



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, 2013 and 2012, 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, 2013 and 2012, 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.

Our 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
April 28, 2014

Christian Legal Society
Statement of Financial Position
At December 31, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash	\$ 160,415	\$ 47,485
Accounts and Grants Receivable	5,952	9,701
Pledges Receivable, net	146,093	161,663
Prepaid expenses and other current assets	9,561	24,578
Total Current Assets	322,021	243,427
Property and Equipment, Net	65,964	95,660
Other Assets	7,879	8,199
Total Assets	\$ 395,864	\$ 347,286
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 51,523	\$ 59,799
Lines of Credit	109,818	105,427
Accrued Payroll Liabilities	21,391	22,614
Accrued Vacation Expense	9,534	7,660
Deferred Revenue	14,883	6,384
Total Current Liabilities	207,149	201,884
Long-Term Liabilities		
Subtenant Security Deposit	1,288	1,288
Total Long-Term Liabilities	1,288	1,288
Total Liabilities	208,437	203,172
Net Assets		
Unrestricted - undesignated	162,119	134,114
Temporarily restricted	25,308	10,000
Total Net Assets	187,427	144,114
Total Liabilities and Net Assets	\$ 395,864	\$ 347,286

Christian Legal Society
Statement of Activities
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>			<u>2012</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	\$ 579,538	\$ 24,308	\$ 603,846	\$ 558,182		\$ 558,182
Grants	119,000		119,000	91,000	10,000	101,000
Membership Contributions & Dues	384,697		384,697	489,533		489,533
Conference Registration	182,924		182,924	209,942		209,942
Released from restriction	-		-	-	(5,000)	(5,000)
Sale of Resources	11,503		11,503	16,684		16,684
Total Support & Revenue	<u>1,277,662</u>	<u>24,308</u>	<u>1,301,970</u>	<u>1,365,341</u>	<u>5,000</u>	<u>1,370,341</u>
Expenses						
Program Services						
Attorney Ministries	269,807	-	269,807	262,924	-	262,924
Legal Aid Ministries	137,420	-	137,420	126,660	-	126,660
Conferences	218,352	-	218,352	283,521	-	283,521
Law Student Ministries	145,631	9,000	154,631	171,370	-	171,370
Center for Law and Religious Freeec	311,474	-	311,474	274,167	-	274,167
Total Program Services	<u>1,082,684</u>	<u>9,000</u>	<u>1,091,684</u>	<u>1,118,642</u>	<u>-</u>	<u>1,118,642</u>
Supporting Services:						
Administration	87,434	-	87,434	67,373	-	67,373
Development	104,736	-	104,736	110,321	-	110,321
Total Supporting Services	<u>192,170</u>	<u>-</u>	<u>192,170</u>	<u>177,694</u>	<u>-</u>	<u>177,694</u>
Total Expenses	<u>1,274,854</u>	<u>9,000</u>	<u>1,283,854</u>	<u>1,296,336</u>	<u>-</u>	<u>1,296,336</u>
Other Income/(Expenses)	<u>25,197</u>	<u>-</u>	<u>25,197</u>	<u>26,515</u>	<u>-</u>	<u>26,515</u>
Increase (Decrease) in Net Assets						
from Operations	\$ 28,005	\$ 15,308	\$ 43,313	\$ 95,520	\$ 5,000	\$ 100,520
Net Assets, Beginning of Year	\$ 134,114	\$ 10,000	\$ 144,114	\$ 38,594	\$ 5,000	\$ 43,594
Net Assets, End of Year	\$ 162,119	\$ 25,308	\$ 187,427	\$ 134,114	\$ 10,000	\$ 144,114

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, 2013

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

Christian Legal Society
Schedule of Functional Expenses
For the Year Ended December 31, 2012

	<u>Attorney</u> <u>Ministries</u>	<u>Legal Aid</u> <u>Ministries</u>	<u>Conferences</u>	<u>Law</u> <u>Student</u> <u>Ministries</u>	<u>Center for Law</u> <u>& Religious</u> <u>Freedom</u>	<u>Total</u> <u>Program</u> <u>Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries & Benefits	\$ 122,584	\$ 70,348	\$ 46,726	\$ 105,680	\$ 213,415	\$ 558,753	\$ 24,644	\$ 75,634	\$ 659,031
Computer Expenses	2,393	180	904	1,364	2,915	7,756	729	824	9,309
Chapter/Membership Support	6,169	-	214,518	993	-	221,680	-	-	221,680
Scholarships	-	-	275	130	-	405	-	-	405
Employee Related Expenses	-	-	-	-	-	-	1,111	-	1,111
Bank Charges	20,366	-	-	-	-	20,366	6,341	135	26,842
CLRF-Advocacy	-	-	-	-	12,586	12,586	-	-	12,586
Office Expenses	10,450	5,000	-	12,531	9,633	37,614	2,134	789	40,537
Travel	10,000	5,730	(565)	12,140	-	27,305	18,493	3,957	49,755
Headquarters Facility Costs	12,207	9,330	4,611	6,956	6,462	39,566	3,720	4,201	47,487
Equipment & Supplies	13,512	1,019	5,104	7,700	16,462	43,797	4,118	4,650	52,565
Office Services	1,179	18,422	3,569	5,384	2,654	31,208	2,879	6,607	40,694
Caging & Database Management	7,744	6,333	3,972	5,992	10,040	34,081	3,204	3,619	40,904
Publications:									
Christian Lawyer	38,026	10,298	4,407	9,284	-	62,015	-	-	62,015
JCLT	3,195	-	-	3,216	-	6,411	-	-	6,411
Donor Appeal	-	-	-	-	-	-	-	9,905	9,905
Dues Renewal	15,099	-	-	-	-	15,099	-	-	15,099
	<u>\$262,924</u>	<u>\$ 126,660</u>	<u>\$ 283,521</u>	<u>\$ 171,370</u>	<u>\$ 274,167</u>	<u>\$ 1,118,642</u>	<u>\$ 67,373</u>	<u>\$ 110,321</u>	<u>\$ 1,296,336</u>

Christian Legal Society
Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 43,313	\$ 100,520
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and Amortization	31,324	33,214
Changes in assets and liabilities affecting operations:		
Accounts and Grants receivable	3,749	3,217
Pledges receivable, net	15,570	(42,189)
Prepaid expenses and other current assets	15,017	11,053
Other Assets	320	(382)
Accounts Payable	(8,276)	12,561
Accrued Vacation expense	1,874	(11,801)
Payroll Liabilities	(1,223)	16,545
Deferred Revenue	8,499	(116,867)
Net cash used in operating activities	<u>110,167</u>	<u>5,871</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,628)</u>	<u>(21,474)</u>
Net cash used in investing activities	<u>(1,628)</u>	<u>(21,474)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments to) lines of credit	<u>4,391</u>	<u>12,584</u>
Net cash provided by financing activities	<u>4,391</u>	<u>12,584</u>
Net Increase (Decrease) in Cash	\$ 112,930	\$ (3,019)
Cash, Beginning of Year	\$ 47,485	\$ 50,504
Cash, End of Year	\$ 160,415	\$ 47,485
Interest paid during the year	\$ 6,546	\$ 5,857

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

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" through four primary ministries:

Attorney Ministries

CLS attorney chapters throughout the country provide legal professionals with a wide range of opportunities. These include Christian fellowship and spiritual development, discipleship, law student mentoring, contributions to The Christian Lawyer magazine, legal referrals, and volunteer legal service on behalf of the poor and needy.

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 include Bible studies, one-on-one mentoring, student-focused conferences, and faith-based curriculum services to law schools.

Legal Aid Ministries

CLS trains, coordinates, networks and assists lawyers, churches, and laypeople to engage in Christian legal aid in their communities, helping 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 First Amendment protection of religious freedom.

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

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, 2013 and 2012, 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, 2013 and 2012 there were no conditional promises to give, while unconditional promises to give were \$146,093 and \$161,663, 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, 2013 and 2012, the Society had no permanently restricted net assets, while temporarily restricted net assets totaled \$25,308 and \$10,000, respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

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>2013</u>	<u>2012</u>
Unconditional promises to give before unamortized discount and reserve	\$ 146,093	\$ 161,663
Less: Unamortized discount	-	-
Subtotal	<u>146,093</u>	<u>161,663</u>
Less: Reserve	-	-
Net unconditional promises to give	<u><u>146,093</u></u>	<u><u>161,663</u></u>
Amounts due in:		
Less than one year	\$ 146,093	\$ 161,663
One to five years	-	-
More than five years	-	-
Total gross unconditional promises to give	<u><u>\$ 146,093</u></u>	<u><u>\$ 161,663</u></u>

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

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>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>
	<u>2012</u>	<u>Accum Depr</u>	<u>Net</u>
Leasehold Improvements	28,296	16,176	12,120
Furniture	10,173	10,173	-
Equipment	76,961	47,726	29,235
Website and Software	49,602	36,154	13,448
Computers	111,891	71,034	40,857
	<u>276,923</u>	<u>181,263</u>	<u>95,660</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 totaled \$31,324 and \$33,214, respectively.

E. LINES OF CREDIT

The Society maintains a line of credit with a financial institution up to \$75,000, which is collateralized by the Society's furniture, fixtures and equipment. The line of credit is due on demand and bears interest at the rate of prime plus 1.5%. At December 31, 2013 and 2012, the balance on the line of credit was \$70,000 and \$70,000 respectively. The Society also has a consumer credit card with the same financial institution. At December 31, 2013 and 2012, the balance on the consumer credit card was \$39,818 and \$35,427 respectively.

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

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 following is a schedule for future minimum lease payments at December 31, 2012:

For the years ending December 31,	Rent Out	Rents In	Net
2014	63,739	15,940	47,799
Total	\$ 63,739	\$ 15,940	\$ 47,799

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.

For the years ended December 31, 2013 and 2012, rent expense for Christian Legal Society totaled \$67,677 and \$65,706, 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 2013 and 2012, the Society was invoiced \$7,430 and \$3,220, respectively, for these services. At December 31, 2013 and 2012 the amounts due to the Law Firm included in accounts payable were \$3,311 and \$0, respectively.

The Former Executive Director owns an Organization which has a shared employee arrangement with CLS. The amount paid from the other organization to reimburse CLS for services paid by CLS during the period the Executive Director was with CLS was \$11,486 for the year ended December 31, 2012.

H. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
NE Conference	\$ 12,000	\$ -
Development Consultant	2,500	-
Endowment	1,000	-
LSM Funds	8,808	-
Legal Aid	1,000	10,000
Total temporarily restricted net assets	\$ 25,308	\$ 10,000

For the years ended December 31, 2013 and 2012, net assets in the amount of \$9,000 and \$0, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

Christian Legal Society
Notes to Financial Statements
December 31, 2013 and 2012

I. 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 \$18,106 and \$16,675 for the years ended December 31, 2013 and 2012, respectively.

J. ALLOCATION OF JOINT ACTIVITIES

During 2013 and 2012, CLS incurred joint costs of approximately \$57,003 and \$93,430, 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>2013</u>	<u>2012</u>	
Program Services	\$ 32,880	\$ 83,525	
Supporting Services:			
Development	24,123	9,905	
Administration	-	-	
Total	\$ 57,003	\$ 93,430	

K. INTEREST EXPENSE

The amount of Interest Expense for the year ended December 31, 2013 and 2012 totaled \$6,546 and \$5,857, respectively. These expenses are included in Interest Expense, Bank Charges and Equipment Expenses.

L. OTHER INCOME

Items included in Other Income on the Statement of Activities for the years ended December 31, 2013 and 2012 are listed below:

	<u>2013</u>	<u>2012</u>	
Reimbursed Expenses	\$ 10,059	\$ 22,348	
Total	\$ 10,059	\$ 22,348	

M. SUBSEQUENT EVENTS

Subsequent events have been evaluated through information known as of April 28, 2014 which is the date of these financial statements were available to be issued.