



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Legal Society

I have audited the accompanying financial statements of Christian Legal Society (a nonprofit organization) which comprise the Statement of Financial Position as of December 31, 2014 and 2013, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to 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.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Legal Society as of December 31, 2014 and 2013, 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.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Manassas, VA
May 3, 2015

Christian Legal Society
Statement of Financial Position
At December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	\$ 107,476	\$ 160,415
Accounts and Grants Receivable	6,321	5,952
Pledges Receivable, net	203,592	146,093
Prepaid expenses and other current assets	16,116	9,561
Total Current Assets	333,505	322,021
Property and Equipment, Net	41,112	65,964
Other Assets	7,559	7,879
Total Assets	\$ 382,176	\$ 395,864
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 15,717	\$ 51,523
Lines of Credit	38,722	109,818
Accrued Payroll Liabilities	21,516	21,391
Accrued Vacation Expense	9,126	9,534
Deferred Rent Discount	5,258	-
Deferred Revenue	14,505	14,883
Total Current Liabilities	104,844	207,149
Long-Term Liabilities		
Subtenant Security Deposit	1,288	1,288
Total Long-Term Liabilities	1,288	1,288
Total Liabilities	106,132	208,437
Net Assets		
Unrestricted - undesignated	254,948	162,119
Temporarily restricted	21,096	25,308
Total Net Assets	276,044	187,427
Total Liabilities and Net Assets	\$ 382,176	\$ 395,864

Christian Legal Society
Statement of Activities
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions	\$ 545,746	\$ 6,795	\$ 552,541	\$ 579,538	\$ 24,308	\$ 603,846
Grants	95,200		95,200	119,000		119,000
Membership Contributions & Dues	388,331		388,331	384,697		384,697
Conference Registration	183,749		183,749	182,924		182,924
Advertising and Sponsorship	11,580		11,580	4,049		4,049
Sale of Resources	-		-	11,503		11,503
Total Support & Revenue	1,224,606	6,795	1,231,401	1,281,711	24,308	1,306,019
Expenses						
Program Services						
Attorney Ministries	244,856	-	244,856	269,807	-	269,807
Legal Aid Ministries	107,991	-	107,991	137,420	-	137,420
Conferences	207,765	-	207,765	218,352	-	218,352
Center for Law and Religious Freedom	308,712	-	308,712	311,474	-	311,474
Law Student Ministries	116,434	11,007	127,441	145,631	9,000	154,631
Total Program Services	985,758	11,007	996,765	1,082,684	9,000	1,091,684
Supporting Services:						
Administration	83,234	-	83,234	87,434	-	87,434
Development	80,007	-	80,007	104,736	-	104,736
Total Supporting Services	163,241	-	163,241	192,170	-	192,170
Total Expenses	1,148,999	11,007	1,160,006	1,274,854	9,000	1,283,854
Other Income/(Expenses)	17,222	-	17,222	21,148	-	21,148
Increase (Decrease) in Net Assets from Operations						
	\$ 92,829	\$ (4,212)	\$ 88,617	\$ 28,005	\$ 15,308	\$ 43,313
Net Assets, Beginning of Year	\$ 162,119	\$ 25,308	\$ 187,427	\$ 134,114	\$ 10,000	\$ 144,114
Net Assets, End of Year	\$ 254,948	\$ 21,096	\$ 276,044	\$ 162,119	\$ 25,308	\$ 187,427

See the Accompanying Accountant's Report and Notes to the Financial Statements

**Christian Legal Society
Schedule of Functional Expenses
For the Year Ended December 31, 2014**

	<u>Program Services</u>						<u>Support Services</u>		
	<u>Attorney Ministries</u>	<u>Legal Aid Ministries</u>	<u>Conferences</u>	<u>Center for Law & Religious Freedom</u>	<u>Law Student Ministries</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries & Benefits	\$ 152,277	\$ 56,521	\$ 27,311	\$ 218,799	\$ 87,962	\$ 542,870	\$ 38,647	\$ 43,623	\$ 625,140
Computer Expenses	6,272	4,320	-	7,467	3,584	21,643	5,895	2,330	29,868
Chapter/Membership Support	10,108	15,566	157,320	-	-	182,994	-	-	182,994
Bank Charges	6,809	-	1,621	8,106	3,891	20,427	11,996	-	32,423
CLRF-Advocacy	-	-	-	14,325	-	14,325	-	-	14,325
Office Expenses	27,855	119	48	11,003	2,085	41,110	287	2,613	44,010
Travel	6,855	838	4,762	9,566	9,047	31,068	5,694	3,407	40,169
Headquarters Facility Costs	14,552	12,720	1,867	17,512	9,764	56,415	13,410	5,471	75,296
Equipment & Supplies	5,588	3,021	1,309	7,551	3,146	20,615	2,165	2,391	25,171
Office Services	4,651	4,319	553	5,536	2,657	17,716	2,701	1,728	22,145
Caging & Database Management	4,653	4,030	1,108	5,539	2,659	17,989	2,439	1,728	22,156
Publications:									
Christian Lawyer	5,236	6,537	-	3,308	2,646	17,727	-	-	17,727
Conference	-	-	11,866	-	-	11,866	-	-	11,866
Donor Appeal	-	-	-	-	-	-	-	16,716	16,716
	<u>\$ 244,856</u>	<u>\$ 107,991</u>	<u>\$ 207,765</u>	<u>\$ 308,712</u>	<u>\$ 127,441</u>	<u>\$ 996,765</u>	<u>\$ 83,234</u>	<u>\$ 80,007</u>	<u>\$ 1,160,006</u>

**Christian Legal Society
Schedule of Functional Expenses
For the Year Ended December 31, 2013**

	<u>Program Services</u>						<u>Support Services</u>		
	<u>Attorney Ministries</u>	<u>Legal Aid Ministries</u>	<u>Conferences</u>	<u>Center for Law & Religious Freedom</u>	<u>Law Student Ministries</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries & Benefits	\$ 156,857	\$ 66,403	\$ 24,902	\$ 206,368	\$ 87,119	\$ 541,649	\$ 65,343	\$ 52,321	\$ 659,313
Computer Expenses	4,045	2,055	896	5,133	2,134	14,263	903	1,622	16,788
Chapter/Membership Support	18,332	30,937	176,185	290	1,600	227,344	-	-	227,344
Scholarships	-	-	-	-	5,618	5,618	-	-	5,618
Employee Related Expenses	-	-	-	10	-	10	107	825	942
Bank Charges	11,685	3,448	2,677	8,613	3,580	30,003	1,512	2,722	34,237
CLRF-Advocacy	-	-	-	14,323	-	14,323	-	-	14,323
Office Expenses	17,327	-	49	908	7,220	25,504	5,252	1,184	31,940
Travel	9,930	3,422	3,124	8,550	10,568	35,594	1,504	2,902	40,000
Headquarters Facility Costs	11,889	6,429	2,805	16,062	6,677	43,862	2,826	5,076	51,764
Equipment & Supplies	15,189	8,214	3,583	20,519	8,530	56,035	5,824	6,485	68,344
Office Services	7,574	4,096	1,787	10,232	4,254	27,943	1,800	3,234	32,977
Caging & Database Management	9,936	5,373	2,344	13,423	5,580	36,656	2,363	4,242	43,261
Publications:									
Christian Lawyer	7,043	7,043	-	7,043	7,043	28,172	-	-	28,172
JCLT	-	-	-	-	4,708	4,708	-	-	4,708
Donor Appeal	-	-	-	-	-	-	-	24,123	24,123
	<u>\$ 269,807</u>	<u>\$ 137,420</u>	<u>\$ 218,352</u>	<u>\$ 311,474</u>	<u>\$ 154,631</u>	<u>\$ 1,091,684</u>	<u>\$ 87,434</u>	<u>\$ 104,736</u>	<u>\$ 1,283,854</u>

Christian Legal Society
Statement of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 88,617	\$ 43,313
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and Amortization	25,172	31,324
Changes in assets and liabilities affecting operations:		
Accounts and Grants receivable	(369)	3,749
Pledges receivable, net	(57,499)	15,570
Prepaid expenses and other current assets	(6,555)	15,017
Other Assets	-	320
Accounts Payable	(35,806)	(8,276)
Accrued Vacation expense	(408)	1,874
Payroll Liabilities	125	(1,223)
Deferred Revenue	(378)	8,499
Net cash used in operating activities	<u>18,157</u>	<u>110,167</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(1,628)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,628)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments to) lines of credit	<u>(71,096)</u>	<u>4,391</u>
Net cash provided by financing activities	<u>(71,096)</u>	<u>4,391</u>
 Net Increase (Decrease) in Cash	\$ (52,939)	\$ 112,930
 Cash, Beginning of Year	\$ 160,415	\$ 47,485
 Cash, End of Year	\$ 107,476	\$ 160,415
 Interest paid during the year	\$ 5,557	\$ 6,546

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

A. ABOUT THE CHRISTIAN LEGAL SOCIETY (CLS)

History - Founded in 1961, Christian Legal Society (CLS) is a national, non-profit, religious, membership association of lawyers, judges, law professors, law students, paralegals, legal assistants, and associated friends of the society. All officers, directors, employees, and members of CLS, as a condition of the employment and/or membership, affirm the following statement of faith:

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

- *One God, eternally existent in three persons: Father, Son, and Holy Spirit.*
- *God the Father Almighty, maker of heaven and earth.*
- *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.*
- *The presence and power of the Holy Spirit in the work of regeneration.*
- *The Bible as the inspired word of God.*

Structure - For over 50 years, CLS members have been "Seeking justice with the Love of God", currently through four primary ministries:

Attorney Ministries

CLS attorney chapters and individual members throughout the country are engaged in a wide range of ministries and activities, including Christian fellowship and spiritual development, discipleship, law student mentoring, contributions to The Christian Lawyer magazine, legal referrals, Christian conciliation, volunteer legal service on behalf of the poor and needy, and engagement with the legal community in their respective communities.

Law Student Ministries

CLS helps students in law schools across the country integrate their Christian faith with the study and eventual practice of law. Our Law Student Ministries engages CLS and other Christian groups on law school campuses, resourcing them with Bible studies, one-on-one mentoring, student-focused conferences, a Journal of Christian Legal Thought, and faith-based curriculum services.

Legal Aid Ministries

CLS trains, coordinates, networks, resources, and assists lawyers, churches, missions, ministries, and laypeople to engage in Christian legal aid in their communities, making sure the poor and needy have access to justice. Christian Legal Aid helps the disadvantaged untangle legal issues, seek Christian guidance for personal problems, and understand their rights under the law.

Center for Law and Religious Freedom (CLRF)

As the country's oldest Christian advocacy ministry for religious liberty, CLRF has initiated law suits, filed amicus briefs, argued cases, and worked with Congress to defend our Constitution's inalienable protection of religious freedom and the sanctity of human life.

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

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.

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.

Cash and cash equivalents – For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

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. Property and equipment costing over \$1,000 are capitalized.

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. The total is made up of the use of facilities in Mt. Pleasant, Texas. For the years ended December 31, 2014 and 2013, donated materials totaled \$6,300 and \$6,300, 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.

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, 2014 and 2013 there were no conditional promises to give, while unconditional promises to give were \$203,592 and \$146,093, respectively.

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, 2014 and 2013, the Society had no permanently restricted net assets, while temporarily restricted net assets totaled \$21,096 and \$25,308, respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

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 – Funds and conference fees received in advance for specific purposes or events are deferred and recognized as revenue over the period to which they relate and when the events take place, respectively. Beginning in 2012, with the new contribution oriented membership structure and the fact that all membership dues are voluntary contribution amounts, payments are receipted as donations to the ministry. Given this, CLS recognizes membership dues as “Contributions” in the period in which they are received.

Costs of Joint Activities – FASB ASC 958-720-50-2, “*Accounting for Costs of Activities That Include Fund Raising*”, establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one of 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 J.

C. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give as of December 31:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give before unamortized discount and reserve	\$ 203,592	\$ 146,093
Less: Unamortized discount	-	-
Subtotal	<u>203,592</u>	<u>146,093</u>
Less: Reserve	-	-
Net unconditional promises to give	<u><u>203,592</u></u>	<u><u>146,093</u></u>
Amounts due in:		
Less than one year	\$ 203,592	\$ 146,093
One to five years	-	-
More than five years	-	-
Total gross unconditional promises to give	<u><u>\$ 203,592</u></u>	<u><u>\$ 146,093</u></u>

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

D. PROPERTY AND EQUIPMENT

The major classes of property and equipment, along with their respective accumulated depreciation and net worth, are as follows as of December 31:

	<u>2014</u>	<u>Accum Depr</u>	<u>Net</u>
Leasehold Improvements	28,296	20,739	7,557
Furniture	9,373	9,373	-
Equipment	76,961	61,071	15,890
Website and Software	31,807	31,807	-
Computers	103,720	86,055	17,665
	<u>250,157</u>	<u>209,045</u>	<u>41,112</u>

	<u>2013</u>	<u>Accum Depr</u>	<u>Net</u>
Leasehold Improvements	28,296	18,458	9,838
Furniture	9,373	9,373	-
Equipment	76,961	54,398	22,563
Website and Software	31,807	28,264	3,543
Computers	103,720	73,700	30,020
	<u>250,157</u>	<u>184,193</u>	<u>65,964</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 totaled \$25,172 and \$31,324, respectively.

E. LINES OF CREDIT

The Society maintains a line of credit with a financial institution. The maximum amount available on this line was up to \$100,000 and \$75,000 at December 31, 2014 and 2013, respectively. The line 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, 2014 and 2013, the balance on the line of credit was \$0 and \$70,000 respectively.

The Society also has a consumer credit card with the same financial institution. At December 31, 2014 and 2013, the balance on the consumer credit card was \$38,722 and \$39,818 respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

F. LEASES

The Organization was obligated to pay on a lease for 3,089 square feet in an office building on the third floor of 8100 Braddock Road, Springfield, Virginia. The lease runs through November 30, 2014, but is terminable by Christian Legal Society at any point on 12-months' advance written notice to the Lessor. The lease was renewed in 2014 for an additional five (5) years with three months free rent up-front. The following is a schedule for future minimum lease payments at December 31, 2014:

<u>For the years ending December 31,</u>	<u>Rent</u>
2015	55,497
2016	68,396
2017	70,277
2018	72,210
2019	67,857
Total	\$ 334,237

Christian Legal Society also subleased portions of this facility to Child Evangelism Fellowship (CEF). CEF's sublease runs through the end of November 2014, and their base rent increases at 3% per year. CEF currently subleases 722 square feet. No new lease has been signed so CEF is currently considered to be subleasing month to month under the terms of most recently expired lease.

For the years ended December 31, 2014 and 2013, rent expense for Christian Legal Society totaled \$68,977 and \$67,677, respectively.

G. RELATED PARTY TRANSACTIONS

A Board of Director for the Society is a Partner of a Law Firm that the Society had contracted with for services. During 2014 and 2013, the Society was invoiced \$3,281 and \$7,430, respectively, for these services. At December 31, 2014 and 2013, the amounts due to the Law Firm included in accounts payable were \$2,450 and \$3,311, respectively.

H. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
NE Conference	\$ 5,000	\$ 12,000
Development Consultant	-	2,500
Endowment	1,000	1,000
LSM Funds	7,301	8,808
Legal Aid	7,795	1,000
Total temporarily restricted net assets	\$ 21,096	\$ 25,308

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

For the years ended December 31, 2014 and 2013, net assets in the amount of \$11,007 and \$9,000, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

I. CONDITIONAL PROMISES TO GIVE (ENDOWMENT)

The endowment noted in the “Temporarily Restricted Net Assets” Note refers to an endowment CLS is eligible to receive if it can match the funds set aside by a donor in their estate. The endowment is for approximately \$500,000. However, CLS cannot receive those funds or earnings from those funds unless matching funds are raised within 5 years of the date of the death of the donor, which to date has not yet occurred. Cumulative funds raised were \$1,000 and \$1,000 at December 31, 2014 and 2013, respectively.

J. 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 \$14,782 and \$18,106 for the years ended December 31, 2014 and 2013, respectively.

K. ALLOCATION OF JOINT ACTIVITIES

During 2014 and 2013, CLS incurred joint costs of approximately \$46,309 and \$57,003, respectively, for website costs and informational materials primarily related to mailings that included fundraising appeals. Pursuant to FASB ASC 958-720-50-2 (See Note B) these costs were allocated to the functional areas as follows:

	<u>2014</u>	<u>2013</u>
Program Services	\$ 29,593	\$ 32,880
Supporting Services:		
Development	16,716	24,123
Administration	-	-
Total	\$ 46,309	\$ 57,003

L. INTEREST EXPENSE

The amount of Interest Expense for the year ended December 31, 2014 and 2013 totaled \$5,557 and \$6,546, respectively. These expenses are included in Interest Expense, Bank Charges, and Equipment Expenses.

Christian Legal Society
Notes to Financial Statements
December 31, 2014 and 2013

M. OTHER INCOME

Items included in Other Income on the Statement of Activities for the years ended December 31, 2014 and 2013 are listed below:

	<u>2014</u>	<u>2013</u>
Reimbursed Expenses	\$ 17,080	\$ 20,925
Miscellaneous	142	223
Total	<u>\$ 17,222</u>	<u>\$ 21,148</u>

N. CONCENTRATIONS

For the year ended December 31, 2014, no one contributor gave more than 10% of total contributions received; however, the top 5 donors represent about 25.9% of total contributions for 2014.

O. SUBSEQUENT EVENTS

Subsequent events have been evaluated through information known as of May 3, 2015, which is the date of these financial statements were available to be issued.