

**SARGENT SHRIVER NATIONAL  
CENTER ON POVERTY LAW**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2014 and 2013**

**SARGENT SHRIVER NATIONAL  
CENTER ON POVERTY LAW**

**Annual Financial Report**

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Directors  
Sargent Shriver National Center on Poverty Law  
Chicago, IL

We have audited the accompanying financial statements of Sargent Shriver National Center on Poverty Law (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for 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.

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Sargent Shriver National Center on Poverty Law as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Desmond & Ahern, Ltd*

May 13, 2015  
Chicago, IL

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 775,214	\$ 636,991
Investments		
Unrestricted	293,810	274,409
Donor restricted endowment fund, accumulated earnings (Note 14)	140,566	131,771
Grants receivable	662,975	1,140,000
Pledges receivable	105,000	60,000
Other receivables	46,367	50,136
Prepaid expenses and other assets	19,390	15,607
Inventory	4,000	-
Funds held on behalf of others	782	830
Total current assets	<u>2,048,104</u>	<u>2,309,744</u>
Net property and equipment (Note 6)	79,357	56,928
Grants receivable, long-term	-	59,513
Pledges receivable, long-term	169,538	173,750
Lease deposit	21,242	21,242
Intangible assets, net	40,008	55,968
Investments - permanently restricted	800,000	800,000
<b>Total Assets</b>	<b><u><u>\$ 3,158,249</u></u></b>	<b><u><u>\$ 3,477,145</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 367,986	\$ 113,028
Accrued compensation (Note 1)	163,936	154,992
Deferred rent	35,219	27,917
Deferred revenue	4,825	99,277
Funds held on behalf of others	782	830
Total current liabilities	<u>572,748</u>	<u>396,044</u>
Deferred rent, less current portion	<u>70,148</u>	<u>105,367</u>
Total liabilities	<u>642,896</u>	<u>501,411</u>
Net Assets		
Unrestricted	248,453	279,505
Temporarily restricted (Note 12)	1,466,900	1,896,229
Permanently restricted (Note 13)	800,000	800,000
Total net assets	<u>2,515,353</u>	<u>2,975,734</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 3,158,249</u></u></b>	<b><u><u>\$ 3,477,145</u></u></b>

See independent auditor's report and notes to financial statements.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
<b><u>Public Support and Revenue</u></b>				
Contributions - foundation and corporate	\$ 365,000	\$ 2,496,994	\$ -	\$ 2,861,994
Contributions - individuals	310,732	110,000	-	420,732
Fellowship contributions	-	50,000	-	50,000
Special events	278,097	-	-	278,097
Cy Pres awards	17,960	-	-	17,960
Service contracts	170,149	-	-	170,149
Earned training revenue	259,924	-	-	259,924
Earned subscription revenue	117,871	-	-	117,871
In-kind donations	76,800	-	-	76,800
Attorney and court fees	12,000	-	-	12,000
Investment income- net	19,410	38,313	-	57,723
Net assets released from restrictions -				
Satisfaction of program restrictions	2,276,700	(2,276,700)	-	-
Satisfaction of time restrictions	847,936	(847,936)	-	-
<b>Total Public Support and Revenue</b>	<b>4,752,579</b>	<b>(429,329)</b>	<b>-</b>	<b>4,323,250</b>
<b><u>Expenses</u></b>				
Program Services				
Advocacy	2,454,881	-	-	2,454,881
Communication	481,970	-	-	481,970
Training	689,241	-	-	689,241
<b>Total program services</b>	<b>3,626,092</b>	<b>-</b>	<b>-</b>	<b>3,626,092</b>
Cost of direct benefit to donors	69,674	-	-	69,674
Supporting Services				
Management and General	485,331	-	-	485,331
Fundraising	602,534	-	-	602,534
<b>Total supporting services</b>	<b>1,087,865</b>	<b>-</b>	<b>-</b>	<b>1,087,865</b>
<b>Total Expenses</b>	<b>4,783,631</b>	<b>-</b>	<b>-</b>	<b>4,783,631</b>
<b>Change in net assets</b>	<b>(31,052)</b>	<b>(429,329)</b>	<b>-</b>	<b>(460,381)</b>
<b>Net assets, beginning of year</b>	<b>279,505</b>	<b>1,896,229</b>	<b>800,000</b>	<b>2,975,734</b>
<b>Net assets, end of year</b>	<b>\$ 248,453</b>	<b>\$ 1,466,900</b>	<b>\$ 800,000</b>	<b>\$ 2,515,353</b>

See independent auditor's report and notes to financial statements.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
<b><u>Public Support and Revenue</u></b>				
Contributions - foundation and corporate	\$ 734,000	\$ 1,768,551	\$ -	\$ 2,502,551
Contributions - individuals	345,663	233,750	-	579,413
Fellowship contributions	-	121,754	-	121,754
Special events	301,537	-	-	301,537
Cy Pres awards	341	-	-	341
Service contracts	133,885	-	-	133,885
Earned training revenue	182,437	-	-	182,437
Earned subscription revenue	196,614	-	-	196,614
In-kind donations	57,200	-	-	57,200
Attorney and court fees	600	-	-	600
Investment income	66,128	128,374	-	194,502
Net assets released from restrictions -				
Satisfaction of program restrictions	1,320,358	(1,320,358)	-	-
Satisfaction of time restrictions	663,138	(663,138)	-	-
<b>Total Public Support and Revenue</b>	<b>4,001,901</b>	<b>268,933</b>	<b>-</b>	<b>4,270,834</b>
<b><u>Expenses</u></b>				
Program Services				
Advocacy	1,762,206	-	-	1,762,206
Communication	696,915	-	-	696,915
Training	590,943	-	-	590,943
Total program services	<u>3,050,064</u>	<u>-</u>	<u>-</u>	<u>3,050,064</u>
Cost of direct benefit to donors	<u>59,033</u>	<u>-</u>	<u>-</u>	<u>59,033</u>
Supporting Services				
Management and General	488,310	-	-	488,310
Fundraising	570,326	-	-	570,326
Total supporting services	<u>1,058,636</u>	<u>-</u>	<u>-</u>	<u>1,058,636</u>
<b>Total expenses</b>	<b>4,167,733</b>	<b>-</b>	<b>-</b>	<b>4,167,733</b>
<b>Change in net assets</b>	<b>(165,832)</b>	<b>268,933</b>	<b>-</b>	<b>103,101</b>
<b>Net assets, beginning of year</b>	<b>445,337</b>	<b>1,627,296</b>	<b>800,000</b>	<b>2,872,633</b>
<b>Net assets, end of year</b>	<b>\$ 279,505</b>	<b>\$ 1,896,229</b>	<b>\$ 800,000</b>	<b>\$ 2,975,734</b>

See independent auditor's report and notes to financial statements.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2014**

	Program Services			Cost of Direct Benefits to Donors	Supporting Services		2014 Total
	Advocacy	Communication	Training		Management and General	Fundraising	
<b>Functional Expenses</b>							
Salaries	\$ 1,096,770	\$ 305,060	\$ 330,182	\$ -	\$ 212,505	\$ 348,359	\$ 2,292,876
Fellowships	95,743	-	-	-	-	-	95,743
Health, disability and life insurance	194,148	54,001	58,448	-	37,617	61,645	405,859
Payroll taxes	94,406	26,259	28,421	-	18,291	29,986	197,363
Retirement plan contributions	26,663	7,416	8,027	-	5,165	8,469	55,740
Total personnel expenses	1,507,730	392,736	425,078	-	273,578	448,459	3,047,581
Client costs	2,793	-	-	-	-	-	2,793
Delivery of training events	7,313	-	92,461	-	801	2,400	102,975
Contracted services	-	-	-	-	76,905	-	76,905
Consultants	114,959	15,763	50,953	-	86	8,021	189,782
Sub-grantees	365,401	-	-	-	-	-	365,401
VISTA program	41,563	1,200	8,351	-	-	1,600	52,714
Auditing	-	-	-	-	24,512	-	24,512
Payroll and benefits administration	320	-	190	-	17,846	80	18,436
Technology	23,513	1,892	13,446	-	636	2,186	41,673
Occupancy	148,931	34,856	34,856	-	60,206	38,025	316,874
Liability insurance	16,352	3,889	4,082	-	2,700	4,227	31,250
Telephone and communications	12,197	3,734	10,766	-	1,950	3,054	31,701
Staff travel	71,114	7,685	11,996	-	6,763	31,019	128,577
Network maintenance	9,136	2,173	2,353	-	1,508	2,361	17,531
Supplies	9,719	4,788	5,693	-	1,485	3,785	25,470
Postage	2,843	582	1,184	-	1,634	1,558	7,801
Printing and copying	4,961	363	35	-	23	3,144	8,526
Conference and fees	35,426	6,509	7,140	-	107	2,724	51,906
Meetings and special events	8,406	1,253	643	69,674	1,593	37,299	118,868
Coalition expense	4,021	56	59	-	39	61	4,236
Board costs	-	-	-	-	5,194	-	5,194
Dues and fees	17,295	331	219	-	112	385	18,342
Subscriptions and fees	37,387	658	619	-	-	4,475	43,139
Bank charges and interest	2,498	885	1,228	-	427	4,827	9,865
Depreciation and amortization	11,003	2,617	17,889	-	7,226	2,844	41,579
<b>Total Expenses</b>	<b>\$ 2,454,881</b>	<b>\$ 481,970</b>	<b>\$ 689,241</b>	<b>\$ 69,674</b>	<b>\$ 485,331</b>	<b>\$ 602,534</b>	<b>\$ 4,783,631</b>

See independent auditor's report and notes to financial statements.



**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**

	Program Services			Cost of Direct Benefits to Donors	Supporting Services		2013 Total
	Advocacy	Communication	Training		Management and General	Fundraising	
<b>Functional Expenses</b>							
Salaries	\$ 771,630	\$ 429,463	\$ 278,817	\$ -	\$ 222,989	\$ 336,493	\$ 2,039,392
Fellowships	64,662	-	-	-	-	-	64,662
Health, disability and life insurance	123,404	69,540	44,590	-	35,663	53,814	327,011
Payroll taxes	66,695	37,120	24,099	-	19,274	29,084	176,272
Retirement plan contributions	18,952	10,548	6,848	-	5,477	8,264	50,089
Total personnel expenses	1,045,343	546,671	354,354	-	283,403	427,655	2,657,426
Client costs	35,102	-	-	-	-	-	35,102
Delivery of training events	-	-	132,294	-	-	-	132,294
Contracted services	5,790	-	-	-	72,638	-	78,428
Consultants	107,237	2,200	-	-	-	40,827	150,264
Sub-grantees	199,099	-	-	-	-	-	199,099
VISTA program	37,835	986	986	-	-	986	40,793
Auditing	-	-	-	-	20,800	-	20,800
Payroll and benefits administration	697	70	161	-	17,165	130	18,223
Technology	16,891	4,431	8,791	-	1,948	2,054	34,115
Occupancy	122,867	46,986	34,766	-	66,051	39,621	310,291
Liability insurance	11,945	4,568	2,766	-	3,655	3,852	26,786
Telephone and communications	11,429	6,524	5,901	-	3,497	3,686	31,037
Staff travel	62,531	1,864	20,287	-	737	6,304	91,723
Network maintenance	6,281	2,402	5,000	-	1,923	2,026	17,632
Supplies	4,685	2,398	2,740	-	1,430	3,419	14,672
Postage and shipping	2,358	1,945	539	-	645	2,648	8,135
Printing and copying	2,708	1,363	1,065	-	179	2,911	8,226
Clearinghouse printing and mailing	-	62,588	-	-	1	-	62,589
Conference and fees	17,166	5,013	1,177	-	499	2,270	26,125
Meetings and special events	4,003	1,042	881	59,033	782	20,593	86,334
Coalition expense	6,802	217	132	-	174	483	7,808
Board costs	-	-	-	-	7,682	-	7,682
Dues and fees	14,686	962	131	-	173	183	16,135
Subscriptions and fees	36,762	499	33	-	42	4,494	41,830
Bank charges and interest	2,097	1,168	2,110	-	642	3,639	9,656
Depreciation and amortization	7,892	3,018	16,829	-	4,244	2,545	34,528
<b>Total Expenses</b>	<b>\$ 1,762,206</b>	<b>\$ 696,915</b>	<b>\$ 590,943</b>	<b>\$ 59,033</b>	<b>\$ 488,310</b>	<b>\$ 570,326</b>	<b>\$ 4,167,733</b>

See independent auditor's report and notes to financial statements.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Activities</u></b>		
Cash received - contributions	\$ 3,826,879	\$ 2,741,368
Cash received - special events	278,097	242,504
Cash received - Cy Pres awards	17,960	341
Cash received - service contracts	195,281	108,753
Cash received - training	230,020	165,974
Cash received - subscriptions	31,960	185,555
Cash received - attorney and court fees	12,000	600
Cash received - interest and dividend income	45,026	52,118
Payments for wages and other operating activities	<u>(4,437,050)</u>	<u>(4,022,890)</u>
Net cash provided (used) by operating activities	<u>200,173</u>	<u>(525,677)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of investments	(88,480)	(654,645)
Proceeds from sale of investments	72,800	949,117
Purchase of property and equipment	<u>(46,270)</u>	<u>(23,434)</u>
Net cash (used) provided by investing activities	<u>(61,950)</u>	<u>271,038</u>
<b>Net change in cash and cash equivalents</b>	138,223	(254,639)
<b>Cash and cash equivalents, beginning of year</b>	636,991	891,630
<b>Cash and cash equivalents, end of year</b>	<u>\$ 775,214</u>	<u>\$ 636,991</u>
<b><u>Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities</u></b>		
Change in net assets	\$ (460,381)	\$ 103,101
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	41,579	34,528
Unrealized/realized gain on investments	(12,697)	(142,384)
Donated stock (Note 1)	(1,597)	(1,054)
Change in assets - (increase) decrease		
Grants receivable	536,538	(227,546)
Pledges receivable	(40,788)	(233,750)
Other receivables	3,769	(38,015)
Prepays and inventory	(7,783)	2,164
Change in liabilities - increase (decrease)		
Accounts payable	254,958	25,390
Accrued compensation	8,944	(12,592)
Deferred revenue	(94,452)	(14,639)
Deferred rent	(27,917)	(20,880)
Net cash provided (used) by operating activities	<u>\$ 200,173</u>	<u>\$ (525,677)</u>

See independent auditor's report and notes to financial statements.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Sargent Shriver National Center on Poverty Law (the Shriver Center) is an Illinois not-for-profit corporation that provides national leadership in advancing laws and policies that secure justice to improve the lives and opportunities of people living in poverty. The Shriver Center has accomplished this mission through 3 interconnected programs:

***Advocacy Programs*** work to address the range of issues impacting people living in poverty through direct advocacy and policy development. This niche is the nexus between federal policy and state implementation, a key position in the era of increasing devolution of power to the states in many areas of social policy and law. The Shriver Center uses Illinois as a policy lab, developing models that inform policy development and advocacy initiatives undertaken in other states, and when asked, playing an advisory role to fellow advocates across the country. On occasion, the attorney-advocates work directly on federal policies and laws. The driving motivation is to give a voice and representation to people living in poverty in decisions that affect their lives. In 2014, the Shriver Center launched the Legal Impact Network, a coordinated effort by executive directors and advocates from 24 (and growing) statewide law and policy advocacy organizations that engage in multi-issue advocacy to advance systems change on behalf of people living in poverty. The states represented include nearly three-fourths of all people living in poverty in the U.S. The Shriver Center coordinates the work of the Legal Impact Network and supports network members' work through training, information-sharing, and online community-building tools and forums. The Shriver Center's advocates, who have a wide range of expertise in anti-poverty advocacy at the state level, are active participants in the Legal Impact Network's strategic working groups.

***Communication Programs*** work to improve the quality of representation available to people living in poverty by facilitating the exchange of information on policies and best practices to the national legal aid community. This program uses a variety of communication techniques to promote the best and most efficient practices in using law and policy to end poverty. The Shriver Center publishes the Clearinghouse Review: Journal of Poverty Law and Policy and Policy, a communication and research vehicle designed to enable a national coordinated movement among lawyers to fight poverty through law and policy.

***Training Programs*** inform, engage and connect the nation's legal aid attorneys and provide training on the full-range of advocacy, management and leadership skills that legal aid attorneys and staff need to successfully represent their clients. The Shriver Center's training curriculum builds upon a progression of courses through which legal aid attorneys and staff develop mastery as advocates for justice. In 2014, the Shriver Center continued to offer its flagship Leadership Academy and launched its first Racial Justice Training Institute. By placing the most up-to-date racial justice tools in the hands of front line advocates, the Racial Justice Training Institute provides real opportunities to address the impact of structural racialization in housing, education, employment, and health care, among others, and ensure that race is front and center in our efforts to eradicate poverty.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

Beginning in 2015, the Communication Programs and Training Programs are being merged into the Advocate Resources & Training Programs to improve efficiencies and better coordinate programs that support the national legal aid community.

Income Tax Status

The Shriver Center was granted an exemption from federal income tax by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Shriver Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Shriver Center and the nature in which it operates is described above. The Shriver Center continues to operate in compliance with its tax exempt purpose.

The Shriver Center's annual information and income tax returns filed with the federal and state governments are subject to examination for the open statutory periods December 31, 2011 through 2014.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Shriver Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. At December 31, 2014 and 2013, the Shriver Center's bank deposits exceeded federally insured limits by approximately \$683,000 and \$348,000, respectively. The Shriver Center has not experienced any losses in such accounts and management believes the Shriver Center is not exposed to any significant credit risk related to cash and cash equivalents.

For purposes of the statement of cash flows, the Shriver Center considers all liquid investments with an original maturity of three months or less to be cash equivalents.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities. Fair value is based on quoted market prices. Donated stock is sold upon receipt and recorded at fair market value at the date of donation.

Funds Held for Others

The Shriver Center holds funds in a separate account for the administration of its SEED program. At December 31, 2014 and 2013, funds held on behalf of others amounted to \$782 and \$830, respectively, and have also been reflected as a liability in the accompanying statement of financial position.

Grants and Pledges Receivable

Contributions receivable represent amounts promised by donors (unconditional promises to give), some of which are due in installments. Amounts due by more than a year in the future are recorded net of a present value discount, which is based on a risk-free rate of return. An allowance for doubtful accounts was not deemed necessary at December 31, 2014 and 2013 based on the Shriver Center's historical collection experience.

Other Receivables

The Shriver Center's other receivables are related to an event benefactor, subscriptions (only in 2013) and services provided. The Shriver Center does not accrue interest on past due accounts. Receivables are written off only after all collection attempts have failed and are based on individual credit evaluation and the specific circumstances. An allowance for doubtful accounts was not deemed necessary at December 31, 2014 and 2013 based on the Shriver Center's historical collection experience.

Inventory

Inventory consists of unused airline vouchers and are recorded at the fair value of the donation upon receipt. Tickets are expected to be used during 2015.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Shriver Center provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of five to ten years.

Intangible Assets

Amortizable intangible assets consist of intellectual property related to the comprehensive training curriculum. These assets are amortized on a straight-line basis over the assets' estimated useful lives. The Shriver Center reviews the intangible assets for impairment on or about December 31 of each year. Recoverability for these assets is measured by comparing their carrying amounts to their fair values. If the assets are considered impaired, the impairment to be recognized would equal the amount by which the carrying value of the assets exceed their fair values. The Shriver Center did not record any impairment charges during 2014 or 2013.

**SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW**  
**NOTES TO FINANCIAL STATEMENTS**  
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Accrued Compensation

The Shriver Center accrues for vacation time benefits and severance pay that would be payable upon an employee's separation from employment with the Organization.

Deferred Revenue

Subscription fees for the Shriver Center's law journal collected in advance of journal publication as well as training registration fees collected in advance of training events are included in deferred revenue. Deferred revenue for subscriptions was substantially recognized within a year. Deferred revenue for training events was recognized upon completion of the training event. The Shriver Center ceased offering paid subscriptions to its law journal at the end of 2014 and all deferred revenue remaining as of December 31, 2014 was reclassified to accounts payable and refunded to subscribers in February 2015.

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the Statement of Financial Position.

Support and Revenue

The Shriver Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Shriver Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Shriver Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. No such donations were received during the years ended December 31, 2014 and 2013.

Subscription revenue is recognized as it is earned during the year. Training fees are recognized as revenue when the related training event is conducted.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Shriver Center did not receive donated services meeting this criteria during 2014 or 2013.

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During 2014 and 2013 the Shriver Center received donated work from various volunteers, fellows and AmeriCorps VISTAs which did not meet the above requirements to be recorded as donated services. Some of the Shriver Center's eight AmeriCorps VISTAs were provided at no cost to the Shriver Center through the federally funded AmeriCorps VISTA program and the remainder were provided on a cost-share basis. Expenses including monthly transportation subsidies, professional development and travel related to the AmeriCorps VISTA program were also incurred by the Shriver Center during 2014 and 2013.

In-Kind Contributions

In addition to receiving cash contributions, the Shriver Center receives in-kind contributions from various donors. It is the policy of the Shriver Center to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. For the years ended December 31, 2014 and 2013, the Shriver Center received donated airline vouchers valued at \$40,800 and \$21,200, respectively, and donated use of the Lexus Nexus legal research site valued at \$36,000 for 2014 and 2013. As such, total in-kind contributions for 2014 and 2013 were \$76,800 and \$57,200, respectively.

Certain Vulnerabilities and Concentrations

During the year ended December 31, 2014, the Organization received approximately 45% of its funding from 8 major donors. Furthermore, at December 31, 2014, 83% of grants receivable is from 5 of these major donors.

During the year ended December 31, 2013, the Organization received approximately 38% of its funding from 7 major donors. Furthermore, at December 31, 2013, 71% of grants and pledges receivable is from 5 of these major donors.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Sub-Grantee Expense

From time to time, the Shriver Center may provide funding to a third party to collaborate with the Shriver Center in carrying out a portion of the scope of work or objective of the Shriver Center's award agreement with a foundation donor or other awarding agency. These funding arrangements are listed as sub-grantee expense in the Statement of Functional Expenses.

Reclassifications

Certain amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

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**Note 2 – Investments**

A summary of investments at fair value as of December 31 is as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 128,258	\$ 158,722	\$ 125,419	\$ 139,642
Preferred stocks	23,645	24,997	23,645	25,214
Mutual funds	692,922	744,183	687,055	755,537
Domestic large cap blend fund	225,235	293,810	217,312	274,409
Cash equivalents	12,664	12,664	11,378	11,378
Total Investments	<u>\$ 1,082,724</u>	<u>\$ 1,234,376</u>	<u>\$ 1,064,809</u>	<u>\$ 1,206,180</u>

A summary of investments by net asset classification as of December 31 is as follows:

	2014	2013
Unrestricted	\$ 293,810	\$ 274,409
Temporarily restricted	140,566	131,771
Permanently restricted	800,000	800,000
	<u>\$ 1,234,376</u>	<u>\$ 1,206,180</u>

Investment income recorded in the Statement of Activities is as follows for the year ended December 31:

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 6,037	\$ 43,664	\$ 49,701
Investment fees	-	(4,675)	(4,675)
Realized gain (loss)	1,895	(116)	1,779
Unrealized gain (loss)	11,478	(560)	10,918
	<u>\$ 19,410</u>	<u>\$ 38,313</u>	<u>\$ 57,723</u>



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	2013		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 8,270	\$ 47,544	\$ 55,814
Investment fees	-	(3,696)	(3,696)
Realized gain	762	12,311	13,073
Unrealized gain	57,096	72,215	129,311
	<u>\$ 66,128</u>	<u>\$ 128,374</u>	<u>\$ 194,502</u>

**Note 3 – Fair Value Measurements**

Generally Accepted Accounting Principles define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market in an orderly transaction between market participants on the measurement date.

Generally Accepted Accounting Principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

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Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at December 31, 2014</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets - Investments	\$ 1,234,376	\$ -	\$ -

  

	<u>Fair Value Measurements at December 31, 2013</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets - Investments	\$ 1,206,180	\$ -	\$ -

Throughout 2014 and 2013, all investments held by the Shriver Center were Level 1.

**Note 4 – Grants and Pledges Receivable**

Contributions receivable at December 31 are due as follows:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 767,975	\$ 1,200,000
One to five years, net of present value discount of \$5,462 and 6,737, respectively	<u>169,538</u>	<u>233,263</u>
	<u>\$ 937,513</u>	<u>\$ 1,433,263</u>

Contributions receivable at December 31, 2014 are designated by the donor for the following:

Healthcare advocacy	\$ 372,975
General advocacy	180,000
Women's law and policy project	30,000
Asset opportunity	25,000
Grants and pledges, unrestricted	<u>329,538</u>
	<u>\$ 937,513</u>

Contributions receivable at December 31, 2013 are designated by the donor for the following:

Housing advocacy	\$ 150,000
Healthcare advocacy	105,000
National Racial Justice Training Institute	100,000
Women's law and policy project	59,513
Grants and pledges, unrestricted	1,012,474
Other	<u>6,276</u>
	<u>\$ 1,433,263</u>

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As of December 31, 2014 and 2013, contributions receivable over one year were discounted based upon payment terms using a discount factor of 1.72 and 1.65 percent, respectively.

**Note 5 – Intangible Assets**

At December 31, 2014 and 2013, intangible assets were as follows:

	Estimated Useful Life	Gross Carrying Amount	2013 Accumulated Amortization	2013 Net Intangible Value	2014 Accumulated Amortization	2014 Net Intangible Value
Training programs	6 years	\$ 84,120	\$ (31,545)	\$ 52,275	\$ (45,565)	\$ 38,555
Trade name	4 years	7,757	(4,364)	3,393	(6,304)	1,453
		<u>\$ 91,877</u>	<u>\$ (35,909)</u>	<u>\$ 55,668</u>	<u>\$ (51,869)</u>	<u>\$ 40,008</u>

Estimated future amortization expense for the years ending December 31:

2015	\$ 15,475
2016	14,020
2017	10,513
	<u>\$ 40,008</u>

Amortization expense was \$15,959 for both years ended December 31, 2014 and 2013.

**Note 6 – Property and Equipment**

The Shriver Center's property and equipment at December 31 are as follows:

	2014	2013
Computer equipment	\$ 239,703	\$ 193,644
Furniture	24,706	24,706
Office equipment	6,645	9,608
	<u>271,054</u>	<u>227,958</u>
Accumulated depreciation	(191,697)	(171,030)
Net property and equipment	<u>\$ 79,357</u>	<u>\$ 56,928</u>

For the years ending December 31, 2014 and 2013, depreciation expense was \$25,620 and \$18,569, respectively.

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**Note 7 – Deferred Revenue**

Deferred revenue at December 31 consist of the following:

	<u>2014</u>	<u>2013</u>
Trainings and conferences	\$ 4,825	\$ 39,450
Subscriptions	-	59,827
	<u>\$ 4,825</u>	<u>\$ 99,277</u>

**Note 8 – Lines of Credit**

The Shriver Center has a \$250,000 revolving line of credit expiring August 1, 2015. At December 31, 2014 and 2013, there was nothing borrowed against this line. The line is secured by the Shriver Center's equipment and receivables, with interest payable monthly. The Shriver Center anticipates it will renew the line of credit in July 2015 and knows of no reason why the line of credit would not be renewed.

The Shriver Center is also obligated for credit cards issued in its name. At December 31, 2014 and 2013 the Shriver Center's total line of credit related to these credit cards is \$25,000, of which \$7,470 and \$4,766, respectively, is outstanding and included in accounts payable.

**Note 9 – Net Revenues from Special Events**

Net revenues from special events consist of the following:

	<u>2014</u>	<u>2013</u>
Contributions, including sponsorship	\$ 118,852	\$ 159,102
Raffles	2,435	4,835
Special events revenue, ticket portion	156,810	137,600
Revenue from special events	278,097	301,537
Less costs of direct benefits to donors	(69,674)	(59,033)
Net revenues from special events	<u>\$ 208,423</u>	<u>\$ 242,504</u>

**Note 10 – Employee Benefit Plan**

The Shriver Center maintains a retirement plan under section 401(k) of the Internal Revenue Code. The plan allows for all employees who reach the age of 21 and have completed six months of service to contribute a portion of their pre-tax earnings. Employer matching contributions may be made to the plan based on the Board of Director's discretion. Participants become fully vested in the employer contributions with two years of service at the Shriver Center. For the years ended December 31, 2014 and 2013, the Shriver Center contributed and expensed \$55,740 and \$50,089, respectively, to the plan.

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**Note 11 – Leases**

The Shriver Center leases office space in Chicago, Illinois under a fifteen year agreement that expires July 31, 2017. Under the provisions of the lease, the Shriver Center pays a base rent plus a proportionate share of basic operating costs (e.g. for taxes, insurance, utilities, etc.). The lease terms provide for rental increases each year. Rent expense for this lease is recorded based upon the total cost of the lease allocated over the lease term with any difference between the allocated amount and the actual payment reflected as a lease obligation in the financial statements.

The Shriver Center also leased office space in Boston, Massachusetts under a five year agreement that expired October 31, 2014 and entered into a new five-year lease agreement on November 1, 2014 that expires October 31, 2019. Under provisions of the lease, the Shriver Center pays a base rent of plus a proportionate share of the common area maintenance. The lease terms provide for rental increases each year.

The Shriver Center is obligated under two operating leases for equipment where the first specifies monthly payments of \$258 until March 2016, and the other specifies monthly payments of \$752 until November 2019.

Rent expense for these leases for the years ended December 31, 2014 and 2013 was \$263,918 and \$257,161, respectively.

Future minimum lease payments under these operating leases are as follows for the year ending December 31:

2015	\$ 295,676
2016	302,123
2017	198,124
2018	46,943
2019	40,774
	<hr/>
	\$ 883,640

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**Note 12 – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2014 are restricted to the following purposes and time periods:

General advocacy, \$180,000 included in receivables	\$ 360,000
Elev8	68,404
Healthcare advocacy, \$372,975 included in receivables	427,975
Women's law and policy project, \$30,000 in receivables	50,000
Fellowships	30,000
National racial justice training institute	25,000
Housing advocacy	10,417
Asset Opportunity, included in receivables	25,000
Donor restricted endowment earnings for legal service projects	140,566
Grants and pledges, unrestricted	<u>329,538</u>
Total	<u><u>\$ 1,466,900</u></u>

Temporarily restricted net assets as of December 31, 2013 are restricted to the following purposes and time periods:

Healthcare advocacy, \$105,000 included in receivables	\$ 110,042
Fundraising	100,000
Women's law and policy project, included in receivables	59,513
Fellowships	47,742
National racial justice training institute, \$100,000 included in receivables	227,478
Housing advocacy, included in receivables	150,000
Convening Statewide Advocacy Organization in 2014	29,212
2014 training conference	17,500
Automatic IRA policy advocacy project	10,497
Donor restricted endowment earnings for legal service projects	131,771
Grants and pledges, unrestricted	<u>1,012,474</u>
Total	<u><u>\$ 1,896,229</u></u>

**Note 13 – Permanently Restricted Net Assets**

Permanently restricted net assets of \$800,000 as of December 31, 2014 and 2013 are restricted to investment in perpetuity, the income from which is expendable to support legal service projects limited to organizations that are tax-exempt under Section 501(c)(3).

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**Note 14 – Donor-Restricted Endowment (Permanently Restricted Net Assets)**

At this time, the Shriver Center's endowment consists of one fund separate and apart from any other endowment fund that may be created. The income from it may be expended for legal service projects of the Shriver Center that embody the values and goals of Sargent Shriver. As required by accounting principles for non profits, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The gift instrument for the endowment fund specifically makes generally inapplicable to such endowment the accounting and expenditure rules of the Illinois Uniform Prudent Management of Institutional Funds and Uniform Principal and Income Acts and any successors thereto. Principal and unrealized appreciation may not be expended without prior written approval of the donor. Realized appreciation may be credited to principal or expended or both in accordance with the Shriver Center's endowment spending policy.

***Interpretation of Relevant Law***

Except as described above with respect to the separate fund, in general, as a result of the Board of Director's interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) the Shriver Center classifies as permanently restricted net assets (a) the original value of gifts donated for endowment, (b) the original value of subsequent gifts for endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. Any portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Shriver Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Shriver Center considers the following factors in making a determination to appropriate or accumulate income or gain on donor-restricted endowment funds, except as noted with regards to the donor-restricted endowment fund which is classified as a permanently restricted net asset:

- (1) The duration and preservation of the fund,
- (2) The mission of the Shriver Center and the purpose of the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the Shriver Center, and
- (7) The investment policies of the Shriver Center.

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The changes in endowment net assets for the Shriver Center were as follows for the year ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 131,771	\$ 800,000	\$ 931,771
Investment return			
Investment income	43,664	-	43,664
Investment fees	(4,675)	-	(4,675)
Net realized loss	(116)	-	(116)
Net unrealized loss	(560)	-	(560)
Total investment return	38,313	-	38,313
Appropriation of endowment assets for expenditure in 2014	(29,518)	-	(29,518)
Endowment net assets, end of year	<u>\$ 140,566</u>	<u>\$ 800,000</u>	<u>\$ 940,566</u>

The Shriver Center's donor-restricted endowment net assets composition by type of fund is as follows for the year ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 140,566</u>	<u>\$ 800,000</u>	<u>\$ 940,566</u>

The changes in endowment net assets for the Shriver Center were as follows for the year ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 18,934	\$ 800,000	\$ 818,934
Investment return			
Investment income	47,544	-	47,544
Investment fees	(3,696)	-	(3,696)
Net realized gain	12,311	-	12,311
Net unrealized gain	72,215	-	72,215
Total investment return	128,374	-	128,374
Appropriation of endowment assets for expenditure in 2013	(15,537)	-	(15,537)
Endowment net assets, end of year	<u>\$ 131,771</u>	<u>\$ 800,000</u>	<u>\$ 931,771</u>



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The Shriver Center's donor-restricted endowment net assets composition by type of fund is as follows for the year ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 131,771	\$ 800,000	\$ 931,771

***Return Objectives and Risk Parameters***

The Shriver Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by endowment while protecting purchasing power of the endowment assets over time. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the return of a hypothetical portfolio composed of indices representing the Board approved asset allocation while assuming a moderate level of investment risk.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, in general, the Shriver Center 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 Shriver Center targets a diversified asset allocation that places an emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

Subject to the terms of each endowment gift instrument, the Shriver Center has a general policy of appropriating for distribution each year a portion (limited to five percent) of its endowment fund's average market value over a trailing three year period. This is consistent with the Shriver Center's objective to maintain the purchasing power of the endowment assets held in perpetuity.

**Note 15 – Subsequent Events**

For the fiscal year ended December 31, 2014, the Organization's management has evaluated subsequent events through May 13, 2015 which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.