

Christian Legal Society
Statement of Financial Position
At December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 393,686	\$ 256,946
Accounts and Grants Receivable	23,573	15,244
Pledges Receivable, net	434,037	325,371
Prepaid expenses and other current assets	18,905	19,334
Total Current Assets	870,201	616,895
Property and Equipment, Net	38,197	25,565
Other Assets	8,138	8,240
Total Assets	\$ 916,536	\$ 650,700
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 7,780	\$ -
Credit Card Payable/Line of Credit	-	495
Accrued Payroll Liabilities	31,969	26,160
Accrued Vacation Expense	10,679	8,425
Deferred Rent Discount	6,365	9,685
Current portion of Long-Term Debt	4,147	3,728
Deferred Revenue	9,020	11,110
Total Current Liabilities	69,960	59,603
Long-Term Liabilities		
Lease Payable	9,748	13,895
Total Long-Term Liabilities	9,748	13,895
Total Liabilities	79,708	73,498
Net Assets		
Unrestricted - undesignated	800,236	568,774
Temporarily restricted	36,592	8,428
Total Net Assets	836,828	577,202
Total Liabilities and Net Assets	\$ 916,536	\$ 650,700

Christian Legal Society
Statement of Activities
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue						
Contributions	\$ 667,263	\$ 77,046	\$ 744,309	\$ 641,319	\$ -	\$ 641,319
Grants	239,168		239,168	168,418		168,418
Membership Contributions & Dues	384,393		384,393	362,675		362,675
Conference Registration	270,498		270,498	211,056		211,056
Advertising and Sponsorship	1,226		1,226	2,304		2,304
Total Support & Revenue	1,562,548	77,046	1,639,594	1,385,772	-	1,385,772
Expenses						
Program Services						
Attorney Ministries	338,739	-	338,739	307,774	-	307,774
Legal Aid Ministries	118,788	-	118,788	139,624	-	139,624
Conferences	263,987	-	263,987	224,291	-	224,291
Center for Law and Religious Freedom	293,235	-	293,235	273,461	-	273,461
Law Student Ministries	166,016	-	166,016	164,592	-	164,592
Total Program Services	1,180,765	-	1,180,765	1,109,742	-	1,109,742
Supporting Services:						
Administration	101,208	-	101,208	99,217	-	99,217
Development	108,539	-	108,539	110,698	-	110,698
Total Supporting Services	209,747	-	209,747	209,915	-	209,915
Total Expenses	1,390,512	-	1,390,512	1,319,657	-	1,319,657
Other Income/(Expenses)	10,544	-	10,544	14,108	-	14,108
Increase (Decrease) in Net Assets from Operations	\$ 182,580	\$ 77,046	\$ 259,626	\$ 80,223	\$ -	\$ 80,223
Net Assets, Beginning of Year	\$ 568,774	\$ 8,428	\$ 577,202	\$ 471,907	\$ 25,072	\$ 496,979
Net Assets Released from Restriction	\$ 48,882	\$ (48,882)	\$ -	\$ 16,644	\$ (16,644)	\$ -
Net Assets, End of Year	\$ 800,236	\$ 36,592	\$ 836,828	\$ 568,774	\$ 8,428	\$ 577,202

See the Accompanying Notes to the Financial Statements

Christian Legal Society
Schedule of Functional Expenses
For the Year Ended December 31, 2017

	<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	\$ 219,348	\$ 71,240	\$ 25,504	\$ 207,227	\$ 105,522	\$ 628,841	\$ 71,851	\$ 57,838	\$ 758,530
Computer Expenses	5,879	1,124	-	2,961	1,715	11,679	1,088	1,095	13,862
Chapter/Membership Support	12,773	16,163	233,899	-	472	263,307	-	7,291	270,598
Bank Charges	8,937	1,900	-	4,005	3,898	18,740	4,547	1,851	25,138
CLRF-Advocacy	-	-	-	12,657	-	12,657	-	-	12,657
Office Expenses	12,881	2,815	-	7,012	4,047	26,755	2,495	2,509	31,759
Travel	11,861	4,454	406	10,539	13,818	41,078	4,363	3,898	49,339
Headquarters Facility Costs	16,242	8,979	-	16,931	18,068	60,220	6,304	7,337	73,861
Equipment & Supplies	16,319	2,568	-	6,762	3,916	29,565	241	2,501	32,307
Office Services	9,377	2,941	-	7,748	4,487	24,553	3,927	7,792	36,272
Caging & Database Management	11,715	2,240	-	5,900	3,417	23,272	2,169	2,182	27,623
Publications:									
Christian Lawyer	5,221	1,699	3,663	4,474	2,591	17,648	1,644	1,655	20,947
JCLT	4,759	-	-	-	-	4,759	-	-	4,759
Donor Appeal	3,427	2,665	515	7,019	4,065	17,691	2,579	12,590	32,860
	<u>\$ 338,739</u>	<u>\$ 118,788</u>	<u>\$ 263,987</u>	<u>\$ 293,235</u>	<u>\$ 166,016</u>	<u>\$ 1,180,765</u>	<u>\$ 101,208</u>	<u>\$ 108,539</u>	<u>\$ 1,390,512</u>

Christian Legal Society
Schedule of Functional Expenses
For the Year Ended December 31, 2016

	<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	\$ 181,444	\$ 82,976	\$ 31,895	\$ 182,945	\$ 100,035	\$ 579,295	\$ 62,095	\$ 70,032	\$ 711,422
Computer Expenses	3,102	1,407	-	4,417	2,195	11,121	1,014	1,116	13,251
Chapter/Membership Support	28,379	12,528	177,120	-	1,000	219,027	11,489	391	230,907
Bank Charges	6,000	3,472	-	7,747	3,588	20,807	1,953	2,861	25,621
CLRF-Advocacy	-	-	-	13,434	-	13,434	-	-	13,434
Office Expenses	9,545	4,361	2,210	9,662	5,657	31,435	3,456	3,752	38,643
Travel	10,918	5,653	4,861	8,623	6,414	36,469	4,072	4,482	45,023
Headquarters Facility Costs	18,055	9,284	-	16,265	16,258	59,862	3,926	7,775	71,563
Equipment & Supplies	6,259	4,248	8,205	4,918	4,386	28,016	3,813	1,991	33,820
Office Services	13,814	4,202	-	6,229	8,961	33,206	3,027	3,331	39,564
Caging & Database Management	8,205	2,836	-	5,555	4,318	20,914	2,043	3,749	26,706
CLSNet Website Costs	3,459	1,569	-	3,694	3,714	12,436	1,095	1,244	14,775
Publications:									
Christian Lawyer	3,775	3,307	-	3,459	2,993	13,534	1,234	1,358	16,126
JCLT	7,488	-	-	-	-	7,488	-	-	7,488
Donor Appeal	7,331	3,781	-	6,513	5,073	22,698	-	8,616	31,314
	<u>\$ 307,774</u>	<u>\$ 139,624</u>	<u>\$ 224,291</u>	<u>\$ 273,461</u>	<u>\$ 164,592</u>	<u>\$ 1,109,742</u>	<u>\$ 99,217</u>	<u>\$ 110,698</u>	<u>\$ 1,319,657</u>

See the Accompanying Notes to the Financial Statements

Christian Legal Society
Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 259,626	\$ 80,223
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and Amortization	9,116	19,331
Changes in assets and liabilities affecting operations:		
Accounts and Grants receivable	(8,329)	(2,388)
Pledges receivable, net	(108,666)	24,285
Prepaid expenses and other current assets	429	(773)
Other Assets	-	(1,288)
Accounts Payable	7,780	(13,748)
Accrued Vacation expense	2,254	2
Payroll Liabilities	5,809	1,170
Other Liabilities	-	(1,288)
Deferred Expenses	(3,320)	(3,321)
Deferred Revenue	(2,090)	(395)
Net cash used in operating activities	162,609	101,810
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,646)	(2,002)
Net cash used in investing activities	(21,646)	(2,002)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments to) lines of credit	(495)	495
Proceeds from / Repayments of Notes Payable	(3,728)	(3,351)
Net cash provided by financing activities	(4,223)	(2,856)
 Net Increase (Decrease) in Cash	\$ 136,740	\$ 96,952
 Cash, Beginning of Year	\$ 256,946	\$ 159,994
 Cash, End of Year	\$ 393,686	\$ 256,946
 Interest paid during the year	\$ 1,708	\$ 884

**Christian Legal Society
Notes to Financial Statements
December 31, 2017 and 2016**

A. ABOUT THE CHRISTIAN LEGAL SOCIETY (CLS)

History - Founded in 1961, Christian Legal Society (CLS) is an association of Christians dedicated to serving Jesus Christ through the practice and study of law, the defense of life and religious freedom, and the provision of legal aid to the needy. 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.

Christian Legal Aid

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 (the Center)

As the country's oldest Christian advocacy ministry for religious liberty, the Center 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, 2017 and 2016

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements of the Society have been prepared on the US GAAP financial framework of accounting. The accrual method is used for calculations, thus revenue is recognized when earned and expenses are recognized when 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, 2017 and 2016, 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. 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, 2017 and 2016 there were no conditional promises to give, while unconditional promises to give were \$434,037 and \$325,371, 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, 2017 and 2016, the Society had no permanently restricted net assets, while temporarily restricted net assets totaled \$36,592 and \$8,428, respectively.

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

Christian Legal Society
Notes to Financial Statements
December 31, 2017 and 2016

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.

Membership Dues – Membership dues are considered voluntary contributions to the Society. Payments for dues are received 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 L.

C. PLEDGES RECEIVABLE

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

	2017	2016
Unconditional promises to give before unamortized discount and reserve	\$ 434,037	\$ 325,371
Less: Unamortized discount	-	-
Subtotal	434,037	325,371
Less: Reserve	-	-
Net unconditional promises to give	<u>434,037</u>	<u>325,371</u>
Amounts due in:		
Less than one year	\$ 434,037	\$ 325,371
One to five years	-	-
More than five years	-	-
Total gross unconditional promises to give	<u>\$ 434,037</u>	<u>\$ 325,371</u>

Christian Legal Society
Notes to Financial Statements
December 31, 2017 and 2016

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:

	2017	Accum Depr	Net
Leasehold Improvements	\$ 28,296	\$ 27,583	\$ 713
Furniture	2,922	1,404	1,518
Equipment	30,048	17,007	13,041
Website and Software	161,262	150,609	10,653
Computers	68,389	56,117	12,272
	<u>\$ 290,917</u>	<u>\$ 252,720</u>	<u>\$ 38,197</u>

	2016	Accum Depr	Net
Leasehold Improvements	\$ 28,296	\$ 25,302	\$ 2,994
Furniture	2,922	1,003	1,919
Equipment	30,048	12,571	17,477
Website and Software	151,546	151,546	-
Computers	79,229	76,054	3,175
	<u>\$ 292,041</u>	<u>\$ 266,476</u>	<u>\$ 25,565</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 totaled \$9,116 and \$19,331, 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 at December 31, 2017 and 2016. 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, 2017 and 2016, the balance on the line of credit was \$0 and \$0 respectively.

The Society also has a consumer credit card with the same financial institution. At December 31, 2017 and 2016, the balance on the consumer credit card was \$0 and \$495, respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017:

<u>For the years ending December 31,</u>	<u>Rent</u>
2018	\$ 72,210
2019	67,857
<u>Total</u>	<u>\$ 140,067</u>

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 subleased 722 square feet. No new lease was signed and CEF moved out of the space in 2016.

For the years ended December 31, 2017 and 2016, rent expense for Christian Legal Society totaled \$73,861 and \$52,970, respectively.

G. CAPITAL LEASE

The Organization purchased a copier in 2015 with a \$1 buy-out option at the end of the 60-month lease. As such the value of the copier has been capitalized and interest is being recognized at an imputed interest rate of 10.524%. The minimum lease payments for the next five years are as follows:

<u>Year</u>	<u>Principle Payments</u>
2018	\$ 4,148
2019	4,614
2020	5,133
<u>\$</u>	<u>13,895</u>

H. 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 2017 and 2016, the Society was invoiced \$5,217 and \$6,402, respectively, for these services. At December 31, 2017 and 2016, the amounts due to the Law Firm included in accounts payable were \$0 and \$0, respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2017 and 2016

I. TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Attorney Ministries	\$ 2,003	\$ 3,514
Endowment	1,400	1,400
Center Staffing	25,000	-
Legal Aid	8,189	3,514
Total temporarily restricted net assets	\$ 36,592	\$ 8,428

For the years ended December 31, 2017 and 2016, net assets in the amount of \$48,882 and \$16,644, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

J. 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 was April 18, 2018. Cumulative funds raised were \$1,400 and \$1,400 at December 31, 2017 and 2016, respectively.

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 \$17,406 and \$14,827 for the years ended December 31, 2017 and 2016, respectively.

L. ALLOCATION OF JOINT ACTIVITIES

During 2017 and 2016, CLS incurred joint costs of approximately \$58,566 and \$54,928, 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:

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	2017	2016
Program Services	\$ 40,098	\$ 43,720
Supporting Services:		
Development	14,245	9,974
Administration	4,223	1,234
Total	\$ 58,566	\$ 54,928

M. INTEREST EXPENSE

The amount of Interest Expense for the year ended December 31, 2017 and 2016 totaled \$1,708 and \$884, respectively. These expenses are included in Interest Expense, Bank Charges, and Equipment Expenses.

N. OTHER INCOME

Items included in Other Income on the Statement of Activities for the years ended December 31, 2017 and 2016 are listed below:

	2017	2016
Reimbursed Expenses	\$ 2,094	\$ 14,108
Miscellaneous	8,450	-
Total	\$ 10,544	\$ 14,108

O. CONCENTRATIONS

For the year ended December 31, 2017, no one contributor gave more than 10% of total contributions received; however, the top 5 donors represent about 14.7% of total contributions for 2017.

For the year ended December 31, 2016, no one contributor gave more than 10% of total contributions received; however, the top 5 donors represent about 13.5% of total contributions for 2016.

P. SUBSEQUENT EVENTS

Subsequent events have been evaluated through information known as of May 18, 2018, which is the date of these financial statements were available to be issued.

The Donor referred to in Note J died on April 18, 2018.