FINANCIAL STATEMENTS

CLASP
policy solutions that work for low-income people

FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013

CENTER FOR LAW AND SOCIAL POLICY

CONTENTS

Gelman, Rosenberg & Freedman
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Center for Law and Social Policy
Washington, D.C.

We have audited the accompanying financial statements of the Center for Law and Social Policy (CLASP), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 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 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 CLASP as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited CLASP's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

August 6, 2015

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 3,945,561	$ 2,093,352
Investments (Notes 2 and 9)	287,257	270,952
Receivables:		
Grants receivable, current portion (Note 4)	3,525,087	1,480,021
Other	13,322	21,672
Prepaid expenses	70,825	115,051
Total current assets	7,842,052	3,981,048
FURNITURE AND EQUIPMENT (Note 6)		
Furniture and equipment	305,055	238,010
Less: Accumulated depreciation and amortization	(176,712)	(175,201)
Net furniture and equipment	128,343	62,809
NON-CURRENT ASSETS		
Grants receivable, net of current portion (Note 4)	108,531	777,008
Deposits	39,160	39,160
Total non-current assets	147,691	816,168
TOTAL ASSETS	**$ 8,118,086**	**$ 4,860,025**

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Capital lease obligation, current portion (Note 6)	$ 20,721	$ 14,687
Accounts payable and accrued liabilities	139,906	68,411
Accrued salaries and related benefits	156,796	201,788
Total current liabilities	317,423	284,886
NON-CURRENT LIABILITIES		
Capital lease obligation, long-term portion (Note 6)	100,174	26,628
Deferred rent abatement (Note 5)	182,235	179,577
Total non-current liabilities	282,409	206,205
Total liabilities	599,832	491,091
NET ASSETS		
Unrestricted	862,582	568,124
Temporarily restricted (Note 7)	6,655,672	3,800,810
Total net assets	7,518,254	4,368,934
TOTAL LIABILITIES AND NET ASSETS	**$ 8,118,086**	**$ 4,860,025**

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	$ 348,000	$ 8,548,310	$ 8,896,310	$ 5,350,458
Contributions	39,178	-	39,178	70,551
Investment income (loss) (Note 2)	17,237	-	17,237	(45,337)
Conference	22,625	-	22,625	-
Other revenue	27,076	-	27,076	16,759
Net assets released from donor restrictions (Note 8)	5,693,448	(5,693,448)	-	-
Total revenue	6,147,564	2,854,862	9,002,426	5,392,431
EXPENSES				
Program Services	5,436,072	-	5,436,072	6,062,870
Supporting Services:				
Management and General	194,980	-	194,980	89,013
Fundraising	219,396	-	219,396	145,129
Total supporting services	414,376	-	414,376	234,142
Total expenses	5,850,448	-	5,850,448	6,297,012
Change in net assets before other item	297,116	2,854,862	3,151,978	(904,581)
OTHER ITEM				
Provision for deferred rent abatement (Note 5)	(2,658)	-	(2,658)	(13,116)
Change in net assets	294,458	2,854,862	3,149,320	(917,697)
Net assets at beginning of year	568,124	3,800,810	4,368,934	5,286,631
NET ASSETS AT END OF YEAR	**$ 862,582**	**$ 6,655,672**	**$ 7,518,254**	**$ 4,368,934**

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014					2013
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	$ 1,768,101	$ 488,839	$ 66,512	$ 555,351	$ 2,323,452	$ 2,186,585
Benefits (Note 3)	353,098	117,867	-	117,867	470,965	396,616
Payroll taxes	134,005	44,740	-	44,740	178,745	168,398
Occupancy (Note 5)	326,241	136,130	-	136,130	462,371	495,327
Contributions	(160)	3,075	-	3,075	2,915	9,090
Supplies	18,543	9,547	70	9,617	28,160	44,884
Postage and delivery	2,150	3,001	778	3,779	5,929	4,639
Printing and production	9,291	(7,346)	239	(7,107)	2,184	10,375
Meetings and conventions	166,539	13,972	-	13,972	180,511	56,833
Consulting fees	1,556,592	(6,066)	115,110	109,044	1,665,636	2,323,709
Professional fees	155,489	75,233	-	75,233	230,722	272,494
Telephone	56,977	13,933	-	13,933	70,910	97,698
Travel and entertainment	92,949	13,687	(100)	13,587	106,536	115,526
Subscriptions and publications	3,458	7,812	-	7,812	11,270	6,574
Depreciation and amortization	31,074	10,374	-	10,374	41,448	37,639
Dues and registration	17,564	(11,327)	3,560	(7,767)	9,797	27,002
Repairs and maintenance	12,866	4,664	-	4,664	17,530	13,414
Insurance	8,930	2,981	-	2,981	11,911	11,345
Interest expense	9,176	3,291	-	3,291	12,467	6,125
Other	2,493	1,679	6,666	8,345	10,838	7,415
Bank fees	95	-	-	-	95	284
Equipment	4,540	1,516	-	1,516	6,056	5,040
Subtotal	4,730,011	927,602	192,835	1,120,437	5,850,448	6,297,012
Allocation of management and general	706,061	(732,622)	26,561	(706,061)	-	-
TOTAL	**$ 5,436,072**	**$ 194,980**	**$ 219,396**	**$ 414,376**	**$ 5,850,448**	**$ 6,297,012**

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,149,320	$ (917,697)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	41,448	37,639
Realized and unrealized (gain) loss on investments	(7,084)	64,797
Gain on disposition of assets/termination of capital lease, net	(6,956)	-
(Increase) decrease in:		
Grants receivable	(1,376,589)	490,776
Other receivables	8,350	9,221
Prepaid expenses	44,226	(20,719)
Increase (decrease) in:		
Accounts payable and accrued liabilities	71,495	(101,708)
Accrued salaries and related benefits	(44,992)	(585)
Deferred rent abatement	2,658	13,116
Net cash provided (used) by operating activities	1,881,876	(425,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(8,959)	(3,236)
Purchases of investments	(9,221)	(519,460)
Proceeds from sales of investments	-	920,000
Net cash (used) provided by investing activities	(18,180)	397,304
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(11,487)	(12,956)
Net cash used by financing activities	(11,487)	(12,956)
Net increase (decrease) in cash and cash equivalents	1,852,209	(40,812)
Cash and cash equivalents at beginning of year	2,093,352	2,134,164
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,945,561**	**$ 2,093,352**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 12,467**	**$ 6,125**
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Capital Lease Obligation Incurred for Use of Equipment	**$ 128,563**	**$ -**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Law and Social Policy (CLASP) is a non-profit organization, incorporated under the laws of the District of Columbia. CLASP was established to concentrate on meeting the problems of minorities and the poor through education, research and legal representation.

Currently, CLASP undertakes education, policy research, training, technical assistance, analyses and reports for use by advocates, non-profit organizations, Federal, state and local officials and research and evaluation entities; these are developed to improve lives of low-income children, youth, adults and families.

Basis of accounting -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CLASP's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Cash and cash equivalents -

CLASP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, CLASP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) in the Statement of Activities and Change in Net Assets.

Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture and equipment -

Furniture and equipment in excess of $1,000 are capitalized and are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Amortization of assets held under capital leases is included with depreciation expense. The cost of maintenance and repairs is recorded as expenses are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net assets -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of CLASP and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of CLASP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Income taxes -

CLASP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. CLASP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2014, CLASP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

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

Risks and uncertainties -

CLASP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair value measurement -

CLASP adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. CLASP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2014:

	Cost	Fair Value
Fixed Income Fund	$ 244,760	$ 287,257

Included in investment income are the following:

Interest and dividends	$ 10,153
Unrealized gain	7,084
TOTAL INVESTMENT INCOME	$ 17,237

3. PENSION PLAN

CLASP has a defined contribution retirement plan, which covers all eligible employees. Employer contributions are discretionary. Total contributions to the plan for the year ended December 31, 2014 were $80,047.

4. GRANTS RECEIVABLE

All grants receivable are considered to be collectable within one year unless otherwise stated by the donor. Management is of the opinion that all grants receivable are collectable.

Following is a summary, by years, of grants receivable as of December 31, 2014:

Year Ending December 31,	
2015	$ 3,525,087
2016	108,531
	$ 3,633,618

5. COMMITMENTS

In December 2009, CLASP signed a lease for office space under a ten year agreement, which commenced in May 2010. Base rent is $41,463 per month, increasing by a factor of 2% per year, plus a proportionate share of expenses. Rent for May and June 2010 was abated. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

At December 31, 2014, the future minimum rental payments required under these lease is as follows:

Year Ending December 31,	
2015	$ 545,653
2016	556,618
2017	567,767
2018	579,218
2019	590,746
Thereafter	299,271
	$ 3,139,273

On May 1, 2010, CLASP renewed its sub-lease. CLASP has also entered into a second sub-lease agreement. Both sub-leases are on a month-to-month basis.

Rent expense for the year ended December 31, 2014 totaled $462,371, net of rental income of $80,477.

6. CAPITAL LEASES

In 2011, CLASP entered into two capital lease obligations for copiers due to expire in 2016. During 2014, CLASP returned the copiers and replaced them with two new copiers under new capital leases due to expire in 2019.

6. CAPITAL LEASES (Continued)

As of December 31, 2014, the cost and related accumulated amortization of the leased assets were $128,563 and $17,142, respectively.

Future minimum lease payments at December 31, 2014 are as follows:

Year Ending December 31,	
2015	$ 34,788
2016	34,788
2017	34,788
2018	34,788
2019	20,758
	159,910
Less: Interest	(39,015)
	120,895
Less: Current portion	(20,721)
LONG-TERM PORTION	**$ 100,174**

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014:

Robert Wood Johnson Foundation	$ 264,350
Alliance for Early Success	201,667
Ford Foundation	725,000
Corporation for Skilled Workforce	224,583
W. K. Kellogg Foundation	300,000
Fidelity Charitable	1,645,000
JP Morgan Chase	500,000
The Urban Institute	1,416,439
Center for American Progress	98,333
Institute for Higher Education	20,000
New Directions	7,500
Lumina Foundation	25,000
Workforce Enterprise Services	22,800
Fidelity Charitable	675,000
Irving Harris Foundation	10,000
Joyce Foundation	300,000
Early Childhood	15,000
Annie Casey Foundation	205,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 6,655,672**

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Vanguard Charitable Endowment Program	$ 187,500
GW University	10,000
New Directions Foundation	7,000
Alliance for Early Success	198,333
University of Michigan	20,000
James Irvine Foundation	37,500
Irving Harris Foundation	20,000
Joyce Foundation	484,000
CCCAQE	3,000
Annie E. Casey Foundation	125,000
Greater Twin Cities	50,000
National College Access	12,700
University of Washington	36,000
Irving Harris Foundation	20,000
W. K. Kellogg Foundation	200,000
NELP	19,000
Ford Foundation	525,000
Excelencia in Education	32,000
Lakeshore Tech. College	11,605
Corporation for Skilled Workforce	90,750
NELP Grant	31,000
Institute for International Education	9,775
Urban Institute	1,266,305
Institute for Higher Education	50,000
Corporation for Skilled Workforce	64,833
Center for American Progress	491,667
Foundation for Child Development	30,000
Workforce Enterprise Services	11,175
Gates Foundation	175,010
Fidelity Charitable	225,000
Lumina Foundation	329,501
JP Morgan Chase	200,000
Single Stop	5,500
Foundation for Child Development	16,200
Early Childhood	15,000
George Gund Foundation	80,000
Robert Wood Johnson Foundation	261,014
Kresge Foundation	272,080
Third Sector New England	8,400
Achieving the Dream	11,600
EOS Foundation	50,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 5,693,448**

9. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, CLASP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market CLASP has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Fixed income fund - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, CLASP's investments as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Fixed Income Fund	$ 287,257	$ -	$ -	$ 287,257

10. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through August 6, 2015, the date the financial statements were issued.