NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC. AND AFFILIATE

Consolidated Financial Statements and Supplementary Information
For the Year Ended June 30, 2017
(With Summarized Financial Information for 2016)
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE
For the Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

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MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

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

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 statements of financial position as of June 30, 2017, 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 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 consolidated 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 consolidated financial statements based on our audit. 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 consolidated financial statements are free from 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.

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MITCHELL TITUS

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 as of June 30, 2017, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 November 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

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 of America. 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

November 8, 2017

NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE
Consolidated Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 17,726,355	$ 9,300,795
Accounts receivable	45,557	41,051
Contributions and court fees receivable	7,890,500	3,132,020
Amounts held in escrow	125,481	3,423
Investments	27,890,435	23,335,889
Other assets	373,470	314,211
Property and equipment, net	14,965,539	15,309,654
Assets held in trust by others	1,566,008	1,472,953
Total assets	$ 70,583,345	$ 52,909,996
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,918,494	$ 1,525,254
Mortgage payable	3,496,515	3,613,149
Accrued pension liability	3,500,061	4,441,442
Court awards and fees pending distribution	125,481	3,423
Total liabilities	9,040,551	9,583,268
Net assets		
Unrestricted		
Available for operations	1,618,735	81,150
Invested in property and equipment	11,469,024	11,696,505
Total unrestricted	13,087,759	11,777,655
Temporarily restricted	30,002,275	13,242,368
Permanently restricted	18,452,760	18,306,705
Total net assets	61,542,794	43,326,728
Total liabilities and net assets	$ 70,583,345	$ 52,909,996

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, 2017
(With Summarized Financial Information for 2016)

	2017				2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
REVENUE, GAINS, RECLASSIFICATIONS AND OTHER SUPPORT					
Contributions	$10,996,313	$17,174,145	$ 53,000	$28,223,458	$ 9,388,029
Combined Federal campaign	525,670	-	-	525,670	203,459
Bequests	-	1,106,856	-	1,106,856	424,171
Special events, net of direct donor benefits of $301,873 and $258,401, respectively	2,592,274	-	-	2,592,274	2,091,218
Court costs and attorney fees awarded	125,735	-	-	125,735	100,000
Other Income	233,638			233,638	-
Investment income, net of fees of $119,191 and $100,598, respectively	-	499,364	-	499,364	594,028
Net depreciation on investments	(3,763)	1,805,834	93,055	1,895,126	(430,471)
Net assets released from restrictions	3,826,292	(3,826,292)	-	-	-
Total revenue, gains, reclassifications and other support	18,296,159	16,759,907	146,055	35,202,121	12,370,434
EXPENSES					
Program services					
Legal	10,424,925	-	-	10,424,925	8,377,315
Thurgood Marshall Institute	3,097,221	-	-	3,097,221	2,954,387
Herbert Lehman education	390,473	-	-	390,473	365,966
Earl Warren legal training	60,370	-	-	60,370	68,040
Total program services	13,972,989	-	-	13,972,989	11,765,708
Supporting services					
Fundraising	2,969,605	-	-	2,969,605	2,447,250
Management and general	1,498,655	-	-	1,498,655	1,483,968
Total supporting services	4,468,260	-	-	4,468,260	3,931,218
Total expenses	18,441,249	-	-	18,441,249	15,696,926
Change in net assets before other credit (charge)	(145,090)	16,759,907	146,055	16,760,872	(3,326,492)
OTHER CREDIT (CHARGE)					
Charge for pension benefit other than net periodic pension cost	1,455,194	-	-	1,455,194	(1,010,039)
Changes in net assets	1,310,104	16,759,907	146,055	18,216,066	(4,336,531)
Net assets, beginning of year	11,777,655	13,242,368	18,306,705	43,326,728	47,663,259
Net assets, end of year	$13,087,759	$30,002,275	$18,452,760	$61,542,794	$43,326,728

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 Years Ended June 30, 2016 and 2015

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 18,216,066	$ (4,336,531)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	778,804	749,661
Donated securities	(233,699)	(127,618)
Net (depreciation) appreciation on investments and assets held in trust	(1,895,126)	430,471
(Increase) decrease in accounts receivable	(4,506)	45,261
(Increase) decrease in contributions receivable	(4,758,480)	2,824,511
Increase in other assets	(59,259)	(28,455)
(Decrease) increase in accrued pension liability	(941,381)	2,069,757
Increase in accounts payable and accrued expenses	393,240	313,833
Net cash provided by operating activities	11,495,659	1,940,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments and assets held in trust	13,816,877	11,531,596
Purchases of investments and assets held in trust	(16,335,652)	(10,784,625)
Purchases of property and equipment	(434,690)	(474,872)
Net cash (used in) provided by investing activities	(2,953,465)	272,099
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage, representing Net cash used in financing activities	(116,634)	(112,400)
Net increase in cash and cash equivalents	8,425,560	2,100,589
Cash and cash equivalents, beginning of year	9,300,795	7,200,206
Cash and cash equivalents, end of year	$ 17,726,355	$ 9,300,795
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 121,284	$ 125,517

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

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, DC. 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 accounting principles generally accepted in the United States of America (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.

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 given for the 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.

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

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

Contributions and Revenue Recognition *(continued)*

In fiscal year 2015, the Fund received a $5 million contribution that included a donor matching condition of $2 million. The unconditional contribution amount of $3 million was recognized by the Fund as of June 30, 2015. As of June 30, 2016, the Fund met $1 million of the donor matching portion and; therefore, recognized $1 million as contribution revenue. As of June 30, 2017, the Fund met the final $1 million of the donor matching portion and; therefore, recognized $1 million as contribution revenue.

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, 2017 and 2016, 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. 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.

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.

The following valuation methodologies were used for assets measured at fair value:

U.S. Government and agency obligations, mutual funds, common stock and exchange-traded funds - are reported at fair value based on quoted market prices representing the interest/shares held.

Corporate bonds – valued based on quoted market prices on national security exchanges, when available, or using valuation models which incorporate certain other observable inputs including recent trading activity for comparable securities and broker quoted prices.

Common collective trust - are determined using the Net Asset Value ("NAV") as a practical expedient. The NAV is determined by four times a month (valuation dates) based upon the fair value of the underlying assets owned, less liabilities, divided by the number of outstanding units. Redemptions of the common collective trust units' are made on the valuation dates. Complete liquidation requires twelve months' notice. The common collective trust has no unfunded commitments at June 30, 2017.

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

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

Investments *(continued)*

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 (depreciation) appreciation includes the Fund's gains and losses on investments bought, sold, and held during the year.

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. 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. 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 appreciation (depreciation) 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 $119,191 and $100,598 have been incurred for the years ended June 30, 2017 and 2016, 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, 20 years for building improvements, three to 15 years for the furniture and equipment, and three years for 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.

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

Property and Equipment *(continued)*

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, 2017 and 2016.

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.

Split-interest Agreements

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 $59,347 and $58,405 at June 30, 2017 and 2016, 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. In the consolidated statement of activities, the net gain or loss and net prior service cost or credit for the year are recognized, 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 statements of financial position. As discussed in Note 10, the pension plan was frozen, effective July 1, 2009.

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

Defined Contribution Plan

LDF has a voluntary defined-contribution plan where employees of the Fund make tax-deferred contributions through payroll deductions. Starting on January 1, 2017, LDF began matching up to 4% of qualified employees' salary and making quarterly contributions to this plan.

Income Tax Status

LDF and EWLTP both qualify as charitable organizations, as defined by Internal Revenue Code (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.

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, 2017, 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 2014.

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 took 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 Whistle-blower policies to comply with the requirements of the Act.

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

Summarized Financial Information

The amounts shown for the year ended June 30, 2016 in the accompanying consolidated financial statements are summarized totals that were included to provide a basis for comparison with 2017. Accordingly, the 2016 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.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958):Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources and changes in those resources. The amendments are effective for the Fund's fiscal year ending June 30, 2019, with early adoption permitted. This ASU will impact the presentation of the Fund's financial statements and related disclosures when it is adopted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which provides guidance that will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU No. 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The adoption of ASU No. 2016-02 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. LDF is currently evaluating the impact of adopting ASU No. 2016-02.

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

Recent Accounting Pronouncements *(continued)*

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value (NAV) practical expedient provided by Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. Disclosures about investments in certain entities that calculate NAV per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the NAV practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2015, with retrospective application to all periods presented. Adoption of ASU 2015-07 is not expected to have a material impact on LDF's financial statements.

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. In connection with preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. LDF adopted ASU 2014-15 and implementation did not have a material effect on the financial statements.

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, 2017 and 2016, 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, 2017 and 2016 were due as follows:

	2017	2016
Less than one year	$ 3,040,122	$ 3,117,390
One to five years	5,006,864	6,864
More than five years	37,386	37,386
	8,084,372	3,161,640
Fair value adjustment	(193,872)	(29,620)
	$ 7,890,500	$ 3,132,020

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, 2017 and 2016, respectively.

NOTE 5 INVESTMENTS

Investments as of June 30, 2017 and 2016 were as follows:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	$ 1,342,862	$ 1,342,862	$ 603,026	$ 603,026
U.S. Government and agency obligations	1,847,937	1,905,137	2,186,037	2,187,650
Common stocks	5,131,452	3,845,647	1,891,921	1,897,499
Corporate bonds	3,319,691	3,317,482	854,855	816,942
Exchange-traded funds	15,267,806	15,063,769	16,891,248	14,827,114
Mutual funds	980,687	846,520	908,802	814,727
	$ 27,890,435	$ 26,321,417	$ 23,335,889	$ 21,146,958

NOTE 6 FAIR VALUE MEASUREMENTS

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

	Level 1	Level 2	Level 3	Total
As of June 30, 2017				
Interest-bearing cash equivalents	$ 9,431,851	$ -	$ -	$ 9,431,851
Investments				
Interest-bearing cash and cash equivalents	1,342,862	-	-	1,342,862
U.S. Government and agency obligations	1,847,937	-	-	1,847,937
Common stocks	5,131,452	-	-	5,131,452
Corporate bonds	-	3,319,691	-	3,319,691
Mutual funds	980,687	-	-	980,687
Exchange-traded funds				
Equities	7,883,825	-	-	9,128,421
Fixed income	5,012,448	-	-	5,012,448
Real estate	405,906	-	-	405,906
Hedge funds	1,483,086	-	-	1,483,086
Commodities	482,541	-	-	482,541
Subtotal	24,570,744	3,319,691	-	27,890,435
Assets held in trust by others				
Cash and cash equivalents	9,751	-	-	9,751
Mutual funds–equities	654,429	-	-	654,429
Mutual funds–fixed income	70,437	-	-	70,437
Mutual funds–hedge funds	165,538	-	-	165,538
Mutual funds–commodities	13,496	-	-	13,496
Common/collective trust funds				
Equities	-	511,912	-	511,912
Fixed income	-	140,445	-	140,445
Subtotal	913,651	652,357	-	1,566,008
Total	$ 34,916,246	$ 3,972,048	$ -	$ 38,888,294

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

	Level 1	Level 2	Level 3	Total
As of June 30, 2016				
Interest-bearing cash equivalents	$ 8,391,492	$ -	$ -	$ 8,391,492
Investments				
Interest-bearing cash and cash equivalents	603,026	-	-	603,026
U.S. Government and agency obligations	2,186,037	-	-	2,186,037
Common stocks	1,891,921	-	-	1,891,921
Corporate bonds	-	854,855	-	854,855
Mutual funds	908,802	-	-	908,802
Exchange-traded funds				
Equities	9,128,421	-	-	9,128,421
Fixed income	5,122,581	-	-	5,122,581
Real estate	1,190,658	-	-	1,190,658
Hedge funds	1,050,031	-	-	1,050,031
Commodities	399,557	-	-	399,557
Subtotal	22,481,034	854,855	-	23,335,889
Assets held in trust by others				
Cash and cash equivalents	3,736	-	-	3,736
Mutual funds–equities	357,768	-	-	402,087
Mutual funds–fixed income	97,078	-	-	97,078
Mutual funds–hedge funds	142,104	-	-	142,104
Mutual funds–commodities	44,530	-	-	44,530
Real estate investment trusts	92,837	-	-	92,837
Common/collective trust funds				
Equities	-	619,312	-	619,312
Fixed income	-	115,588	-	115,588
Subtotal	738,053	734,900	-	1,472,953
Total	$ 31,610,579	$ 1,589,755	$ -	$ 33,200,334

NOTE 7 PROPERTY AND EQUIPMENT

The composition of property and equipment at June 30, 2017 and 2016 was as follows:

	2017	2016
Condominium interest	$ 16,141,320	$ 16,031,320
Furniture and equipment	1,086,969	1,075,211
Computer equipment	532,848	558,902
Telephone	140,588	140,588
Website	95,150	30,000
Leasehold improvements	14,563	11,389
	18,011,438	17,847,410
Less: Accumulated depreciation and amortization	(3,045,899)	(2,537,756)
	$ 14,965,539	$ 15,309,654

Depreciation and amortization expenses were $778,804 and $749,661 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016:

	2017	2016
Unappropriated income of endowment assets:		
General fund	$ 4,239,199	$ 2,255,200
Herbert Lehman education	955,629	1,005,090
Earl Warren legal training	247,470	216,369
	5,442,298	3,476,659
Restricted as to the passage of time or purpose:		
Restricted for periods after June 30, 2017	13,747,772	2,774,574
Herbert Lehman education	111,756	49,793
Earl Warren legal training	-	21,218
Thurgood Marshall Institute	3,388,326	4,476,314
Legal program	7,312,123	2,444,810
	$ 30,002,275	$ 13,242,368

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

Net assets were released from donor restrictions in 2017 and 2016 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2017	2016
Released from temporarily restricted net assets due to appropriation of income from endowment assets		
General and legal programs	$ 1,570	$ 1,021,800
Herbert Lehman scholarship program	200,693	223,375
Earl Warren scholarship program	28,000	28,000
	230,263	1,273,175
Purpose restrictions met		
Legal program	1,660,761	1,780,354
Thurgood Marshall Institute	1,073,459	2,024,094
Herbert Lehman education (including fundraising expenses of $45,261 and $34,925, respectively)	228,975	177,517
Earl Warren legal training (including fundraising expenses of $125 and $125, respectively)	32,567	40,165
Passage of time	600,267	415,315
	$ 3,826,292	$ 5,710,620

Permanently restricted net assets (including perpetual trusts held by outside trustees) totaled $18,452,760 and $18,306,705 at June 30, 2017 and 2016, 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:

	2017	2016
Funds for general operations	$ 14,307,167	$ 14,307,167
Funds for legal program	2,124,160	2,124,160
Funds for scholarships	455,425	402,425
Perpetual trusts		
Scholarships	1,506,661	1,414,548
Unrestricted	59,347	58,405
	$ 18,452,760	$ 18,306,705

NOTE 9 COMMITMENTS AND CONTINGENCIES

Lease Agreement

LDF leases office space in Washington, DC under a non-cancelable operating lease that expired in July 2011 but was extended for 10 years through July 2021.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Lease Agreement *(continued)*

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

Year Ending June 30	Amount
2018	$ 295,722
2019	303,115
2020	310,692
2021	318,460
2022	26,592
	$ 1,254,581

Total rent expenses, including escalations, for the years ended June 30, 2017 and 2016, were $301,505 and $295,115, respectively.

NOTE 10 PENSION PLAN

LDF sponsors a contributory, defined contribution plan for all full time employees. Employer contributions were $129,524 and $0 for the years ended June 30, 2017 and 2016, respectively. These costs are included in the personnel costs.

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

The following tables provide information about the Plan as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Reconciliation of accumulated benefit obligation		
Obligation, beginning of year	$ 9,908,743	$ 9,178,625
Service cost	152,438	142,975
Interest cost	310,638	404,978
Actuarial loss	(552,022)	1,772,086
Benefit payments	(743,674)	(438,106)
Settlements	-	(1,151,815)
Obligation, end of year	$ 9,076,123	$ 9,908,743

NOTE 10 PENSION PLAN *(continued)*

	2017	2016
Reconciliation of fair value of plan assets		
Fair value of plan assets, beginning of year	$ 5,467,301	$ 6,806,940
Actual return on plan assets	684,921	70,282
Employer contributions	162,616	180,000
Settlements	-	(1,151,815)
Benefit payments	(738,776)	(438,106)
Fair value of plan assets, end of year	$ 5,576,062	$ 5,467,301
Funded status		
Funded status, end of year	$(3,500,061)	$(4,441,442)

At June 30, 2017 and 2016, the funded status of the Plan is reported in the consolidated statement of financial position as follows:

	2017	2016
Accrued pension liability	$ 3,500,061	$ 4,441,442

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

	2017	2016
Discount rate	3.50%	3.25%
Rate of compensation increase	Not applicable	Not applicable

Amounts recognized in net unrestricted assets consisted of the following:

	2017	2016
Net loss	$ 5,757,680	$ 5,212,874

Other (credit) charge in plan assets and benefit obligations recognized in unrestricted net assets in 2017 and 2016 consisted of the following:

	2017	2016
Net loss	$ 917,936	$ (2,100,598)
Recognized loss due to Settlement	-	605,956
Amortization of net loss	537,258	484,603
Total charge	$ 1,455,194	$ (1,010,039)

NOTE 10 PENSION PLAN *(continued)*

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 $369,180, $0 and $0, respectively.

Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the Plan for 2017 and 2016:

	2017	2016
Service cost	$ 152,438	$ 142,975
Interest cost	310,638	404,978
Expected return on plan assets	(323,905)	(398,794)
Amortization of net loss	537,258	484,603
Net periodic benefit cost	$ 676,429	$ 633,762

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

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

	2017	2016
Weighted-average assumptions, as of June 30		
Discount rate	3.50%	3.25%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	Not applicable	Not applicable

As of June 30, 2016 the Mortality Table and Projection Scale was changed from Society of Actuaries RP-2014 tables with projection scale MP-2015 to Society of Actuaries RP-2014 adjusted from 2006 tables with projection scale MP-2016.

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.

NOTE 10 PENSION PLAN *(continued)*

Plan Assets *(continued)*

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 target is 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 an 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.

The target allocation of plan assets and actual allocation at the end of 2017 and 2016, by asset category based on asset fair values, are as follows:

Asset Category	2017 Target Allocation	2017 Actual Allocation	2016 Actual Allocation
Cash and cash equivalents	2.0%	16.7%	2.9%
Equities	45.0%	39.7%	44.9%
Fixed income/debt securities	38.0%	32.2%	39.6%
Exchange-traded funds			
Real estate	3.0%	3.8%	4.3%
Hedge funds	9.0%	5.7%	6.1%
Commodities	3.0%	1.9%	2.2%
	100.0%	100.0%	100.0%

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

	2017	2016
Investments		
Cash equivalents	$ 927,039	$ 158,455
U.S. Government and agency obligations	534,474	612,735
Corporate bonds	269,410	280,271
Exchange-traded funds		
Equities	2,204,552	2,454,514
Fixed income	989,199	1,226,259
Real estate	211,994	240,579
Hedge funds	319,157	329,508
Commodities	106,634	122,212
Total investments	5,562,459	5,424,533
Accrued interest on investments	3,754	3,999
Prepaid expenses	17,500	17,917
Accrued expenses	(31,705)	(26,529)
Notes receivable from loan participants	24,053	47,381
Total plan assets	$ 5,576,062	$ 5,467,301

NOTE 10 PENSION PLAN *(continued)*

Plan Assets *(continued)*

The Plan's investments as of June 30, 2017 and 2016 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.

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, 2016 and July 1, 2015 were $388,863 and $318,225, respectively. Cash contributions in the amount of $162,616 were made during 2017, an additional contribution of $83,967 was made by March 15, 2017 and LDF has utilized a Prefunding Balance Elective of $159,052 to meet the minimum required contribution for the Plan year beginning July 1, 2016. The July 1, 2015 minimum required contribution was satisfied through $142,218 in cash contributions made during 2016, prefunding balance elections of $25,893 during 2016 and an additional cash contribution of $163,187 during 2017.

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:

Year	Amount
2018	$ 356,260
2019	382,374
2020	378,578
2021	467,848
2022	463,425
2023-2027	2,423,427

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, 2017 and 2016, LDF held in escrow $125,481 and $3,423, respectively, for members of the class and participating attorneys. The escrow amounts are invested in interest bearing accounts.

NOTE 12 IN-KIND CONTRIBUTIONS

In fiscal years ended June 30, 2017 and 2016, 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:

	2017	2016
Legal services	$ 1,157,874	$ -
Marketable securities (recorded as investments)	233,699	127,618
Goods	17,809	2,000
Total in-kind contributions	$ 1,409,382	$ 129,618

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.

NOTE 13 ENDOWMENTS *(continued)*

<u>Interpretation of Relevant Law</u>

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.

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.

NOTE 13 ENDOWMENTS *(continued)*

Interpretation of Relevant Law *(continued)*

The changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2017				
Endowment net assets, beginning of year	$ -	$ 3,476,659	$ 16,833,752	$ 20,310,411
Investment return				
Investment income	-	491,696	-	491,696
Net realized/unrealized appreciation in value of investments	-	1,651,943	-	1,651,943
Contributions	-	-	53,000	53,000
Appropriation for expenditures	178,000	(178,000)	-	-
Expenditures	(178,000)	-	-	(178,000)
Endowment net assets, end of year	$ -	$ 5,501,645	$ 16,886,752	$ 22,329,050

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2016				
Endowment net assets, beginning of year	$ -	$ 4,488,725	$ 16,833,752	$ 21,322,477
Investment return				
Investment income	-	594,108	-	594,108
Net realized/unrealized depreciation in value of investments	-	(332,999)	-	(332,999)
Contributions	-	-	-	-
Appropriation for expenditures	1,273,175	(1,273,175)	-	-
Expenditures	(1,273,175)	-	-	(1,273,175)
Endowment net assets, end of year	$ -	$ 3,476,659	$ 16,833,752	$ 20,310,411

NOTE 13 ENDOWMENTS *(continued)*

Interpretation of Relevant Law *(continued)*

At June 30, 2017 and 2016, the endowment fund compositions by net asset classification are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted fund	$ -	$ 5,442,298	$ 16,886,752	$ 22,329,050
Board-designated fund	-	-	-	-
Endowment net assets, June 30, 2017	$ -	$ 5,442,298	$ 16,886,752	$ 22,329,050

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted fund	$ -	$ 3,476,659	$ 16,833,752	$ 20,310,411
Board-designated fund	-	-	-	-
Endowment net assets, June 30, 2016	$ -	$ 3,476,659	$ 16,833,752	$20,310,411

The disclosure for the 2016 endowment funds have been adjusted to eliminate the inclusion of the beneficial interest of the perpetual trust.

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, 2017 and 2016.

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, 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 6.5% for both 2017 and 2016, respectively. Actual returns in any given year may vary from this amount.

NOTE 13 ENDOWMENTS *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments are to be considered 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.

Future minimum principal payments as of June 30, 2017 are as follows:

Year	Amount
2018	$ 39,661
Thereafter	3,456,854
	$ 3,496,515

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, 2017 and 2016, the Fund met this requirement.

NOTE 15 RELATED PARTIES

During the 2017 fiscal year, members of LDF's Board of Directors made donations totaling over $2 million to LDF. LDF has accounted for this contribution within its financial statements. LDF's policy is to require directors to disclose affiliations and to review and authorize such transactions, as appropriate.

NOTE 16 SUBSEQUENT EVENTS

The Fund evaluated events subsequent to June 30, 2017, through November 8, 2017, the date the consolidated financial statements were available to be issued, and determined that there were no subsequent events that required disclosure.

SUPPLEMENTARY INFORMATION

NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC. AND AFFILIATE

Consolidating Statement of Financial Position

For the Year Ended June 30, 2017

(With Summarized Financial Information for 2016)

	NAACP Legal Defense and Educational Fund, Inc.	Earl Warren Legal Training Program, Inc.	2017 Total	2016 Total
ASSETS				
Cash and cash equivalents	$ 17,719,884	$ 6,471	$ 17,726,355	$ 9,300,795
Accounts receivable	45,557	-	45,557	41,051
Contributions receivable	7,890,500	-	7,890,500	3,132,020
Amounts held in escrow	125,481	-	125,481	3,423
Investments	27,187,111	703,324	27,890,435	23,335,889
Other assets	373,470	-	373,470	314,211
Intercompany receivable (payable)	6,900	(6,900)	-	-
Property and equipment, net	14,965,539	-	14,965,539	15,309,654
Assets held in trust by others	1,566,008	-	1,566,008	1,472,953
Total assets	$ 69,880,450	$ 702,895	$ 70,583,345	$ 52,909,996
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 1,918,494	$ -	$ 1,918,494	$ 1,525,254
Mortgage payable	3,496,515	-	3,496,515	3,613,149
Accrued pension liability	3,500,061	-	3,500,061	4,441,442
Court awards and fees pending distribution	125,481	-	125,481	3,423
Total liabilities	9,040,551	-	9,040,551	9,583,268
Net assets				
Unrestricted				
Available for operations	1,618,735	-	1,618,735	81,150
Invested in property and equipment	11,469,024	-	11,469,024	11,696,505
Total unrestricted	13,087,759	-	13,087,759	11,777,655
Temporarily restricted	29,754,805	247,470	30,002,275	13,242,368
Permanently restricted	17,997,335	455,425	18,452,760	18,306,705
Total net assets	60,839,899	702,895	61,542,794	43,326,728
Total liabilities and net assets	$ 69,880,450	$ 702,895	$ 70,583,345	$ 52,909,996

NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC. AND AFFILIATE
Consolidating Statement of Activities
For the Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	NAACP Legal Defense and Educational Fund, Inc.	Earl Warren Legal Training Program, Inc.	2017 Total	2016 Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 28,163,208	$ 60,250	$ 28,223,458	$ 9,388,029
Combined Federal campaign	525,670	-	525,670	203,459
Bequests	1,106,856	-	1,106,856	424,171
Special events, net of direct donor benefits of $301,873 and $258,401, respectively	2,592,274	-	2,592,274	2,091,218
Court costs and attorney fees awarded	125,735	-	125,735	100,000
Other income	233,638	-	233,638	-
Investment income, net of fees of $119,191 and $100,598, respectively	483,419	15,945	499,364	594,028
Net depreciation on investments	1,851,541	43,585	1,895,126	(430,471)
Total revenue, gains, and other support	35,082,341	119,780	35,202,121	12,370,434
EXPENSES				
Program services				
Legal	10,424,925	-	10,424,925	8,377,315
Thurgood Marshall Institute	3,097,221	-	3,097,221	2,954,387
Herbert Lehman education	390,473	-	390,473	365,966
Earl Warren legal training	-	60,370	60,370	68,040
Total program services	13,912,619	60,370	13,972,989	11,765,708
Supporting services				
Fundraising	2,969,480	125	2,969,605	2,447,250
Management and general	1,498,583	72	1,498,655	1,483,968
Total supporting services	4,468,063	197	4,468,260	3,931,218
Total expense	18,380,682	60,567	18,441,249	15,696,926
Change in net assets before other charges	16,701,659	59,213	16,760,872	(3,326,492)
OTHER CREDIT (CHARGE)				
Charge to pension benefit other than net periodic pension cost	1,455,194	-	1,455,194	(1,010,039)
Change in net assets	18,156,853	59,213	18,216,066	(4,336,531)
Net assets, beginning of year	42,683,046	643,682	43,326,728	47,663,259
Net assets, end of year	$ 60,839,899	$ 702,895	$ 61,542,794	$ 43,326,728

NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE

Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	Program Services					Supporting Services				
Description	**Legal Programs**	**Thurgood Marshall Institute**	**Herbert Lehman Education**	**Earl Warren Legal Training**	**Subtotal**	**Fundraising**	**Mgmt. and General**	**Subtotal**	**2017 Total Expenses**	**2016 Total Expenses**
Personnel costs										
Payroll	$ 3,189,656	$ 1,259,256	$ 61,331	$ 12,000	$ 4,522,243	$ 730,601	$ 711,178	$ 1,441,779	$ 5,964,022	$ 5,326,508
Benefits	1,252,324	494,410	19,395	3,000	1,769,129	286,849	279,223	566,072	2,335,201	2,380,363
Temporary help	134,327	87,504	-	-	221,831	166,506	14,098	180,604	402,435	350,954
Total personnel costs	4,576,307	1,841,170	80,726	15,000	6,513,203	1,183,956	1,004,499	2,188,455	8,701,658	8,057,825
Legal programs										
Lobbying professionals	67,477	-	-	-	67,477	-	-	-	67,477	-
Court costs	60,297	-	-	-	60,297	-	-	-	60,297	29,713
Expert witness	381,657	-	-	-	381,657	-	-	-	381,657	186,372
Legal printing	1,167	-	-	-	1,167	-	-	-	1,167	6,666
Attorney conferences	240,260	-	-	-	240,260	-	-	-	240,260	228,970
Special research	158,753	-	-	-	158,753	-	-	-	158,753	185,337
Library	35,787	-	-	-	35,787	-	-	-	35,787	18,040
Bar association dues	21,791	-	-	-	21,791	-	-	-	21,791	19,881
Total legal programs	967,189	-	-	-	967,189	-	-	-	967,189	674,979
Other programs										
Scholarships/grants	992,124	-	270,000	36,000	1,298,124	-	-	-	1,298,124	1,621,600
Other expenses										
Photos/press release	44,060	2,628	-	-	46,688	64,778	-	64,778	111,466	30,284
List rental	-	-	100	-	100	67,380	-	67,380	67,480	50,380
Mail handling	-	-	-	-	-	5,090	-	5,090	5,090	7,521
Fundraising professionals	-	-	-	-	-	459,501	-	459,501	459,501	704,538
Insurance	69,079	20,013	1,499	-	90,591	17,690	15,985	33,675	124,266	109,999
Telephone	94,073	31,631	1,922	1,200	128,826	24,612	21,784	46,396	175,222	165,868
Occupancy expense	271,503	198,806	3,273	2,400	475,982	39,815	34,893	74,708	550,690	552,406
Bank charges	10,997	3,545	3,364	-	17,906	132,703	2,831	135,534	153,440	67,509
Storage	14,344	76,258	46	-	90,648	539	487	1,026	91,674	75,668
Mailing	29,896	4,904	570	-	35,370	159,876	1,487	161,363	196,733	143,058
Office supplies	68,200	16,053	437	-	84,690	14,414	14,456	28,870	113,560	100,403
Messenger services	1,866	696	-	-	2,562	3,148	437	3,585	6,147	3,665
Equipment repairs and maintenance	171,220	48,827	3,305	-	223,352	160,320	37,960	198,280	421,632	238,755
Utilities	29,658	9,532	714	300	40,204	8,426	7,613	16,039	56,243	75,672
Catering costs	151,874	52,137	202	-	204,213	23,995	8,410	32,405	236,618	173,042
Interest expense	60,781	21,941	1,644	-	84,366	19,394	17,524	36,918	121,284	125,517
Miscellaneous	51,795	15,215	984	-	67,994	49,437	10,861	60,298	128,292	119,565
Photocopying	44,163	11,268	840	300	56,571	10,020	8,951	18,971	75,542	64,695
Meetings and travel	651,745	167,701	928	-	820,374	69,758	24,468	94,226	914,600	675,406
Service bureau	2,446	883	66	-	3,395	780	6,502	7,282	10,677	9,271
IT professionals	233,391	65,617	2,308	-	301,316	27,226	24,601	51,827	353,143	322,335
Professional fees	1,457,745	357,525	7,057	1,500	1,823,827	117,585	142,863	260,448	2,084,275	587,271
Printing	41,365	10,881	-	-	52,246	185,422	231	185,653	237,899	190,033
Amortization	152,675	54,644	4,094	-	211,413	48,301	43,645	91,946	303,359	277,532
Depreciation	236,429	85,346	6,394	3,670	331,839	75,439	68,167	143,606	475,445	472,129
Total other expenses	3,889,305	1,256,051	39,747	9,370	5,194,473	1,785,649	494,156	2,279,805	7,474,278	5,342,522
Total expenses	$ 10,424,925	$ 3,097,221	$ 390,473	$ 60,370	$13,972,989	$ 2,969,605	$ 1,498,655	$ 4,468,260	$18,441,249	$15,696,926