SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW

FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW

Annual Financial Report

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D&A
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 statement of financial position as of December 31, 2013, and the related statements of activities, 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.

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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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Desmond & Ahern, Ltd

June 20, 2014
Chicago, IL

SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013

Assets	
Current Assets	
Cash and cash equivalents	$ 636,991
Investments	
Unrestricted	274,409
Donor restricted endowment fund, accumulated earnings (Note 15)	131,771
Contributions receivable	1,200,000
Other receivables	50,136
Prepaid expenses and other assets	15,607
Funds held on behalf of others	830
Total current assets	2,309,744
Net property and equipment	56,928
Contributions receivable long term	233,263
Lease deposit	21,242
Intangible assets, net	55,968
Investments - permanently restricted	800,000
Total Assets	$ 3,477,145
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 154,791
Accrued compensation (Note 1)	113,229
Deferred revenue	99,277
Funds held on behalf of others	830
Total current liabilities	368,127
Deferred rent	133,284
Total liabilities	501,411
Net Assets	
Unrestricted	279,505
Temporarily restricted (Note 13)	1,896,229
Permanently restricted	800,000
Total net assets	2,975,734
Total Liabilities and Net Assets	$ 3,477,145

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	Total
Public Support and Revenue				
Contributions	$ 1,079,663	$ 2,002,301	$ -	$ 3,081,964
Fellowship contributions	-	121,754	-	121,754
Special events	301,537	-	-	301,537
Cy Pres awards	341	-	-	341
Service contracts	133,885	-	-	133,885
Training revenue	182,437	-	-	182,437
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)	-	-
Total Public Support and Revenue	4,001,901	268,933	-	4,270,834
Expenses				
Program Services				
Advocacy	1,762,206	-	-	1,762,206
Communication	696,915	-	-	696,915
Training	590,943	-	-	590,943
Total program services	3,050,064	-	-	3,050,064
Cost of direct benefit to donors	59,033	-	-	59,033
Supporting services				
Management and General	488,310	-	-	488,310
Fundraising	570,326	-	-	570,326
Total supporting services	1,058,636	-	-	1,058,636
Total expenses	4,167,733	-	-	4,167,733
Change in net assets	(165,832)	268,933	-	103,101
Net assets, beginning of year	445,337	1,627,296	800,000	2,872,633
Net assets, end of year	$ 279,505	$ 1,896,229	$ 800,000	$ 2,975,734

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	Supporting Services		
	Advocacy	Communication	Training	Direct Benefits to Donors	Management and General	Fundraising	Total
Functional Expenses							
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
Total Expenses	$ 1,762,206	$ 696,915	$ 590,943	$ 59,033	$ 488,310	$ 570,326	$ 4,167,733

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

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

Operating Activities	
Cash received - contributions	$ 2,742,422
Cash received - special events	242,504
Cash received - Cy Pres awards	341
Cash received - service contracts	108,753
Cash received - training	165,974
Cash received - subscriptions	185,555
Cash received - attorney and court fees	600
Cash received - interest and dividend income	52,118
Payments for wages and other operating activities	(4,022,890)
Net cash used by operating activities	(524,623)
Cash Flows from Investing Activities	
Purchase of investments	(654,645)
Proceeds from sale of investments	948,063
Purchase of property and equipment	(23,434)
Net cash provided by investing activities	269,984
Net decrease in cash and cash equivalents	(254,639)
Cash and cash equivalents, beginning of year	891,630
Cash and cash equivalents, end of year	$ 636,991
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities	
Change in net assets	$ 103,101
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	34,528
Unrealized/realized gain on investments	(142,384)
Change in assets - (increase) decrease	
Contributions receivable	(461,296)
Other receivables	(38,015)
Prepaids	2,164
Change in liabilities - increase (decrease)	
Accounts payable	25,390
Accrued compensation	(12,592)
Refundable advances	(14,639)
Deferred rent	(20,880)
Net cash used by operating activities	$ (524,623)

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

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

Organization

The 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 accomplishes this mission through a three-pronged approach:

> *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 activities 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.
>
> *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, a communication and research vehicle designed to enable a national coordinated movement among lawyers to fight poverty through law and policy.
>
> *Training Programs* address 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 lawyers and staff develop mastery as advocates for justice.

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 in the first paragraph 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, 2010 through 2013.

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, 2013, The Shriver Center's bank deposits exceeded federally insured limits by approximately $348,000. 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

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.

Funds Held for Others

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

Contributions Receivable

Contributions receivable represent amounts promised by donors (unconditional promises to give), some of which are due in installments. Amounts due on dates that are 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, 2013 based on the Shriver Center's historical collection experience.

Other Receivables

The Shriver Center's other receivables are related to subscriptions 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, 2013 based on the Shriver Center’s historical collection experience.

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 2013.

Accrued Compensation

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

Deferred Revenue

Subscriptions to journals and training registration fees collected in advance of the journals being provided or training event occurring, are included in deferred revenue in the accompanying statements of financial position. Deferred revenue is substantially recognized within a year.

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 year ended December 31, 2013.

Subscription revenue is recognized as it is earned during the twelve month period.

Training fees are recognized as revenue when the related training event is conducted.

<u>Donated Services</u>
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. During the current year, the Shriver Center did not receive donated services meeting this criteria.

During 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 2013.

<u>In-Kind Contributions</u>
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 year ended December 31, 2013, the Shriver Center received donated airline vouchers valued at $21,200 and donated use of the Lexus Nexus legal research site valued at $36,000. As such, total in-kind contributions for 2013 were $57,200.

<u>Certain Vulnerabilities and Concentrations</u>
During the year ended December 31, 2013, the Organization received approximately 38% of its funding from 7 major donors. Furthermore, 71% of contributions receivable is from 5 major donors. Negative changes in the economy could have an impact on future contributions, fundraising efforts and other sources of revenue.

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.

Note 2 – Investments

A summary of investments at fair value as of December 31, 2013 is as follows:

	Cost	Fair Value
Common stocks	$ 125,419	$ 139,642
Preferred stocks	23,645	25,214
Mutual funds	687,055	755,537
Domestic large cap blend fund	217,312	274,409
Cash equivalents	11,378	11,378
Total Investments	$ 1,064,809	$ 1,206,180

A summary of investments by net asset classification as of December 31, 2013 is as follows:

Unrestricted	$ 274,409
Temporarily restricted	131,771
Permanently restricted	800,000
	$ 1,206,180

Investment income recorded in the Statement of Activities is as follows for the year ended December 31, 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
	$ 66,128	$ 128,374	$ 194,502

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 then 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).

Assets and Liabilities Measured on a Recurring Basis
Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2013		
	Level 1	Level 2	Level 3
Assets - Investments	$ 1,206,180	$ -	$ -

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

Note 4 – Contributions Receivable

Contributions receivable at December 31, 2013 are due as follows:

Within one year	$ 1,200,000
One to five years, net of present value discount of $6,737	233,263
	$ 1,433,263

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
Future years, unrestricted	1,012,474
Other	6,276
	$ 1,433,263

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

Note 5 – Conditional Promises

At December 31, 2013, the Organization has a $150,000 conditional promise for the advocacy program to be paid in $25,000 quarterly installments starting March 31, 2014. The promise is conditional upon approval of interim reports by the funding source. As a result of this condition, this promise is not yet recognized as an asset in the Statement of Financial Position.

Note 6 – Intangible Assets

At December 31, 2013, the Shriver Center had the following intangible assets:

	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Intangible Value
Training programs	6 years	$ 84,120	$ (31,545)	$ 52,575
Trade name	4 years	7,757	(4,364)	3,393
		$ 91,877	$ (35,909)	$ 55,968

Estimated future amortization expense for the years ending December 31:

2014	$	15,959
2015		15,475
2016		14,020
2017		10,514
	$	55,968

Amortization expense was $15,959 for the year ended December 31, 2013.

Note 7 – Property and Equipment

The Shriver Center's property and equipment at December 31, 2013 are as follows:

Computer equipment	$	193,644
Furniture		24,706
Office equipment		9,608
		227,958
Accumulated depreciation		(171,030)
Net property and equipment	$	56,928

Note 8 – Deferred Revenue

Deferred revenue at December 31, 2013 consist of the following:

Subscriptions	$	59,827
Trainings and conferences		39,450
	$	99,277

Note 9 – Lines of Credit

The Shriver Center has a $250,000 revolving line of credit expiring August 1, 2014. At December 31, 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 plans to apply for its renewal of the line of credit by its July 25, 2014 deadline, and the Shriver Center 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, 2013, the Shriver Center's total line of credit related to these credit cards is $25,500, of which $4,766 is outstanding and included in accounts payable.

Note 10 – Net Revenues from Special Events

Net revenues from special events at December 31, 2013 consist of the following:

Contributions, including sponsorship	$ 159,102
Raffles	4,835
Special events revenue, ticket portion	137,600
Revenue from special events	301,537
Less costs of direct benefits to donors	(59,033)
Net revenues from special events	$ 242,504

Note 11 – 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 year ended December 31, 2013, the Shriver Center contributed $50,089 to the plan.

Note 12 – 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 leases office space in Boston, Massachusetts under a five year agreement that expires October 31, 2014. Under provisions of the lease, the Shriver Center pays a base rent of $2,600 per month plus a proportionate share of basic operating costs.

The Shriver Center is obligated under three leases for equipment where the first specifies monthly payments of $258 until March 2016, and the other two specify monthly payments of $424 and $334 until November 2015.

Rent expense for these leases was $257,161 for the year ended December 31, 2013.

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

2014	$	279,793
2015		259,566
2016		256,896
2017		174,264
	$	970,519

Note 13 – Temporarily Restricted Net Assets

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

National racial justice training institute, $100,000 included in receivables	$	227,478
Healthcare advocy, $105,000 included in receivables		110,042
Housing advoacy, included in receivables		150,000
Fundraising		100,000
Women's law and policy project, included in receivables		59,513
Fellowships		47,742
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
For future periods, included in receivables		1,012,474
	$	1,896,229

Note 14 – Permanently Restricted Net Assets

Permanently restricted net assets of $800,000 as of December 31, 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).

Note 15 – 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.

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	$ 131,771	$ 800,000	$ 931,771

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.

<u>Note 16 – Subsequent Events</u>

For the fiscal year ended December 31, 2013, the Organization's management has evaluated subsequent events through June 20, 2014 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.