,263	5,914	2,507	63,684
Office services	14,267	7,504	9,518	5,235	17,610	54,134	6,019	2,417	62,570
Caging and database management	12,055	3,984	5,480	4,531	17,873	43,923	10,942	2,923	57,788
CLSNet website costs	51,875	29,777	39,988	19,537	68,109	209,286	21,175	9,211	239,672
Publications:									
Christian Lawyer	-	-	22,384	-	-	22,384	-	-	22,384
Conference	-	-	-	-	8,773	8,773	-	-	8,773
Donor appeal	12,966	-	-	-	-	12,966	1,495	598	15,059
Dues renewal	2,694	-	-	-	-	2,694	-	898	3,592
Insider	-	-	-	-	29	29	-	385	414
Miscellaneous	-	-	-	-	-	-	1,857	1,657	3,514
	<u>\$ 456,674</u>	<u>\$ 238,142</u>	<u>\$ 444,754</u>	<u>\$ 171,471</u>	<u>\$ 633,907</u>	<u>\$ 1,944,948</u>	<u>\$ 191,646</u>	<u>\$ 81,863</u>	<u>\$ 2,218,457</u>

The accompanying notes are an integral part of these consolidated financial statements.

Christian Legal Society

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (257,091)	\$ (36,858)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	113,347	123,951
Loss on disposal of property and equipment	1,783	1,187
Contributed property and equipment	(22,825)	-
Changes in assets and liabilities affecting operations:		
Accounts and grants receivable	27,655	(101,686)
Pledges receivable, net	104,197	(179,201)
Prepaid expenses and other current assets	4,986	9,378
Accounts payable	(22,981)	52,418
Accrued expenses	16,032	27,755
Accrued vacation expense	10,708	(2,189)
Deferred revenue	(7,367)	(5,698)
Net cash used in operating activities	<u>(31,556)</u>	<u>(110,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(34,338)</u>	<u>(11,781)</u>
Net cash used in investing activities	<u>(34,338)</u>	<u>(11,781)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable - board members	-	150,000
Proceeds from line of credit	45,000	16,000
Repayments of note payable	<u>(6,995)</u>	<u>(6,133)</u>
Net cash provided by financing activities	<u>38,005</u>	<u>159,867</u>
NET CHANGE IN CASH	(27,889)	37,143
CASH, BEGINNING OF YEAR	<u>113,869</u>	<u>76,726</u>
CASH, END OF YEAR	\$ <u>85,980</u>	\$ <u>113,869</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	<u>\$ 19,628</u>	<u>\$ 10,446</u>

Christian Legal Society

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

A. ORGANIZATION

Inspired by Jesus' admonition to the lawyers and judges of His day to "do justice with the love of God, never forgetting the weightier matters of the law: justice, mercy and faithfulness," Christian Legal Society ("CLS" or the "Society") is a national non-profit, religious, membership association of lawyers, judges, law professors, law students and associated friends of the Society. All officers, directors, employees, attorney, law student and associate members of CLS, as a condition of their employment and/or membership in CLS, acknowledge in writing their acceptance of, and agreement with the following Statement of Faith:

Trusting in Jesus Christ as my Savior, I believe in:

1. One God, eternally existent in three persons, Father, Son and Holy Spirit.
2. God the Father Almighty, Maker of heaven and earth.
3. The Deity of our Lord Jesus Christ, God's Only Son, conceived of the Holy Spirit, born of the Virgin Mary; His vicarious death for our sins through which we receive eternal life; His bodily resurrection and personal return.
4. The presence and power of the Holy Spirit in the work of regeneration.
5. The Bible as the inspired Word of God.

CLS was founded in 1961 to bring together lawyers, law students and others to pursue the following corporate objectives which, as amended, remain CLS' core purposes today:

- *"To proclaim Jesus as Lord through all that we do in the field of law and other disciplines."*
- *"To provide a means of society, fellowship and nurture among Christian lawyers."*
- *"To encourage Christian lawyers to view law as ministry."*
- *"To clarify and promote the concept of the Christian lawyer and to help Christian lawyers integrate their faith with their professional lives."*
- *"To mobilize, at the national and local levels, the resources needed to promote justice, religious liberty, the sanctity of human life and biblical conflict reconciliation."*
- *"To encourage, disciple and aid Christian students in preparing for the legal profession."*
- *"To provide a forum for the discussion of problems relating to Christianity and the law."*
- *"To cooperate with bar associations and other organizations in asserting and maintaining high standards and legal ethics."*
- *"To encourage lawyers to furnish legal services to the poor and needy, and grant special considerations to the legal needs of churches and other charitable organizations."*

CLS conducts its operations through five ministries: The Law Student Ministries (campus ministries); the Center for Law and Religious Freedom (public education and legal advocacy); Public Ministries (legal aid, biblical reconciliation, and legal referral); Membership Ministries (pastoral care and support of members through various publications, member benefits and voluntary services); and Conferences.

Through CLS' Membership and Law Student Ministries, operating through CLS' 24 attorney and 102 law student chapters, CLS encourages the maintenance of an accountable, personal and professional lifestyle by each of its members that is characterized by humbly seeing oneself truly as God sees us, loving God completely and others compassionately.

Christian Legal Society

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

A. ORGANIZATION (continued)

Additionally, through CLS' Public Ministries and its Center for Law and Religious Freedom, CLS provides three national and local avenues through which its national staff attorneys and its members may seek to advocate justice, biblical reconciliation, the sanctity of human life, and religious liberty. First, CLS recruits and trains lawyers how to provide Christian legal services to the truly needy. Second, CLS trains and encourages its members to model the biblical principles Christ modeled: truth, justice, sacredness of life, freedom of conscience, and biblical conflict reconciliation through personal confession and forgiveness of wrongs. Third, CLS' staff attorneys, directly and through assisting the volunteer services of CLS members, provide legal service in the defense of the sanctity of human life and religious liberty.

CLS believes that voluntary, accountable fellowship in Christ most consistently mobilizes its approximately 3,000 CLS members to ethically practice law, best serve their clients, locally volunteer his or her services to help the poor, mentor a student, promote the biblical reconciliation of conflict, protect the sanctity of innocent human life, or defend a "neighbor" persecuted or discriminated against for the exercise of their religious conscience.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accompanying consolidated financial statements of the Society have been prepared on the accrual basis of accounting where revenue is recorded as earned and expenses are recorded as incurred.

Consolidation - The consolidated financial statements include the accounts of the Center for Law and Religious Freedom Advocates, LLC ("CLRF"), a wholly-owned subsidiary of the Society. Intercompany balances and transactions have been eliminated in consolidation.

The Society has student chapters at law schools throughout the country. The accompanying consolidated financial statements do not include the accounts of the chapters.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Property and equipment - Property and equipment are stated at cost. Donated assets are recorded at the estimated fair market value at the time of donation. Depreciation is provided for using the straight-line method, based on the estimated useful lives of the assets. Amortization is determined using the straight-line method over the estimated useful lives of the related capital leases.

Donated materials and services - The estimated fair value of donated materials and services, net of actual payments, if any, are reported as support and expense in the period of benefit. For the years ended December 31, 2004 and 2003, donated materials and services totaled \$317,067 and \$374,499, respectively.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program services benefited.

Christian Legal Society

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes - The Society is classified for federal income tax purposes as a Section 501(c)(3) organization exempt from income taxes as provided under Section 501(a) of the Internal Revenue Code.

Promises to give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met. As of December 31, 2004 and 2003 there were no conditional promises to give.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. As of December 31, 2004 and 2003, the Society had no permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a restriction on a contribution is met in the same period that the contribution was received, the contribution is reported in the statement of activities as temporarily restricted revenue and as net assets released from restrictions.

Deferred revenue - Membership dues and conference fees received in advance are deferred and recognized as revenue over the period to which they relate and when the events take place, respectively.

Costs of joint activities - Statement of Position 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising", establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or general and administrative). The pronouncement requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising. See Note L.

C. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

	<u>2004</u>	<u>2003</u>
Unconditional promises to give before		
unamortized discount and reserve	\$ 187,343	\$ 304,277
Less: unamortized discount	<u>-</u>	<u>(1,774)</u>
Subtotal	187,343	302,503
Less: reserve	<u>(18,031)</u>	<u>(28,994)</u>
Net unconditional promises to give	\$ <u>169,312</u>	\$ <u>273,509</u>

Christian Legal Society

Notes to Consolidated Financial Statements December 31, 2004 and 2003

C. PLEDGES RECEIVABLE (continued)

	<u>2004</u>	<u>2003</u>
Amounts due in:		
Less than one year	\$ 187,343	\$ 243,377
One to five years	-	60,900
More than five years	-	-
Total gross unconditional promises to give	\$ <u>187,343</u>	\$ <u>304,277</u>

D. PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows as of December 31:

	<u>2004</u>	<u>2003</u>
Leasehold improvements	\$ 3,476	\$ 3,476
Furniture	14,421	14,421
Equipment	33,405	33,405
Website	470,906	460,305
Computers and software	65,657	51,259
	<u>587,865</u>	<u>562,866</u>
Less: accumulated depreciation and amortization	<u>485,037</u>	<u>402,071</u>
	\$ <u>102,828</u>	\$ <u>160,795</u>

Depreciation expense for the years ended December 31, 2004 and 2003 totaled \$113,347 and \$123,951, respectively.

E. NOTE PAYABLE

Outstanding note payable is summarized as follows at December 31:

	<u>2004</u>	<u>2003</u>
Note payable from a financial institution for the Society's telephone system due June 2006. Payments of \$641 are due monthly including principal and interest at 7.5%. The note is collateralized by the Society's phone system.	\$ 10,488	\$ 17,483
Less: current portion	<u>(7,080)</u>	<u>(6,570)</u>
Total	\$ <u>3,408</u>	\$ <u>10,913</u>

Future maturities of the note payable at December 31 are as follows:

For the years ending December 31,

2005	\$ 7,080
2006	<u>3,408</u>
Total	\$ <u>10,488</u>

Christian Legal Society

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

F. LINE OF CREDIT

The Society maintains a line of credit with a financial institution up to \$75,000, which is collateralized by the Society's furniture, fixtures and equipment. The line of credit is due on demand and bears interest at the rate of prime plus 1.5%. At December 31, 2004 and 2003, the balance on the line of credit was \$61,000 and \$16,000, respectively.

G. NOTES PAYABLE - BOARD MEMBERS

	<u>2004</u>	<u>2003</u>
Note payable from a board member, who has since retired from the board, dated March 18, 2003. The entire principal balance and all accrued interest and unpaid interest at a rate of 5% are payable in full on April 1, 2005. The note is secured by a deed of trust on the property held for sale. Subsequent to year-end, the maturity date was extended to April 1, 2006 with all other terms remaining the same.	\$ 50,000	\$ 50,000
Note payable from a board member dated June 15, 2003. The entire principal balance and all accrued interest and unpaid interest at a rate of 5% are payable in full on June 15, 2005. The note is secured by a deed of trust on the property held for sale. Subsequent to year-end, the maturity date was extended to June 15, 2006 with all other terms remaining the same.	50,000	50,000
Note payable from a board member dated August 1, 2003. The entire principal balance and all accrued interest and unpaid interest at a rate of 5% are payable in full on August 1, 2005. The note is secured by a deed of trust on the property held for sale. Subsequent to year-end, the maturity date was extended to August 1, 2006 with all other terms remaining the same.	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

Christian Legal Society
Notes to Consolidated Financial Statements
December 31, 2004 and 2003

H. COMMITMENTS

The Organization maintains several operating leases for a postage machine, copier, and an office condominium. Future maturities of the operating leases at December 31 are as follows:

For the years ending December 31,

2005	\$ 59,181
2006	5,285
2007	<u>3,964</u>
	\$ <u>68,430</u>

For the years ended December 31, 2004 and 2003, rent expense totaled \$172,062 and \$166,500, respectively.

I. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2004</u>	<u>2003</u>
Program assistance	\$ 26,147	\$ 47,470
Time restricted for future periods	<u>272,251</u>	<u>408,135</u>
Total temporarily restricted net assets	\$ <u>298,398</u>	\$ <u>455,605</u>

Net assets restricted for program assistance include items for the Alliance Defense Fund, Public Ministries Director, conference and scholarships.

For the years ended December 31, 2004 and 2003, net assets in the amount of \$726,014 and \$296,188, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose, which related to the Alliance Defense Fund, conference, scholarships and other expenses.

J. RELATED PARTY TRANSACTIONS

An officer of the Society is a partial owner and Chief Operating Officer of a web-base vendor that the Society contracts with. During 2004 and 2003, the Society was invoiced \$104,063 and \$135,867, respectively, for these services of which \$51,233 and \$44,313, respectively, was to be paid in cash and \$52,830 and \$91,554, respectively, was considered contributed services.

During 2004, the Society had outstanding loans from three board members totaling \$150,000. See Note G.

Christian Legal Society

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

K. RETIREMENT PLAN

The Society maintains a tax deferred annuity pension plan, qualified under Section 403(b) of the Internal Revenue Code, for eligible employees with at least two years of full-time service, working at least 1,000 hours per year. The Society contributes 5% of the annual salary of each participant. Pension expense totaled \$26,453 and \$27,242 for the years ended December 31, 2004 and 2003, respectively.

L. ALLOCATION OF JOINT ACTIVITIES

During 2004 and 2003, CLS incurred joint costs of approximately \$214,406 and \$252,811, respectively, for website costs and informational materials primarily related to mailings that included fundraising appeals. Pursuant to SOP 98-2 (see Note B) these costs were allocated to the functional areas as follows:

	<u>2004</u>	<u>2003</u>
Program services	\$ 180,967	\$ 216,620
Supporting services:		
Development	20,624	13,125
Administration	<u>12,815</u>	<u>23,066</u>
	<u>\$ 214,406</u>	<u>\$ 252,811</u>

M. SUBSEQUENT EVENT

In February 2005, the maturity dates for all board member loans were extended one-year. See Note G.