

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

**Consolidated Financial Statements and  
Supplementary Information  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)  
With Report of Independent Auditors**

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)

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## **REPORT OF INDEPENDENT AUDITORS**

The Board of Directors  
NAACP Legal Defense and Educational Fund, Inc.

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of the NAACP Legal Defense and Educational Fund, Inc. and Affiliate (the Fund), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the NAACP Legal Defense and Educational Fund, Inc. and Affiliate at June 30, 2015, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### **Report on Summarized Comparative Information**

We have previously audited the Fund's consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities and consolidated schedule of functional expenses are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Mitchell & Titus, LLP*

October 30, 2015

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidated Statements of Financial Position  
As of June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,200,206	\$ 5,803,700
Accounts receivable	86,312	75,780
Contributions and court fees receivable	5,956,531	2,735,250
Amounts held in escrow	3,423	3,423
Investments	24,290,525	25,734,628
Other assets	285,756	329,955
Property and equipment, net	15,584,443	16,282,640
Assets held in trust by others	1,568,141	1,679,135
<b>Total assets</b>	<b>\$ 54,975,337</b>	<b>\$ 52,644,511</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 1,211,421	\$ 1,548,379
Mortgage payable	3,725,549	3,834,522
Accrued pension liability	2,371,685	1,523,038
Court awards and fees pending distribution	3,423	3,423
<b>Total liabilities</b>	<b>7,312,078</b>	<b>6,909,362</b>
<i>Net assets</i>		
<i>Unrestricted</i>		
Available for operations	2,731,210	3,201,823
Invested in property and equipment	11,858,894	12,448,118
<b>Total unrestricted</b>	<b>14,590,104</b>	<b>15,649,941</b>
Temporarily restricted	14,671,262	11,572,429
Permanently restricted	18,401,893	18,512,779
<b>Total net assets</b>	<b>47,663,259</b>	<b>45,735,149</b>
<b>Total liabilities and net assets</b>	<b>\$ 54,975,337</b>	<b>\$ 52,644,511</b>

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidated Statement of Activities  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUE, GAINS, RECLASSIFICATIONS AND OTHER SUPPORT</b>					
Contributions	\$ 6,361,624	\$ 6,915,631	\$ 108	\$ 13,277,363	\$ 7,202,216
Combined Federal campaign	188,685	1,811	-	190,496	237,550
Bequests	888,074	41,969	-	930,043	773,748
Special events, net of direct donor benefits of \$319,801 and \$264,957, respectively	1,567,228	1,500	-	1,568,728	1,745,062
Court costs and attorney fees awarded	1,558,231	-	-	1,558,231	1,846,654
Investment income, net of fees of \$108,934 and \$92,753, respectively	-	536,930	-	536,930	599,215
Net (depreciation) appreciation in fair value of investments	(2,358)	(424,287)	(110,994)	(537,639)	3,126,234
Net assets released from restrictions	3,974,721	(3,974,721)	-	-	-
Total revenue, gains, reclassifications and other support	<u>14,536,205</u>	<u>3,098,833</u>	<u>(110,886)</u>	<u>17,524,152</u>	<u>15,530,679</u>
<b>EXPENSES</b>					
<i>Program services</i>					
Legal	9,062,974	-	-	9,062,974	7,212,337
Public information	1,872,117	-	-	1,872,117	1,858,032
Herbert Lehman education	398,721	-	-	398,721	452,595
Earl Warren legal training	73,040	-	-	73,040	82,036
Total program services	<u>11,406,852</u>	<u>-</u>	<u>-</u>	<u>11,406,852</u>	<u>9,605,000</u>
<i>Supporting services</i>					
Fundraising	2,055,517	-	-	2,055,517	2,197,802
Management and general	1,394,400	-	-	1,394,400	1,290,839
Total supporting services	<u>3,449,917</u>	<u>-</u>	<u>-</u>	<u>3,449,917</u>	<u>3,488,641</u>
Total expenses	<u>14,856,769</u>	<u>-</u>	<u>-</u>	<u>14,856,769</u>	<u>13,093,641</u>
Change in net assets before other credit	(320,564)	3,098,833	(110,886)	2,667,383	2,437,038
<b>OTHER (CREDIT) CHARGE</b>					
Credit for pension benefit other than net periodic pension cost	(739,273)	-	-	(739,273)	249,303
Changes in net assets	(1,059,837)	3,098,833	(110,886)	1,928,110	2,686,341
Net assets, beginning of year	15,649,941	11,572,429	18,512,779	45,735,149	43,048,808
<b>Net assets, end of year</b>	<u>\$ 14,590,104</u>	<u>\$ 14,671,262</u>	<u>\$ 18,401,893</u>	<u>\$ 47,663,259</u>	<u>\$ 45,735,149</u>

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidated Statements of Cash Flows  
For the Year Ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,928,110	\$ 2,686,341
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	769,722	814,291
Donated securities	(526,098)	(191,854)
Net depreciation (appreciation) in fair value of investments and assets held in trust	537,639	(3,126,234)
(Increase) decrease in accounts receivable	(10,532)	8,609
Increase in contributions receivable	(3,221,281)	(1,253,168)
Decrease (increase) in other assets	44,199	(52,890)
Increase (decrease) in accrued pension liability	848,647	(109,295)
Decrease in accounts payable and accrued expenses	(336,958)	(1,516,587)
Net cash provided by (used in) operating activities	33,448	(2,740,787)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments and assets held in trust	10,938,521	18,318,252
Purchases of investments and assets held in trust	(9,394,965)	(16,618,511)
Purchases of property and equipment	(71,525)	(228,698)
Net cash provided by investing activities	1,472,031	1,471,043
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of mortgage, representing cash used in financing activity	(108,973)	(105,329)
Net increase (decrease) in cash and cash equivalents	1,396,506	(1,375,073)
Cash and cash equivalents, beginning of year	5,803,700	7,178,773
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,200,206</b>	<b>\$ 5,803,700</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 128,945	\$ 130,609

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2015

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**NOTE 1 ORGANIZATION AND OPERATIONS**

The accompanying consolidated financial statements include the financial position, changes in net assets and cash flows of the NAACP Legal Defense and Educational Fund, Inc. (LDF) and Earl Warren Legal Training Program, Inc. (EWLTP), which are collectively referred to as the “Fund.” The individual organizations have interrelated boards of directors and share common facilities and personnel. All material intercompany transactions and balances were eliminated in consolidation.

LDF’s primary purpose is supporting litigation in the areas of poverty and justice, education, voting rights, fair employment, capital punishment, administration of criminal justice, and to increase educational opportunities through scholarships. Primary revenue sources include fund-raising from the general public, corporations, and foundations; reimbursement of court costs and fees; and investment income. LDF maintains offices in New York and Washington, D.C. EWLTP provides scholarship aid to minority law students. Its goal is to increase African-American representation in the legal profession and meet the dire need of minority clients for skilled and knowledgeable attorneys.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

The consolidated financial statements are presented in conformity with generally accepted accounting principles in the U.S. (U.S. GAAP). Accordingly, the Fund is required to report information regarding its consolidated financial position and activities according to three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Net Asset Classification

The Fund's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Fund's net assets and the changes therein are classified and reported as follows:

*Unrestricted net assets:* Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets:* Net assets subject to donor-imposed stipulations that may be met by actions of the Fund pursuant to those stipulations and/or the passage of time.

*Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that allow for the principal to be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on related investments for general or specific purposes.

Cash Equivalents

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions and Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenue in the period received at fair value. The fair value of long-term contributions receivables is measured based on the present value of future cash flows, with consideration for donor's credit risk and expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants.

Contribution revenue is reported as increases in unrestricted net assets unless its use is limited by donor-imposed restrictions. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose was fulfilled and/or the stipulated time period elapsed) are reported as net assets released from restrictions. Donor-restricted contributions received during the year whose restrictions have been met within the year are recorded as unrestricted contributions.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Contributions and Revenue Recognition *(continued)*

Legacies and bequests are recognized when an unassailable right to the gift has been established and the proceeds are measurable.

The Fund received a \$5 million contribution which included a donor matching condition of \$2 million. As of June 30, 2015, \$3 million was recognized and is included as contribution revenue; however, the Fund had not met the matching condition stipulated by the donor; therefore, the Fund did not recognize the remaining \$2 million portion of the contribution for the year ended June 30, 2015.

Allowance for Doubtful Accounts

The Fund provides an allowance for doubtful accounts for losses that may result from the inability of the debtor or donor to make payment on amounts owed or pledged to the Fund. Such allowance is based on several factors, including, but not limited to, the age of the receivables and the Fund's historical collection experience. Receivables that are determined to be uncollectible are charged against the allowance. As of June 30, 2015 and 2014, no allowance for doubtful accounts was deemed required.

In-kind Contributions

In-kind contributions represent donated securities and legal services reflected in the consolidated financial statements at their estimated fair values at the date of donation.

Investments

Investments are carried at their fair value based on quoted market prices or, if donated, at the estimated fair value on the date of the gift. Realized and unrealized gains and losses are included in the consolidated statement of activities as increases or decreases in unrestricted net assets, unless donor or relevant laws place temporary or permanent restrictions on these gains and losses. For purposes of determining the gain or loss on a sale, the cost of securities sold is based on the average cost of each security held at the date of sale. Purchases and sales of securities are recorded on a trade-date basis. See Note 6 for further discussion and disclosures related to fair value measurements.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Investments *(continued)*

In accordance with Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

- Level 1:* Quoted prices for identical assets or liabilities in an active market that the Fund has the ability to access at the measurement date.
  
- Level 2:* Quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
  
- Level 3:* Prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

The methods described above may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Fund's gains and losses on investments bought, sold, and held during the year.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Investment Income and Investment Management Fees

Realized gains and losses are calculated based on the difference between the cost of the investments and the proceeds received from the sale of the respective investments. Changes in net unrealized (depreciation) appreciation are calculated based on the change in the difference between the cost and the fair values of investments at June 30 of the current year compared to the cost and the fair values of investments at June 30 of the prior year. Net (depreciation) appreciation in the fair value of investments is reflected in changes in unrestricted, temporarily and permanently restricted net assets. No investment income pertains to unrestricted investments. Investment management fees of \$108,934 and \$92,753 have been incurred for the years ended June 30, 2015 and 2014, respectively.

Property and Equipment

Property and equipment are recorded at cost, if purchased or at fair value at date of gift, if donated. Property and equipment additions of \$1,000 or more are capitalized. Depreciation of the condominium interest, furniture, equipment, and website is provided on a straight-line basis over their estimated useful lives of 40 years for the condominium interest, building improvement over 20 years and three to 15 years for the furniture, equipment, and website. Depreciation is recorded on a half-year convention in both the year of asset acquisition and disposal. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the term of the lease, including extensions expected to be exercised.

The Fund evaluates long-lived assets, which are held for use, for impairment whenever events or circumstances indicate that impairment may exist. An impairment loss is recorded if the net carrying value of the asset exceeds the undiscounted future net operating cash flows attributable to the asset. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. Management determined that no long-lived assets were impaired at June 30, 2015 and 2014.

Assets Held in Trust by Others

Perpetual trusts held by outside trustees, through whom the Fund has an irrevocable right to receive the income earned on trust assets, are recognized in the accompanying consolidated statements of financial position as assets held in trust by others at the fair value of the Fund's share of the trust assets. Distributions from the trust are recorded as investment income and changes to the perpetual trusts' values are reported in the permanently restricted net asset class.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Split-interest Agreement

The Fund's interest in charitable remainder annuity trusts held by outside trustees is recognized in the accompanying consolidated statements of financial position as assets held in trust by others at the estimated fair value of amounts to be received upon termination of the trusts of \$60,246 and \$65,404 at June 30, 2015 and 2014, respectively. Annual adjustments to fair value amounts are recognized as net (depreciation) appreciation in the permanently restricted net asset on the consolidated statement of activities.

Court Costs and Attorney Fees Awarded

In connection with certain cases decided or settled in LDF's favor, attorney fees may be awarded. Revenue is recognized when notification is received from the courts.

Defined Benefit Pension Plan

LDF's defined-benefit pension plan is presented on a funded-status basis, recognizing in the consolidated statement of activities the net gain or loss and net prior service cost or credit for the year, in addition to the net transition asset or obligation recognized as a component of net periodic benefit cost for the year. Any amounts not yet recognized as components of net periodic benefit cost are presented in the consolidated statement of financial position. As discussed in Note 10, the pension plan was frozen, effective July 1, 2009.

Defined Contribution Plan

LDF has a voluntary defined-contribution plan where employees of the Fund make tax-deferred contributions through payroll deductions. Currently, LDF does not match or make any contributions to this plan.

Income Tax

LDF and EWLTP both qualify as charitable organizations, as defined by IRC Section 501(c)(3) and, accordingly, are exempt from Federal income tax under IRC Section 501(a). Additionally, since both are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the IRC. LDF and EWLTP are also exempt from state and local income taxes.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Income Tax *(continued)*

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Fund. The consolidated financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Fund and has concluded that as of June 30, 2015, there were no uncertain tax positions taken or expected to be taken. The Fund has recognized no interest or penalties related to uncertain tax positions. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

New York State Nonprofit Revitalization Act

On December 18, 2013, the Governor of New York State signed into law the New York Non-Profit Revitalization Act of 2013 (the Act), of which most provisions take effect July 1, 2014. The primary reforms of the Act stipulates that non-profit corporations and charitable trusts with 20 or more employees and annual revenue of over \$1 million must adopt whistle-blower and conflict of interest policies; ensure the board chair has not been an employee of the non-profit during the last three years; specify steps to review and declare any related-party transactions; designate an Audit Committee to provide oversight of the audit function; and allow communications during meetings by using modern technology. The Fund has evaluated the effect of the Act and has updated its Conflict of Interest and Whistleblower policies to comply with the requirements of the Act.

Summarized Financial Information

The amounts shown for the year ended June 30, 2014 in the accompanying consolidated financial statements are summarized totals that were included to provide a basis for comparison with 2015. Accordingly, the 2014 totals are not intended to present all information necessary for a fair presentation in conformity with U.S. GAAP.

Functional Allocation of Expenses

The costs associated with providing the Fund's programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities, which includes all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2015

**NOTE 3 CASH AND CASH EQUIVALENTS**

The Fund maintains its cash and cash equivalents in a number of bank accounts held by certain financial institutions. The cash in these accounts occasionally exceeds the amount insured by the Federal Deposit Insurance Corporation, subjecting the Fund to concentration of risk. However, the Fund regularly monitors this risk.

At June 30, 2015 and 2014, approximately 97% of the Fund's cash and cash equivalents were held by two financial institutions.

**NOTE 4 CONTRIBUTIONS AND COURT COST RECEIVABLE**

Contributions and court cost receivable as of June 30, 2015 and 2014 were due as follows:

	<b>2015</b>	<b>2014</b>
Less than one year	\$ 3,810,489	\$ 2,723,356
One to five years	2,136,355	3,688
More than five years	9,687	8,206
	<b>\$ 5,956,531</b>	<b>\$ 2,735,250</b>

Those receivables that are due in more than one year are recorded at their fair value, using discount rates ranging from 4% to 12% per year for the years ending June 30, 2015 and 2014, respectively. The related discounts amounted to approximately \$31,000 for both years ended June 30, 2015 and 2014, respectively.

**NOTE 5 INVESTMENTS**

Investments as of June 30, 2015 and 2014 were as follows:

	<b>2015</b>		<b>2014</b>	
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
Cash equivalents	\$ 776,293	\$ 776,293	\$ 559,588	\$ 559,588
U.S. Government and agency obligations	2,186,955	2,219,128	2,502,627	2,517,594
Common stocks	2,655,012	2,457,497	3,010,651	2,744,688
Corporate bonds	977,992	982,478	1,225,666	1,231,311
Exchange-traded funds	16,819,493	14,796,124	17,559,092	14,768,343
Mutual funds	874,780	784,184	877,004	716,029
	<b>\$24,290,525</b>	<b>\$22,015,704</b>	<b>\$25,734,628</b>	<b>\$22,537,553</b>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015

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**NOTE 6 FAIR VALUE MEASUREMENTS**

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The following tables set forth by level, within the fair value hierarchy described in Note 2, the Fund's investments at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As of June 30, 2015</b>				
Cash equivalents	\$ 4,709,422	\$ -	\$ -	\$ 4,709,422
<i>Investments</i>				
Cash and cash equivalents	776,293	-	-	776,293
U.S. Government and agency obligations	2,186,955	-	-	2,186,955
Common stocks	2,655,012	-	-	2,655,012
Corporate bonds	977,992	-	-	977,992
Mutual funds	874,780	-	-	874,780
<i>Exchange-traded funds</i>				
Equities	9,717,965	-	-	9,717,965
Fixed income	5,088,513	-	-	5,088,513
Real estate	633,232	-	-	633,232
Hedge funds	1,126,346	-	-	1,126,346
Commodities	253,437	-	-	253,437
Subtotal	<u>24,290,525</u>	<u>-</u>	<u>-</u>	<u>24,290,525</u>
<i>Assets held in trust by others (b)</i>				
Cash equivalents	33,513	907	-	34,420
Mutual funds—equities	619,365	-	-	619,365
Mutual funds—fixed income	34,451	-	-	34,451
Mutual funds—hedge funds	187,262	-	-	187,262
Mutual funds—commodities	48,510	-	-	48,510
<i>Common/collective trust funds</i>				
Equities <sup>(a)</sup>	-	422,685	-	422,685
Fixed income <sup>(a)</sup>	-	129,579	-	129,579
Real estate investment trusts	91,869	-	-	91,869
Subtotal	<u>1,014,970</u>	<u>553,171</u>	<u>-</u>	<u>1,568,141</u>
<b>Total</b>	<u>\$ 30,014,917</u>	<u>\$ 553,171</u>	<u>\$ -</u>	<u>\$ 30,568,088</u>

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**NOTE 6 FAIR VALUE MEASUREMENTS (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As of June 30, 2014</b>				
Cash equivalents	\$ 4,744,741	\$ -	\$ -	\$ 4,744,741
<i>Investments</i>				
Cash and cash equivalents	559,588	-	-	559,588
U.S. Government and agency obligations	2,502,627	-	-	2,502,627
Common stocks	3,010,651	-	-	3,010,651
Corporate bonds	1,225,666	-	-	1,225,666
Mutual funds	877,004	-	-	877,004
<i>Exchange-traded funds</i>				
Equities	10,624,719	-	-	10,624,719
Fixed income	4,780,898	-	-	4,780,898
Real estate	640,550	-	-	640,550
Hedge funds	1,126,796	-	-	1,126,796
Commodities	386,129	-	-	386,129
Subtotal	<u>25,734,628</u>	<u>-</u>	<u>-</u>	<u>25,734,628</u>
<i>Assets held in trust by others (b)</i>				
Cash equivalents	11,976	2,204	-	14,180
Mutual funds—equities	605,489	-	-	605,489
Mutual funds—fixed income	22,485	-	-	22,485
Mutual funds—hedge funds	224,803	-	-	224,803
Mutual funds—commodities	66,264	-	-	66,264
<i>Common/collective trust funds</i>				
Equities <sup>(a)</sup>	-	500,590	-	500,590
Fixed income <sup>(a)</sup>	-	130,445	-	130,445
Real estate investment trusts	114,879	-	-	114,879
Subtotal	<u>1,045,896</u>	<u>633,239</u>	<u>-</u>	<u>1,679,135</u>
<b>Total</b>	<u>\$ 31,525,265</u>	<u>\$ 633,239</u>	<u>\$ -</u>	<u>\$ 32,158,505</u>

(a) The Fund invests in equity, fixed-income, mutual fund, corporate bond, U.S. Government obligation, real estate investment trust and common/collective trust funds. The investment objective of the common collective funds is to provide total return through investments in a diversified portfolio of equity and investment-grade fixed-income securities. The net asset values (NAVs) of the funds are determined four times each month (“the valuation date”). Issuances and redemptions of the funds’ units are made on valuation dates based upon the NAV per unit. The fair value of this investment has been estimated using the NAV per share of the fund as of June 30, 2015 and 2014.

(b) The assets held in trust by others comprise the perpetual trusts within the Fund’s permanently restricted net assets and are measured using prices in quoted market that are not active. Such assets presented under the Level 2 category are those held by the trustee for the sole benefit of the Fund. The assets presented under the Level 2 category represent the Fund’s portion in another trust shared with other beneficiaries valued using prices in markets that are not active. All other investments were valued using quoted prices in active market.

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**NOTE 7      PROPERTY AND EQUIPMENT**

The composition of property and equipment at June 30, 2015 and 2014 was as follows:

	<b>2015</b>	<b>2014</b>
Condominium interest	\$ 15,718,874	\$ 15,698,348
Furniture, equipment, website and leasehold improvements	<u>1,736,887</u>	<u>2,122,484</u>
	17,455,761	17,820,832
<i>Less: Accumulated depreciation and amortization</i>	<u>(1,871,318)</u>	<u>(1,538,192)</u>
	<u>\$ 15,584,443</u>	<u>\$ 16,282,640</u>

Depreciation and amortization expenses were \$769,722 and \$814,291 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 8      TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED  
NET ASSETS**

Temporarily restricted net assets were available for the following purposes or periods at June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Unappropriated income of endowment assets	\$ 3,102,191	\$ 4,032,008
<i>Restricted as to the passage of time or purpose</i>		
Restricted for periods after June 30, 2015	2,271,500	3,149,718
Herbert Lehman education	1,209,324	1,379,349
Earl Warren legal training	258,478	258,308
Legal program	<u>7,829,769</u>	<u>2,753,046</u>
	<u>\$ 14,671,262</u>	<u>\$ 11,572,429</u>

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**NOTE 8      TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED  
NET ASSETS (continued)**

Net assets were released from donor restrictions in 2015 and 2014 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<b>2015</b>	<b>2014</b>
Released from temporarily restricted net assets due to appropriation of income from endowment assets	\$ 976,260	\$ 1,898,022
<i>Purpose restrictions met</i>		
Legal program	1,395,737	1,264,491
Herbert Lehman education (including fundraising expenses of \$37,875 and \$41,753, respectively)	436,893	451,963
Earl Warren legal training (including fundraising expenses of \$125 and \$110, respectively)	73,165	22,326
Passage of time	1,092,666	454,511
	<b>\$ 3,974,721</b>	<b>\$ 4,091,313</b>

Permanently restricted net assets (including perpetual trusts held by outside trustees) totaled \$18,401,893 and \$18,512,779 at June 30, 2015 and 2014, respectively. These are categorized as follows based on the purposes for which the related investment income may be used pursuant to the respective donors' stipulations:

	<b>2015</b>	<b>2014</b>
Unrestricted	\$ 14,307,167	\$ 14,307,059
Legal program	2,124,160	2,124,160
Scholarships	402,425	402,425
<i>Perpetual trusts</i>		
Scholarships	1,507,895	1,613,731
Unrestricted	60,246	65,404
	<b>\$ 18,401,893</b>	<b>\$ 18,512,779</b>

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**NOTE 9      COMMITMENTS AND CONTINGENCIES**

Lease Agreement

LDF leases office space in Washington, D.C. under a non-cancelable operating lease that expired in July 2013 but was extended for 10 years through July 2021.

Future minimum annual lease payments under this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 274,178
2017	287,900
2018	295,722
2019	303,115
2020	310,692
Thereafter	<u>345,052</u>
	<u>\$ 1,816,659</u>

Total rent expenses, including escalations, for the years ended June 30, 2015 and 2014, were \$279,419 and \$317,015, respectively.

Line of Credit Agreement

LDF maintains an annually renewable line of credit agreement with a financial institution in the amount of \$1 million. Advances drawn from the line of credit bear interest, generally at the rate of 3% above the prime rate. As of June 30, 2015 and 2014, there was no outstanding balance. No fees are payable under the agreement.

**NOTE 10      PENSION PLAN**

LDF sponsors a non-contributory, defined-benefit pension plan (the Plan) for all full-time employees. The Plan was frozen as of July 1, 2009.

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**NOTE 10 PENSION PLAN** *(continued)*

The following tables provide information about the Plan as of and for the years ended June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
<b>Reconciliation of accumulated benefit obligation</b>		
Obligation, beginning of year	\$ 8,456,797	\$ 7,983,280
Service cost	132,763	102,375
Interest cost	344,880	362,805
Actuarial loss	637,616	495,985
Benefit payments	<u>(393,431)</u>	<u>(487,648)</u>
Obligation, end of year	<u>\$ 9,178,625</u>	<u>\$ 8,456,797</u>

	<b>2015</b>	<b>2014</b>
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets, beginning of year	\$ 6,933,759	\$ 6,350,947
Actual return on plan assets	84,112	892,251
Employer contributions	182,500	178,209
Benefit payments	<u>(393,431)</u>	<u>(487,648)</u>
Fair value of plan assets, end of year	<u>\$ 6,806,940</u>	<u>\$ 6,933,759</u>

<b>Funded status</b>		
Funded status, end of year	<u>\$(2,371,685)</u>	<u>\$(1,523,038)</u>

At June 30, 2015 and 2014, the funded status of the Plan is reported in the consolidated statement of financial position as follows:

	<b>2015</b>	<b>2014</b>
Accrued pension liability	<u>\$ 2,371,685</u>	<u>\$ 1,523,038</u>

The assumptions used in the measurement of the Plan's benefit obligation are shown in the following table:

	<b>2015</b>	<b>2014</b>
Discount rate	4.25%	4.25%
Rate of compensation increase	Not applicable	Not applicable

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**NOTE 10 PENSION PLAN** *(continued)*

Amounts recognized in net unrestricted assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Net loss	\$ 4,202,835	\$ 3,463,562

Other (credit) charge in plan assets and benefit obligations recognized in unrestricted net assets in 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Net gain	\$ (963,263)	\$ 25,922
Amortization of net loss	223,990	223,381
<b>Total (credit) charge</b>	<u>\$ (739,273)</u>	<u>\$ 249,303</u>

The estimated net gain (loss), transition asset (obligation), and prior service credit (cost) for the Plan that will be amortized from accumulated change in unrestricted net assets into net periodic pension cost over the next fiscal year amount to \$288,358, \$0 and \$0, respectively.

Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the Plan for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 132,763	\$ 102,375
Interest cost	344,880	362,805
Expected return on plan assets	(409,759)	(370,344)
Amortization of net loss	223,990	223,381
Net periodic benefit cost	<u>\$ 291,874</u>	<u>\$ 318,217</u>

The prior service costs have been fully recognized as a result of the Plan being frozen, effective July 1, 2009.

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**NOTE 10**      **PENSION PLAN** *(continued)*

Net Periodic Benefit Cost *(continued)*

The assumptions used in the measurement of the net periodic benefit cost are shown in the following table:

	<b>2015</b>	<b>2014</b>
<b>Weighted-average assumptions, as of June 30</b>		
Discount rate	4.25%	4.25%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	Not applicable	Not applicable

Plan Assets

The Plan determines its assumptions for the expected rate of return on plan assets based on the ranges of anticipated rates of return for each asset class. The Plan considers the expected rate of return to be a longer-term assessment of return expectations and does not anticipate changing this assumption annually, unless there are significant changes in economic conditions.

Previous market performance covering a wide range of economic conditions is evaluated to determine whether there are sound reasons for projecting forward any past trends.

LDF's Investment Committee monitors the asset allocation of the Plan's assets. Assets are rebalanced, as LDF deems appropriate. The Plan's investment strategy, with respect to its pension assets, is to maintain the principal of the assets. To develop the expected long-term rate of return on assets assumption, the Fund considered the historical returns and the expectations for future returns. The Plan's investment strategies are to invest prudently for the sole purpose of providing benefits to participants. The investment strategies are targeted to produce a total return that, when combined with LDF's contributions to the Plan, will maintain the Plan's ability to meet all required benefit obligations. Risk is controlled through investment in conservative fixed-income securities and cash. The guidelines allow the managers to maintain up to \$1.2 million in cash and cash equivalents.

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**NOTE 10 PENSION PLAN** *(continued)*

Plan Assets *(continued)*

The target allocation of plan assets and actual allocation at the end of 2015 and 2014, by asset category based on asset fair values, are as follows:

<u>Asset Category</u>	<u>2015 Target Allocation</u>	<u>2015 Actual Allocation</u>	<u>2014 Actual Allocation</u>
Cash and cash equivalents	2.0%	9.5%	1.4%
Equities	45.0%	41.8%	46.9%
Fixed income/debt securities	38.0%	37.6%	39.5%
<i>Exchange-traded funds</i>			
Real estate	3.0%	3.7%	3.7%
Hedge funds	9.0%	5.6%	6.4%
Commodities	3.0%	1.8%	2.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

At June 30, the Plan's assets consisted of the following:

	<u>2015</u>	<u>2014</u>
<b>Investments</b>		
Cash equivalents	\$ 634,942	\$ 98,538
U.S. Government and agency obligations	724,725	767,692
Corporate bonds	365,357	658,827
<i>Exchange-traded funds</i>		
Equities	2,808,860	3,216,868
Fixed income	1,438,925	1,279,231
Real estate	251,689	253,419
Hedge funds	382,114	440,643
Commodities	<u>121,969</u>	<u>143,760</u>
Total investments	6,728,581	6,858,978
Accrued interest on investments	11,005	11,839
Notes receivable from loan participants	<u>67,354</u>	<u>62,942</u>
<b>Total plan assets</b>	<u>\$ 6,806,940</u>	<u>\$ 6,933,759</u>

The Plan's investments as of June 30, 2015 and 2014 are carried at fair value based on quoted market prices in active markets and are all classified as Level 1 in accordance with the fair value hierarchy described in Note 2.

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**NOTE 10**      **PENSION PLAN** *(continued)*

Plan Assets *(continued)*

Notes receivables from participants represent participant loans that are carried at their principal balance plus any accrued but unpaid interest, which are considered to approximate fair value. Participant loans have a maximum term of five years from inception and bear annual interest computed at 2% over the prime rate during the calendar quarter immediately preceding the date of the loan application.

Contributions

The minimum required contributions for the Plan years beginning July 1, 2014 and July 1, 2013 are \$224,149 and \$151,128, respectively. Cash contributions of \$182,500 were made during 2015 and an additional contribution of \$41,649 will be made by March 15, 2016 to meet the minimum required contribution for the plan year beginning July 1, 2014. The July 1, 2013 minimum required contribution was satisfied through cash contributions of \$156,128 during 2014, to meet the minimum required contribution for the plan year beginning July 1, 2013.

Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the fiscal years ending June 30:

<u>Year</u>	<u>Amount</u>
2016	\$ 380,631
2017	380,208
2018	408,056
2019	413,701
2020	502,124
2021-2025	2,552,333

**NOTE 11**      **AMOUNTS HELD IN ESCROW/COURT AWARDS AND FEES PENDING DISTRIBUTION**

Upon the successful completion of cases, the court may make awards to members of the class action litigation or to participating attorneys. As of June 30, 2015 and 2014, LDF held in escrow \$3,423 for members of the class and participating attorneys. The escrow amounts are invested in checking or money market accounts.

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**NOTE 12      IN-KIND CONTRIBUTIONS**

In fiscal years ended June 30, 2015 and 2014, the Fund received the following in-kind contributions, which were recognized as contributions in the accompanying consolidated statement of activities at fair value on the date of receipt:

	<u>2015</u>	<u>2014</u>
Marketable securities (recorded as investments)	\$ 526,098	\$ 191,854
Professional legal services	<u>-</u>	<u>19,761</u>
<b>Total in-kind contributions</b>	<u>\$ 526,098</u>	<u>\$ 211,615</u>

**NOTE 13      ENDOWMENTS**

LDF's endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions or as designated by the Board of Directors.

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which superseded the New York Uniform Management of Institutional Funds Act. The Fund's Board of Directors follows the requirements of NYPMIFA, which allows an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent, but subject, however, to the intent of the donor expressed in the gift instrument. NYPMIFA provides that unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until so appropriated for expenditure by the institution. For purposes of financial statement presentation, LDF classifies permanently restricted net assets as: (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is characterized as temporarily restricted. It should be noted, however, that under NYPMIFA, the Fund is entitled to appropriate for expenditure endowment funds, whether here characterized as "permanently restricted" or "temporarily restricted," except where inconsistent with the intent of the donor expressed in the gift instrument.

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**NOTE 13      ENDOWMENTS** *(continued)*

Interpretation of Relevant Law *(continued)*

In accordance with state law, the Fund considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Fund and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the Fund;
7. The investment policies of the Fund; and
8. Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Fund.

The changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Year ended June 30, 2015</b>				
Endowment net assets, beginning of year	\$ -	\$ 5,614,632	\$ 18,512,779	\$ 24,127,411
<i>Investment return</i>	-	-	-	-
Investment income	-	536,930	-	536,930
Net realized/unrealized appreciation in value of investments	-	(424,287)	(110,994)	(535,281)
Contributions	-	-	108	108
Appropriation for expenditure	-	(1,238,550)	-	(1,238,550)
<b>Endowment net assets, end of year</b>	<u>\$ -</u>	<u>\$ 4,488,725</u>	<u>\$ 18,401,893</u>	<u>\$ 22,890,618</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Year ended June 30, 2014</b>				
Endowment net assets, beginning of year	\$ -	\$ 4,375,226	\$ 18,343,810	\$ 22,719,036
<i>Investment return</i>	-	-	-	-
Investment income	-	599,215	-	599,215
Net realized/unrealized appreciation in value of investments	-	2,957,651	168,969	3,126,620
Appropriation for expenditure	-	(2,317,460)	-	(2,317,460)
<b>Endowment net assets, end of year</b>	<u>\$ -</u>	<u>\$ 5,614,632</u>	<u>\$ 18,512,779</u>	<u>\$ 24,127,411</u>

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**NOTE 13**      **ENDOWMENTS** *(continued)*

Interpretation of Relevant Law *(continued)*

At June 30, 2015 and 2014, the endowment fund compositions by net asset classification are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted fund	\$ -	\$ -	\$ 18,401,893	\$ 18,401,893
Board-designated fund	4,488,725	-	-	4,488,725
<b>Endowment net assets, June 30, 2015</b>	<b>\$ - 4,488,725</b>	<b>\$ -</b>	<b>\$ 18,401,893</b>	<b>\$ 22,890,618</b>

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted fund	\$ -	\$ -	\$ 18,512,779	\$ 18,512,779
Board-designated fund	5,614,632	-	-	5,614,632
<b>Endowment net assets, June 30, 2014</b>	<b>\$ 5,614,632</b>	<b>\$ -</b>	<b>\$ 18,512,779</b>	<b>\$ 24,127,411</b>

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

Return Objectives and Risk Parameters

LDF adopted investment and spending policies for endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that LDF must hold in perpetuity or for donor-specified periods or purposes and related unappropriated investment income. Under this policy, as approved by the Board of Directors' Investment Committee, the endowment assets are invested with the intent of preserving the assets of donor-restricted funds that LDF must hold in perpetuity, while assuming a low level of investment risk. Over time, LDF expects its endowment funds to provide an average rate of return of approximately 6.7% and 7% for 2015 and 2014 respectively. Actual returns in any given year may vary from this amount.

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**NOTE 13**      **ENDOWMENTS** *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments are to be thought of as a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. Therefore, a periodic review of total rate-of-return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. LDF's spending policy allows up to 4.5% of the fair value of the portfolio if funds are available, subject to donor-stipulated restrictions.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**NOTE 14**      **MORTGAGE NOTE PAYABLE**

On November 15, 2012, LDF entered into a new mortgage loan agreement with a face value of \$4,000,000. The mortgage bears interest at 3.36% for five years and is secured by LDF's property at 40 Rector Street. Thereafter, the interest rate shall be adjusted and fixed for an additional five years at a rate per year equal to the United States Treasury Securities Rate plus 2.90%. LDF does have the right to prepay the mortgage on November 17, 2017 with no prepayment penalty. The mortgage note provides for monthly payments of principal and interest to Bank of America, the loan holder, through November 15, 2022, at which time the remaining principal balance plus any accrued and unpaid interest becomes due.

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**NOTE 14**     **MORTGAGE NOTE PAYABLE** *(continued)*

Future minimum principal payments as of June 30, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 112,400
2017	116,634
2018	39,661
Thereafter	<u>3,456,854</u>
	<u>\$ 3,725,549</u>

The mortgage loan agreement contains a financial covenant wherein LDF agreed, until the mortgage has been repaid, to maintain, on a consolidated basis, a maximum leverage ratio not to exceed 1.0. As of June 30, 2015, the Fund met this requirement.

**NOTE 15**     **SUBSEQUENT EVENTS**

The Fund evaluated events subsequent to June 30, 2015, through October 30, 2015, the date the consolidated financial statements were available to be issued, and determined that there were no subsequent events that required disclosure except for the following.

The Society of Actuaries (SOA) issued an updated mortality improvement scale (the “MP-2015 scale”) on October 8, 2015. The SOA’s preliminary estimate suggest that updating to the MP-2015 scale from the MP-2014 scale might reduce the Plan Sponsor’s accumulated benefit obligation by between zero and two percent. If those new mortality tables had been used, the Fund’s plan obligation as of June 30, 2015 would have decreased by approximately \$180,000.

## **SUPPLEMENTARY INFORMATION**

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidating Statement of Financial Position  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>2015 Total</b>	<b>2014 Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,171,213	\$ 28,993	\$ 7,200,206	\$ 5,803,700
Accounts receivable	86,312	-	86,312	75,780
Contributions receivable	5,956,531	-	5,956,531	2,735,250
Amounts held in escrow	3,423	-	3,423	3,423
Investments	23,658,615	631,910	24,290,525	25,734,628
Other assets	285,756	-	285,756	329,955
Intercompany receivable (payable)	-	-	-	-
Property and equipment, net	15,573,433	11,010	15,584,443	16,282,640
Assets held in trust by others	1,568,141	-	1,568,141	1,679,135
<b>Total assets</b>	<b>\$ 54,303,424</b>	<b>\$ 671,913</b>	<b>\$ 54,975,337</b>	<b>\$ 52,644,511</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ 1,211,421	\$ -	\$ 1,211,421	\$ 1,548,379
Mortgage payable	3,725,549	-	3,725,549	3,834,522
Accrued pension liability	2,371,685	-	2,371,685	1,523,038
Court awards and fees pending distribution	3,423	-	3,423	3,423
<b>Total liabilities</b>	<b>7,312,078</b>	<b>-</b>	<b>7,312,078</b>	<b>6,909,362</b>
<i>Net assets</i>				
<i>Unrestricted</i>				
Available for operations	2,731,210	-	2,731,210	3,201,823
Invested in property and equipment	11,847,884	11,010	11,858,894	12,448,118
<b>Total unrestricted</b>	<b>14,579,094</b>	<b>11,010</b>	<b>14,590,104</b>	<b>15,649,941</b>
Temporarily restricted	14,412,784	258,478	14,671,262	11,572,429
Permanently restricted	17,999,468	402,425	18,401,893	18,512,779
<b>Total net assets</b>	<b>46,991,346</b>	<b>671,913</b>	<b>47,663,259</b>	<b>45,735,149</b>
<b>Total liabilities and net assets</b>	<b>\$ 54,303,424</b>	<b>\$ 671,913</b>	<b>\$ 54,975,337</b>	<b>\$ 52,644,511</b>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidating Statement of Activities  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>2015 Total</b>	<b>2014 Total</b>
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 13,216,363	\$ 61,000	\$ 13,277,363	\$ 7,202,216
Combined Federal campaign	188,685	1,811	190,496	237,550
Bequests	930,043	-	930,043	773,748
Special events, net of direct donor benefits of \$319,801 and \$264,957, respectively	1,568,728	-	1,568,728	1,745,062
Court costs and attorney fees awarded	1,558,231	-	1,558,231	1,846,654
Net assets transferred to Earl Warren	-	-	-	-
Investment income, net of fees of \$108,934 and \$92,753, respectively	519,569	17,361	536,930	599,215
Net (depreciation) appreciation in fair value of investments	(523,462)	(14,177)	(537,639)	3,126,234
Total revenue, gains, and other support	<u>17,458,157</u>	<u>65,995</u>	<u>17,524,152</u>	<u>15,530,679</u>
<b>EXPENSES</b>				
<i>Program services</i>				
Legal	9,062,974	-	9,062,974	7,212,337
Public information	1,872,117	-	1,872,117	1,858,032
Herbert Lehman education	398,721	-	398,721	452,595
Earl Warren legal training	-	73,040	73,040	82,036
Total program services	<u>11,333,812</u>	<u>73,040</u>	<u>11,406,852</u>	<u>9,605,000</u>
<i>Supporting services</i>				
Fundraising	2,055,392	125	2,055,517	2,197,802
Management and general	1,394,400	-	1,394,400	1,290,839
Total supporting services	<u>3,449,792</u>	<u>125</u>	<u>3,449,917</u>	<u>3,488,641</u>
Total expense	<u>14,783,604</u>	<u>73,165</u>	<u>14,856,769</u>	<u>13,093,641</u>
Change in net assets before other charges	2,674,553	(7,170)	2,667,383	2,437,038
<b>OTHER (CREDIT) CHARGE</b>				
Charge to pension benefit other than net periodic pension cost	(739,273)	-	(739,273)	249,303
Change in net assets	1,935,280	(7,170)	1,928,110	2,686,341
Net assets, beginning of year	45,056,066	679,083	45,735,149	43,048,808
<b>Net assets, end of year</b>	<u><u>\$ 46,991,346</u></u>	<u><u>\$ 671,913</u></u>	<u><u>\$ 47,663,259</u></u>	<u><u>\$ 45,735,149</u></u>

**NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidated Schedule of Functional Expenses  
For the Year Ended June 30, 2015  
(With Summarized Financial Information for 2014)

Description	Program Services					Supporting Services			2015	2014
	Legal Programs	Public Information	Herbert Lehman	Earl Warren	Subtotal	Fundraising	Mgmt. and General	Subtotal	Total Expenses	Total Expenses
<b>Personnel costs</b>										
Payroll	\$ 2,957,848	\$ 957,753	\$ 59,883	\$ 24,000	\$ 3,999,484	\$ 322,837	\$ 725,234	\$ 1,048,071	\$ 5,047,555	\$ 4,889,956
Benefits	767,506	248,405	13,936	6,000	1,035,847	84,383	188,768	273,151	1,308,998	1,641,317
Temporary help	84,372	25,335	-	-	109,707	4,170	9,672	13,842	123,549	72,297
Total personnel costs	<u>3,809,726</u>	<u>1,231,493</u>	<u>73,819</u>	<u>30,000</u>	<u>5,145,038</u>	<u>411,390</u>	<u>923,674</u>	<u>1,335,064</u>	<u>6,480,102</u>	<u>6,603,570</u>
<b>Legal programs</b>										
Court costs	62,114	-	-	-	62,114	-	-	-	62,114	16,386
Expert witness	119,332	-	-	-	119,332	-	-	-	119,332	113,561
Legal printing	2,800	-	-	-	2,800	-	-	-	2,800	8,409
Attorney conferences	231,047	-	-	-	231,047	-	-	-	231,047	235,049
Special research	260,490	-	-	-	260,490	-	-	-	260,490	236,596
Library	28,826	-	-	-	28,826	-	-	-	28,826	29,408
Bar association dues	12,065	-	-	-	12,065	-	-	-	12,065	14,906
Total legal programs	<u>716,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,674</u>	<u>654,315</u>
<b>Other programs</b>										
Scholarships/grants	<u>1,792,500</u>	<u>-</u>	<u>285,000</u>	<u>30,000</u>	<u>2,107,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,107,500</u>	<u>353,000</u>
<b>Other expenses</b>										
Photos/press release	578	14,540	-	-	15,118	33,361	1,393	34,754	49,872	64,382
List rental	-	-	-	-	-	27,615	-	27,615	27,615	12,908
Mail handling	-	-	-	-	-	5,840	-	5,840	5,840	15,691
Fundraising professionals	-	-	-	-	-	941,035	-	941,035	941,035	695,000
Insurance	58,827	22,531	1,413	-	82,771	8,158	18,033	26,191	108,962	111,724
Telephone	107,514	34,158	2,115	1,200	144,987	13,019	27,726	40,745	185,732	243,838
Occupancy expense	393,206	42,486	2,664	2,400	440,756	15,127	34,006	49,133	489,889	541,826
Bank charges	17,193	6,145	7,073	-	30,411	24,897	4,918	29,815	60,226	52,847
Storage	70,755	783	49	-	71,587	278	627	905	72,492	71,972
Mailing	32,093	2,151	676	-	34,920	103,909	1,898	105,807	140,727	136,587
Office supplies	44,616	14,821	464	-	59,901	6,478	12,461	18,939	78,840	91,014
Messenger services	1,709	318	-	-	2,027	2,905	255	3,160	5,187	4,520
Equipment repairs and maintenance	92,040	20,685	1,252	-	113,977	98,750	18,973	117,723	231,700	223,471
Utilities	36,981	13,710	860	300	51,851	4,857	10,973	15,830	67,681	69,306
Catering costs	118,647	9,739	43	-	128,429	19,879	5,222	25,101	153,530	138,148
Interest expense	69,714	26,712	1,675	-	98,101	9,464	21,380	30,844	128,945	132,588
Miscellaneous	38,743	8,587	335	-	47,665	24,589	8,179	32,768	80,433	125,820
Photocopying	48,909	11,268	707	300	61,184	3,992	9,019	13,011	74,195	106,484
Meetings and travel	528,308	49,962	336	-	578,606	29,246	11,826	41,072	619,678	637,595
Service bureau	2,653	1,017	64	-	3,734	360	12,694	13,054	16,788	16,423
IT professionals	231,212	71,554	8,381	-	311,147	49,489	54,774	104,263	415,410	332,369
Professional fees	401,279	131,626	1,907	1,500	536,312	17,625	90,042	107,667	643,979	668,948
Printing	36,395	131	-	-	36,526	147,384	105	147,489	184,015	175,004
Amortization	143,442	54,527	3,419	-	201,388	19,318	43,643	62,961	264,349	265,750
Depreciation	269,260	103,173	6,469	7,340	386,242	36,552	82,579	119,131	505,373	548,541
Total other expenses	<u>2,744,074</u>	<u>640,624</u>	<u>39,902</u>	<u>13,040</u>	<u>3,437,640</u>	<u>1,644,127</u>	<u>470,726</u>	<u>2,114,853</u>	<u>5,552,493</u>	<u>5,482,756</u>
<b>Total expenses</b>	<u>\$ 9,062,974</u>	<u>\$ 1,872,117</u>	<u>\$ 398,721</u>	<u>\$ 73,040</u>	<u>\$ 11,406,852</u>	<u>\$ 2,055,517</u>	<u>\$ 1,394,400</u>	<u>\$ 3,449,917</u>	<u>\$ 14,856,769</u>	<u>\$ 13,093,641</u>