

National Women's Law Center and Affiliates

Consolidated Financial Statements
and Independent Auditor's Report

For the Year Ended June 30, 2018

(with Summarized Financial Information for the Year Ended June 30, 2017)

National Women’s Law Center and Affiliates

Consolidated Financial Statements
For the Year Ended June 30, 2018
(with Summarized Financial Information for the Year Ended June 30, 2017)

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of National Women's Law Center
The Board of Directors of the National Women's Law Center Action Fund
The Board of Managers of the National Women's Law Center Fund LLC

We have audited the accompanying consolidated financial statements of the National Women's Law Center, the National Women's Law Center Action Fund, and the National Women's Law Center Fund LLC (collectively, "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements th/at 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 an 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.

Auditor's Responsibility (continued)

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 financial position of the Organization as of June 30, 2018, 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.

Report on Summarized Comparative Information

We previously audited the Organization's June 30, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 7, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2017, 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 supplementary information included on pages 27-29 is 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is stylized, with a large, looped "R" and a plus sign between "Rogers" and "Company".

Vienna, Virginia
January 3, 2019

National Women’s Law Center and Affiliates

Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 10,896,408	\$ 7,257,258
Investments	36,859,427	35,172,179
Accounts receivable	139,862	41,407
Grants and contributions receivable, net	16,739,076	4,030,278
Prepaid expenses and security deposits	206,149	334,347
Property and equipment, net	827,428	774,961
Total assets	<u>\$ 65,668,350</u>	<u>\$ 47,610,430</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,115,238	\$ 704,302
Deferred compensation	533,051	928,117
Sub-tenant security deposit	-	10,719
Deferred rent and incentive allowance	1,497,302	1,570,758
Deferred revenue	121,957	29,759
Total liabilities	<u>4,267,548</u>	<u>3,243,655</u>
Net Assets		
Unrestricted	14,043,636	12,336,153
Temporarily restricted	28,174,271	12,847,727
Permanently restricted	19,182,895	19,182,895
Total net assets	<u>61,400,802</u>	<u>44,366,775</u>
Total liabilities and net assets	<u>\$ 65,668,350</u>	<u>\$ 47,610,430</u>

See accompanying notes.

National Women's Law Center and Affiliates

Consolidated Statements of Activities
For the Year Ended June 30, 2018
(with Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
	Operating	Reserves	Total				
Revenue and Support							
Grants	\$ 222,500	\$ -	\$ 222,500	\$ 7,502,875	\$ -	\$ 7,725,375	\$ 8,838,774
Net investment income	-	927,773	927,773	2,113,513	-	3,041,286	4,413,952
Income from cash equivalents	74,058	-	74,058	-	-	74,058	17,553
Contributions, net of unrealized pledges	3,212,794	-	3,212,794	15,996,375	-	19,209,169	2,799,831
Donated goods and services	2,930,950	-	2,930,950	1,705,647	-	4,636,597	2,504,232
Rental income	138,516	-	138,516	-	-	138,516	162,268
Other	116,019	-	116,019	-	-	116,019	88,691
Net assets released from restrictions and transfers:							
Appropriation of endowment income	938,732	-	938,732	(938,732)	-	-	-
Transfer from Reserves	415,306	(415,306)	-	-	-	-	-
Satisfaction of time and program restrictions	11,053,134	-	11,053,134	(11,053,134)	-	-	-
Total revenue and support	19,102,009	512,467	19,614,476	15,326,544	-	34,941,020	18,825,301
Expenses							
Program services:							
Child Care/Early Learning and Income Security	1,862,193	-	1,862,193	-	-	1,862,193	4,685,315
Reproductive Rights and Health	3,627,695	-	3,627,695	-	-	3,627,695	2,564,099
TIMES UP Legal Defense Fund and Legal Network for Gender Equity	3,380,182	-	3,380,182	-	-	3,380,182	-
Women's Legal Rights	2,615,279	-	2,615,279	-	-	2,615,279	2,189,709
Workplace Justice and Education	4,150,954	-	4,150,954	-	-	4,150,954	1,712,685
Total program services	15,636,303	-	15,636,303	-	-	15,636,303	11,151,808
Supporting services:							
Administration	1,408,091	-	1,408,091	-	-	1,408,091	1,373,622
Development	862,599	-	862,599	-	-	862,599	777,847
Total supporting services	2,270,690	-	2,270,690	-	-	2,270,690	2,151,469
Total expenses	17,906,993	-	17,906,993	-	-	17,906,993	13,303,277
Change in Net Assets	1,195,016	512,467	1,707,483	15,326,544	-	17,034,027	5,522,024
Net Assets, beginning of year	1,935,736	10,400,417	12,336,153	12,847,727	19,182,895	44,366,775	38,844,751
Net Assets, end of year	\$ 3,130,752	\$ 10,912,884	\$ 14,043,636	\$ 28,174,271	\$ 19,182,895	\$ 61,400,802	\$ 44,366,775

See accompanying notes.

National Women's Law Center and Affiliates

Consolidated Statements of Cash Flows For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 17,034,027	\$ 5,522,024
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	161,631	168,912
Amortization of deferred incentive allowance	(145,348)	(126,136)
Net unrealized and realized gain	(2,603,693)	(3,976,212)
Change in discount on grants and contributions receivable	19,522	11,505
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(98,455)	82,552
Grants and contributions receivable	(12,728,320)	(1,859,708)
Prepaid expenses and security deposits	128,198	(20,994)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,410,936	148,750
Deferred compensation	(395,066)	145,556
Sub-tenant security deposit	(10,719)	-
Deferred rent	71,892	(44,524)
Deferred revenue	92,198	(86,114)
Net cash provided by (used in) operating activities	2,936,803	(34,389)
Cash Flows from Investing Activities		
Purchases of property and equipment	(214,098)	(14,738)
Net proceeds from sales of investments	916,445	1,153,261
Net cash provided by investing activities	702,347	1,138,523
Net Increase in Cash and Cash Equivalents	3,639,150	1,104,134
Cash and Cash Equivalents, beginning of year	7,257,258	6,153,124
Cash and Cash Equivalents, end of year	\$ 10,896,408	\$ 7,257,258

See accompanying notes.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

1. Organization and Summary of Significant Accounting Policies

Organizations

The National Women's Law Center (NWLC) is organized and operated for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code (IRC), and was incorporated in the District of Columbia in 1981. NWLC is the sole member of the National Women's Law Center Action Fund (the Action Fund). The Action Fund is organized and operated for social welfare purposes under Section 501(c)(4) of the IRC and was incorporated in the District of Columbia in 2012. The primary purpose of each of these two organizations is to advance and protect women's legal rights in areas such as employment, health and reproductive rights, family economic security, and education.

NWLC is also the sole member of the National Women's Law Center Fund LLC (the LLC), which was organized as a limited liability company in the District of Columbia in 2018. The LLC is a disregarded entity for tax purposes and, therefore, has the same 501(c)(3) tax-exempt status as NWLC. The LLC is dedicated to the purpose of helping individuals who face sex discrimination and other forms of sexual harassment connect with legal representation and public relations assistance.

All three of the entities' activities are funded primarily through grants and contributions from private foundations, corporations, and individuals.

Principles of Consolidation

Consolidated financial statements are presented due to NWLC's controlling interest in the Action Fund and the LLC, respectively. The Action Fund and the LLC each share certain personnel and overhead costs with NWLC. The shared costs are allocated between NWLC and the Action Fund and NWLC and the LLC, respectively, based on usage, at cost or fair market value. The Action Fund and the LLC each have a cost-sharing agreement with NWLC which specifies the cost allocation methodology. All inter-entity balances and significant transactions have been eliminated in consolidation. Except when referred to separately, all three entities are collectively referred to as "the Organization" throughout the accompanying consolidated financial statements and related notes.

Cash Equivalents

The Organization considers money market funds and certificates of deposit having a maturity of less than one year to be cash equivalents except when such instruments are held for long-term purposes.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

All investments are owned by NWLC and consist primarily of an ownership interest in externally managed pooled funds. The securities in the pooled funds include common stock, corporate bonds and notes, U.S. government obligations, international equities, and interests in privately held funds and limited liability companies. The pooled funds are considered alternative investments as there is no readily determinable market price for the funds, although most of the underlying securities in the pooled funds are publicly traded and are valued using readily determinable market prices.

All pooled funds are carried at fair value as provided by the investment managers. Management reviews the valuation provided by the investment managers of both the publicly traded and non-publicly traded investments and agrees with the valuation methods and assumptions used by the investment managers in determining the fair value of all the funds, which may be based on historical cost, appraisals, obtainable prices for similar assets, or other assets and estimates. Interest, dividends, and realized gains or losses are recorded when earned. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses.

From time-to-time, a small portion of NWLC's investments may be invested in FDIC-insured money market funds, certificates of deposit, and cash.

Receivables

Accounts receivable typically consist of interest receivable, employee advances, court-approved attorneys' fees, reimbursements from NWLC's landlord for tenant improvements, and other trade-related receivables. These amounts are stated at net realizable value.

Grants and contributions receivable consist of unconditional promises from private foundations and individual donors to donate funds. These amounts are stated at net realizable value, with multi-year grants stated at net present value.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Equipment, and Related Depreciation and Amortization

Property and equipment are stated at cost. Expenditures for major additions, renewals, and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is recorded. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful service lives of the assets ranging from three to ten years. Amortization of leasehold improvements is computed using the straight-line method over the useful life of the improvement or the remaining term of the lease, whichever is less.

All property and equipment as of June 30, 2018, were owned by NWLC. Depreciation and amortization costs are allocated to NWLC, the Action Fund, and the LLC based on a cost-sharing agreement.

Classification of Net Assets

- *Unrestricted net assets* represent the total portion of expendable funds that are available for support of general operations. See Note 7 for the amount of unrestricted net assets for NWLC, the Action Fund, and the LLC respectively.
- *Temporarily restricted net assets* represent the total amounts that are specifically restricted by donors or grantors, or applicable accounting standards, for various programs or for specific future time periods for NWLC, the Action Fund, and the LLC, respectively. See Note 7 for the amount of temporarily restricted net assets for NWLC, the Action Fund, and the LLC, respectively.
- *Permanently restricted net assets* represent funds of NWLC that are designated to be held in perpetuity. Neither the Action Fund nor the LLC have permanently restricted net assets.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization reports unconditional gifts and grants of cash and other assets as unrestricted and available for general operations unless specifically restricted by the donor. If gifts and grants are received with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific time periods, the Organization reports them as temporarily restricted. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional gifts and grants that are expected to be collected within one year are recorded at net realizable value. Unconditional gifts and grants that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The portions of unconditional gifts and grants that were discounted in prior fiscal years and collected in the current year are recorded as revenue in the current year. Gifts and grants are recorded among NWLC's, the LLC's, or the Action Fund's various programs and supporting services, as appropriate, based upon the program or supporting services directly benefited. See Note 7.

Revenue is recorded in the period in which it is earned. Deferred revenue consists of the fair market value of tickets for attendance at NWLC's annual dinner received in a year prior to the annual dinner, which is recognized as revenue when the dinner occurs.

Donated Goods and Services

The Organization receives donations of both external and in-house services of attorneys, legal fellows, law students and other professionals. The Organization also receives donations of other goods and services. The value of these goods and services is recorded based on the estimated fair market value of the goods and services provided and is shown as donated goods and services in the accompanying statement of activities. Such donated goods and services are recorded among NWLC's, the Action Fund's various programs and supporting services, as appropriate, based upon the program or supporting services directly benefited. See Note 7.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses

Allocation of Expenses. The costs of providing the various programs and other activities have been summarized in the accompanying statement of activities on a functional basis. Costs that cannot be specifically identified with a particular function have been allocated on a proportionate basis to the functions that benefitted.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Organization's fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Organization's fiscal year 2019.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 3, 2019, the date the consolidated financial statements were available to be issued.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

2. Investments and Fair Value Measurements

Only NWLC has investments. NWLC's investments totaled \$36,859,427 at June 30, 2018, and are summarized below.

CFI Multi-Strategy Equity Fund (MSEF)	\$ 25,031,346
CFI Multi-Strategy Bond Fund, LLC (MSBF)	9,169,716
Capital Partners VI, LP (CPVI)	891,842
Capital Partners VII, LP (CPVII)	34,168
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Total investments in pooled funds	35,127,072
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FDIC-insured money market funds and cash	1,732,355
	<hr/>
Total investments	<u>\$ 36,859,427</u>

The pooled funds are considered to be alternative investments as these funds are not publicly traded. For the year ended June 30, 2018, most of NWLC's interest in the Commonfund's Multi-Strategy Equity Fund (MSEF) (equity investments) and the Commonfund's Multi-Strategy Bond Fund (MSBF) (fixed income investments) consisted of underlying securities that are publicly traded. NWLC's interest in the Commonfund's Capital Partners VI Fund (CPVI) and Capital Partners VII Fund (CPVII) consisted of private capital securities that are not publicly traded.

NWLC had no unfunded commitments to either the MSEF or MSBF as of June 30, 2018. However, at June 30, 2018, NWLC had outstanding commitments to invest \$738,375 in the CPVI Fund and \$470,000 in the CPVII Fund. NWLC will meet this commitment by using a portion of its other investments. As of June 30, 2018, a capital call schedule for neither CPVI nor CPVII existed, but NWLC anticipates that the capital calls will continue for several years for both of these funds.

Investment returns for NWLC consisted of the following for the year ended June 30, 2018:

Unrealized gains	\$ 2,556,895
Interest and dividends	562,390
Private Capital realized gains and other	10,834
Investment management fees	(88,833)
	<hr/>
Total net investment income	<u>\$ 3,041,286</u>

The total unrealized gain of \$2,556,895 is included in net investment gain in the accompanying statement of activities for the year ended June 30, 2018.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

2. Investments and Fair Value Measurements (continued)

In accordance with the fair value measurements and disclosures topic of FASB Accounting Standards Codification (ASC), NWLC has categorized its applicable financial instruments into a required fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input, both individually and in the aggregate, that is significant to the fair value measurement. Observable inputs include market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The three levels of fair value hierarchy and associated investment types are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that NWLC has the ability to access at the measurement date. Market price data are generally obtained from relevant exchange or dealer markets.

Level 2 – Inputs are those other than quoted prices included within Level 1 that are observable, either directly or indirectly, in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 – Inputs are those that are unobservable; for example, because there is little or no market activity at the measurement date.

NWLC has investments in each of these three categories, with the preponderance of its investments in Level 2 investments.

NWLC's investments in FDIC-insured money market funds and cash, representing 4.7% of NWLC's investments at June 30, 2018, are categorized as Level 1 investments. The money market funds, included in this amount, can be sold on a daily basis in an active market, meeting the definition of a Level 1 investment.

National Women’s Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

2. Investments and Fair Value Measurements (continued)

NWLC’s investments in the MSEF and MSBF, representing 92.8% of NWLC’s investments at June 30, 2018, are categorized as Level 2 investments. When the classification within the fair value hierarchy of a fair value measurement of an investment is measured at net asset value per share and if a reporting entity has the ability to redeem its investment with the investee within 90 days at the net asset value per share at the measurement date, the fair value measurement of the asset is categorized as a Level 2 fair value measurement. NWLC’s investments in the MSEF and MSBF meet these criteria, because NWLC can redeem its investments in the MSEF and MSBF in any month on the last business day of the month (with 5 business days’ notice) at the net asset value per share in effect on the last business day of the month. Redemption proceeds are generally paid on the first business day of the following month, except in the case of 100% redemption, when 90% is generally paid on the first business day of the following month, with the remaining 10% paid within 30 days.

NWLC’s investments in the CPVI and CPVII, representing 2.5% of NWLC’s investments at June 30, 2018, are categorized as Level 3 investments as the investments are limited partnerships with no redemption rights or market activity at the measurement date. The termination date for the CPVI partnership is scheduled to be January 20, 2027, and for the CPVII partnership is scheduled to be February 21, 2030, each subject to a potential extension of up to three years at the discretion of the general partner.

The following is a schedule of NWLC’s investments in pooled funds detailing the three levels of the fair value hierarchy as of June 30, 2018:

	Level 1	Level 2	Level 3	Total fair value
FDIC-insured money				
market funds and cash \$	1,732,355	\$ -	\$ -	\$ 1,732,355
MSEF	-	25,031,346	-	25,031,346
MSBF	-	9,169,716	-	9,169,716
CPVI and CPVII	-	-	926,010	926,010
Total	\$ 1,732,355	\$ 34,201,062	\$ 926,010	\$ 36,859,427

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

2. Investments and Fair Value Measurements (continued)

Fair value measurements using unobservable inputs (Level 3) were as follows:

Balance at June 30, 2017	\$	502,413
Transfers into Level 3		305,898
Realized gains and net operating income		10,834
Unrealized gains		<u>106,865</u>
Balance at June 30, 2018	\$	<u><u>926,010</u></u>

3. Receivables

Accounts receivable at June 30, 2018, all of which are attributable to NWLC, total \$139,862. Included in this amount are \$124,993 of reimbursements due from NWLC's landlord for tenant improvements. See Note 6. All accounts receivable are due within one year and are fully collectible.

Grants and contributions receivable at June 30, 2018, include unconditional promises from private foundations and individual donors to give monies to NWLC and are due, as follows:

Less than one year	\$	14,886,770
One to three years		<u>1,883,333</u>
Total		16,770,103
Less: Discount to net present value using 0.9%		<u>(31,027)</u>
Grants and contributions receivable, net	\$	<u><u>16,739,076</u></u>

All grants and contributions receivable are stated at net present value and are deemed fully collectible.

4. Summary Financial Information for NWLC, the Action Fund, and the LLC

NWLC, the Action Fund, and the LLC have each determined that it is in their respective mutual best interests to minimize duplicative expenses to carry out their complementary purposes in an economical and efficient manner by sharing employees, office space, and equipment. Shared costs are allocated between NWLC and the Action Fund and NWLC and the LLC, respectively, based on usage, at cost or fair market value as set forth in applicable cost-sharing agreements. Income and expenses for each separate entity are provided in the Supplementary Information attached to the financial statements.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

5. Property, Equipment, and Accumulated Depreciation and Amortization

NWLC held the following property and equipment as of June 30, 2018:

Furniture, software, and equipment	\$	558,225
Leasehold improvements		1,521,943
Intangible assets		<u>57,500</u>
Total property and equipment		2,137,668
Less: accumulated depreciation and amortization		<u>(1,310,240)</u>
Property and equipment, net	\$	<u>827,428</u>

Property and equipment purchased with NWLC's tenant improvement allowance described in Note 6 is recorded as a leasehold improvement for financial statement purposes. Depreciation and amortization expense of \$161,631 for the year ended June 30, 2018, was allocated to NWLC, the Action Fund, and the LLC based on the cost-sharing agreement described in Note 4.

6. Commitments and Contingencies

Concentration

The Organization's cash and cash equivalents are comprised of amounts in accounts at various financial institutions; most of these amounts are insured by the Federal Deposit Insurance Corporation (FDIC).

Operating Lease

Effective July 1, 2014, NWLC entered into a 104-month, non-cancellable operating lease for office space that terminates on February 28, 2023. The lease requires NWLC to pay annual rent escalations of 2.5% commencing on July 1, 2015, as well as to pay its proportionate share of any increase in operating expenses and real estate taxes, which commenced on January 1, 2016.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

6. Commitments and Contingencies (continued)

Operating Lease (continued)

The lease also provides rental abatements and a tenant improvement allowance for leasehold improvements, furniture and equipment. As of June 30, 2018, NWLC had utilized total rental abatements of \$943,080 and expended its full tenant improvement allowance of \$1,088,160.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between GAAP rent expense and the actual lease payments is reflected as deferred rent and incentive allowance in the accompanying statements of financial position.

Rent expense of \$1,046,651 for the year ended June 30, 2018, was allocated to NWLC, the Action Fund, and the LLC based on the cost-sharing agreement described in Note 4.

Future minimum lease rental payments under the lease agreement are as follows for the years ending June 30:

2019	\$	1,157,646
2020		1,186,587
2021		1,216,252
2022		1,246,658
2023		851,883
		<hr/>
Total	\$	<u>5,659,026</u>

An irrevocable letter of credit of \$23,129 was accepted as a security deposit by the landlord. The bank required NWLC to purchase a certificate of deposit for the same amount to collateralize the letter of credit. This amount is included in prepaid expenses and security deposits in the accompanying statements of financial position.

National Women’s Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

7. Net Assets

Unrestricted Net Assets Including Board-Designated Funds

The unrestricted net assets of NWLC consist of an operating fund and an NWLC Board-designated Long-Term Reserve Fund. The Long-Term Reserve Fund, which includes unencumbered endowment earnings, transfers from operations to the Long-Term Reserve Fund, and the Margaret Fund reserve account, is intended to provide emergency funds to cover at least six months of NWLC’s core annual expenses and to generate income for NWLC’s operations. NWLC’s investment policy was modified after June 30, 2018, to separate the Long-Term Reserve Fund into two separate funds—the Long-Term Reserve Fund and the Unencumbered Endowment Earnings Fund for internal management purposes. The policy modification also specified that NWLC should consider certain amounts of the operating fund when determining the adequacy of its emergency funds.

The Margaret Fund (approximately 19% of the Long-Term Reserve Fund at June 30, 2018) is intended to support NWLC’s work, including its work on Title IX, to educate a large number of attorneys, policy makers, administrators, and other interested persons to effect change and ensure equity for girls and women.

Unrestricted net assets of the Organization at June 30, 2018 were attributable to NWLC and the Action Fund, with the LLC having no unrestricted net assets. Such amounts are provided in the following table.

	<u>NWLC</u>	<u>Action Fund</u>	<u>Total</u>
Operating fund	\$ 3,010,259	\$ 120,493	\$ 3,130,752
Long-Term Reserve Fund	<u>10,912,884</u>	<u>-</u>	<u>10,912,884</u>
Total unrestricted net assets	<u>\$ 13,923,143</u>	<u>\$ 120,493</u>	<u>\$ 14,043,636</u>

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

7. Net Assets (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets for NWLC, the LLC, and the Action Fund are available for the following purposes and time periods as of June 30, 2018.

	<u>NWLC</u>	<u>LLC</u>	<u>Action Fund</u>	<u>Total</u>
Purpose restricted:				
Nokomis Endowment	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Reproductive Rights and Health	4,051,390	-	48,444	4,099,834
Child Care/Early Learning and Income Security	693,429	-	-	693,429
Workplace Justice & Education	1,703,942	-	-	1,703,942
TIMES UP Legal Defense Fund and Legal Network for Gender Equity	-	14,097,366	-	14,097,366
Women's Legal Rights	227,642	-	-	227,642
Named Funds:				-
Joan and James Bernstein Fund	33,333	-	-	33,333
Total purpose restricted	<u>7,709,736</u>	<u>14,097,366</u>	<u>48,444</u>	<u>21,855,546</u>
Time restricted:				
Unappropriated Ford Endowment earnings	4,717,352	-	-	4,717,352
Unappropriated Nokomis Endowment earnings	1,046,294	-	-	1,046,294
Restricted for fiscal year 2019 and beyond	555,079	-	-	555,079
Total time restricted	<u>6,318,725</u>	<u>-</u>	<u>-</u>	<u>6,318,725</u>
Total temporarily restricted net assets	<u>\$ 14,028,461</u>	<u>\$ 14,097,366</u>	<u>\$ 48,444</u>	<u>\$ 28,174,271</u>

National Women’s Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

7. Net Assets (continued)

Permanently Restricted Net Assets

The Organization’s permanently restricted net assets consist solely of NWLC’s permanently restricted endowment funds. At June 30, 2018, NWLC’s permanently restricted net assets consisted of portions of the Ford Endowment and the Nokomis Endowment, as follows.

Ford Endowment	\$ 14,182,895
Nokomis Endowment	<u>5,000,000</u>
Total permanently restricted net assets	<u>\$ 19,182,895</u>

8. NWLC Endowments

Description of NWLC Endowments and Associated Interpretation of Law

Ford Endowment

During the three years ending June 30, 2007, NWLC received three conditional grants from the Ford Foundation (“the Foundation”), totaling \$10,000,000, to start its Ford Endowment and pay the operating expenses of the endowment campaign. NWLC met the conditions of these grants, which included raising additional monies from outside contributors. NWLC classifies the original value of monies received from these Foundation grants and from other contributors to meet the Foundation’s grant conditions, net of allowable campaign expenses, as permanently restricted net assets (collectively, “Ford Endowment”).

At the time of the endowment grants from the Ford Foundation, the management and investment of endowment funds in the District of Columbia were governed by the Uniform Management of Institutional Funds Act (UMIFA), which generally provided that, in the absence of overriding donor stipulation, spending from an endowment fund was limited to the fund’s “historic dollar value,” defined as the value of contributions made to the fund, without increases or decreases because of investment results, inflation, or anything else. Under the terms of the Foundation’s grant agreements to NWLC, the Ford Endowment was required “to be maintained on a permanent basis.”

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

8. NWLC Endowments (continued)

Description of NWLC Endowments and Associated Interpretation of Law (continued)

Ford Endowment (continued)

In addition, under the agreements, 100% of the income and net appreciation may be spent each year but the principal is not to be spent except in an emergency and with the permission of NWLC's Board of Directors. NWLC's Board of Directors interpreted the terms of the Foundation's endowment grants as consistent with UMIFA by requiring the preservation of the historic dollar value of the Ford Endowment. In January 2008, the District of Columbia replaced UMIFA with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA prescribes new guidelines for expenditure of an endowment fund, subject to the intent of the donor specified in the gift instrument. NWLC's Board of Directors continues to regard the agreements issued in connection with the Foundation's grants as providing such a donor specification for the Ford Endowment.

Nokomis Endowment

In 2013, the Nokomis Foundation approved a legacy grant to NWLC in the amount of \$6,000,000 to be held as an endowment to provide unrestricted general support for NWLC. NWLC received the funds on May 30, 2014.

Under the terms of the grant, the Nokomis Endowment is governed by the laws of the District of Columbia, currently UPMIFA. UPMIFA provides that, subject to the intent of the donor specified in the gift instrument, an institution may appropriate for expenditure, or accumulate as much of an endowment fund that the institution determines is prudent for the use, benefits, purposes, and duration for which the endowment fund is established. For accounting purposes, NWLC's Board of Directors determined, using UPMIFA's prudence standards, to record \$5,000,000 of the Nokomis grant as permanently restricted net assets and the remaining \$1,000,000 and 100% of the income and net appreciation as temporarily restricted net assets.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

8. NWLC Endowments (continued)

Return Objectives, Risk Parameters, and Strategies, for NWLC Endowments

Return Objectives and Risk Parameters

NWLC has adopted investment and spending policies for both the Ford and Nokomis Endowments, respectively, which attempt to provide a predictable stream of funding to NWLC and to maintain the purchasing power of the funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as NWLC's financial stability, uncertainty of cash flows in and out of the endowment funds over the long term, and capital market volatility, NWLC's Board of Directors believes a moderate risk strategy is prudent. Under this policy, as approved by NWLC's Board of Directors, the long-term goal for the Ford and Nokomis Endowments is to equal or exceed an average total annual return of 4% plus inflation. The relative objective of the portfolio should show favorable, relative performance characteristics that should equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages. The comparative objective of the portfolio should equal or exceed the average return of a universe of similarly managed funds.

Strategies Employed for Achieving Objectives.

To satisfy its long-term rate-of-return objectives for the Endowments, NWLC 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). NWLC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policies for NWLC Endowments

The spending policies for NWLC's Endowments are designed to be consistent with the terms of the endowment grants and NWLC's strategies for achieving its endowment objectives. The spending policy approved by NWLC's Board of Directors for the Ford Endowment permits NWLC to spend up to 5% of the Endowment fund's three-year rolling average, so long as spending from the Ford Endowment does not reduce the fund below its historic dollar value, except spending may reduce the fund below its historic dollar value in emergency circumstances with the prior approval of NWLC's Board of Directors.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

8. NWLC Endowments (continued)

Spending Policies for NWLC Endowments (continued)

The spending policy approved by NWLC's Board of Directors for the Nokomis Endowment permits NWLC to spend up to 5% of the Endowment fund's three-year rolling average, so long as spending from the Nokomis Endowment is consistent with the prudence standards of UPMIFA as enacted by the District of Columbia. Accordingly, over the long term, NWLC expects its spending policies to allow both the Ford and the Nokomis Endowments to grow. The spending policies are consistent with NWLC's objectives to provide a predictable stream of funding to NWLC and to maintain the purchasing power of the Endowments, as well as to provide additional real growth through new gifts and investment return.

Fund Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the permanently restricted amounts of each of the funds, respectively. There were no deficiencies in either the Ford or the Nokomis Endowments at June 30, 2018.

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements June 30, 2018

8. NWLC Endowments (continued)

Composition of and Changes in NWLC Endowments

The following table shows the changes for the two Endowments that comprise NWLC's total endowment funds for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance				
Ford	\$ -	\$ 3,865,162	\$ 14,182,895	\$ 18,048,057
Nokomis	-	1,723,701	5,000,000	6,723,701
Total beginning balance	-	5,588,863	19,182,895	24,771,758
Investment income				
Investment income:				
Ford	-	243,128	-	243,128
Nokomis	-	92,134	-	92,134
Total investment income	-	335,262	-	335,262
Net appreciation:				
Ford	-	1,296,944	-	1,296,944
Nokomis	-	481,307	-	481,307
Total net appreciation	-	1,778,251	-	1,778,251
Total investment return	-	2,113,513	-	2,113,513
Appropriation of assets				
Ford	-	(687,882)	-	(687,882)
Nokomis	-	(250,850)	-	(250,850)
Total appropriation of assets	-	(938,732)	-	(938,732)
Contributions				
Ford	-	-	-	-
Nokomis	-	-	-	-
Total contributions	-	-	-	-
Ending balance				
Ford	-	4,717,352	14,182,895	18,900,247
Nokomis	-	2,046,292	5,000,000	7,046,292
Total ending balance	\$ -	\$ 6,763,644	\$ 19,182,895	\$ 25,946,539

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements

June 30, 2018

9. Pension Benefits

Tax Deferred Annuity

NWLC participates in a contributory tax-deferred annuity plan under IRC Section 403(b) covering substantially all employees. Voluntary employee contributions are made on a monthly basis subject to legal limits. NWLC contributes to the plan according to a graduated percentage based on each employee's years of service. NWLC contributes 3% of eligible compensation after an employee completes three months of service through three years of service, with such percentage increasing by 1% per year of service up to 6% after five or more years of service. The total annuity contribution expense of \$305,190 for the year ended June 30, 2018, was allocated to NWLC, the Action Fund, and the LLC based on the cost-sharing agreement described in Note 4.

Deferred Compensation

NWLC's Compensation Committee established a tax-qualified deferred compensation plan ("the Tax-Qualified Plan") on behalf of certain key executives of NWLC in 2002. Organized under IRC Section 457(b), the Tax-Qualified Plan is unfunded and any distributions under the Tax-Qualified Plan are to be made out of the general assets of NWLC. Participants in the Tax-Qualified Plan are immediately 100% vested in the employer contributions made. Total contribution expense of \$1,556 for the year ended June 30, 2018, was allocated to NWLC, the Action Fund, and the LLC based on the cost-sharing agreement described in Note 4.

NWLC's Compensation Committee established a non-tax qualified deferred compensation plan ("the Non-Tax-Qualified Plan") on behalf of certain key executives of NWLC in 2014. This plan, organized under IRC Section 457(f), was terminated in 2018 after certain requirements were met by both NWLC and the participants. No expenses were incurred for this plan in the year ended June 30, 2018.

10. Joint Costs

Joint costs that encompassed both program and fundraising activities, all of which were NWLC costs, totaled \$430,323 for the year ended June 30, 2018; \$321,587 was allocated to Program Services and \$108,735 was allocated to Development (fundraising).

National Women's Law Center and Affiliates

Notes to Consolidated Financial Statements
June 30, 2018

11. Prior Year Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class, for the consolidated statement of activities. The summary information for the year ended June 30, 2017, was obtained from the Organization's consolidated audited financial statements for the year ended June 30, 2017. Because the prior year statement of activities is provided as summary information, it does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017.

12. Income Taxes

NWLC and the LLC are exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3) and file a consolidated tax return. As of June 30, 2018, no provision for income taxes was made, as NWLC believes that the income tax, if any, on any net unrelated business income from NWLC's private capital investments will be immaterial. Contributions to NWLC and the LLC are tax-deductible by donors, as provided in IRC Section 170(b)(1)(A)(vi).

The Action Fund is exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(4). At June 30, 2018, no provision for income taxes was made, as the Action Fund had no unrelated business income. Contributions to the Action Fund are not tax-deductible by donors.

13. Uncertain Tax Positions

Pursuant to FASB ASC 740-10, the Organization reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. At June 30, 2018, management did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. Tax years reasonably considered open and subject to examination for the Organization are the years ended June 30, 2015, through June 30, 2017.

SUPPLEMENTARY INFORMATION

The following pages present the unconsolidated Statements of Activities for the National Women's Law Center and the National Women's Law Center Action Fund, respectively. This supplementary information provides additional information about the respective entities and is not a required part of the consolidated financial statements. This supplementary information is intended to be stand-alone statements, and therefore, does not include any consolidation entries.

National Women's Law Center

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Reserves	Total			
Revenue and Support						
Grants	\$ 222,500	\$ -	\$ 222,500	\$ 7,502,875	\$ -	\$ 7,725,375
Net investment income	-	927,773	927,773	2,113,513	-	3,041,286
Income from cash equivalents	73,971	-	73,971	-	-	73,971
Contributions	3,192,794	-	3,192,794	5,233,088	-	8,425,882
Less: Contributions restricted for and transferred to affiliates	-	-	-	(5,201,458)	-	(5,201,458)
Donated goods and services	2,930,950	-	2,930,950	-	-	2,930,950
Rental income	138,516	-	138,516	-	-	138,516
Other	116,019	-	116,019	-	-	116,019
Net assets released from restrictions and transfers:						
Appropriation of endowment income	938,732	-	938,732	(938,732)	-	-
Transfer from Reserves	415,306	(415,306)	-	-	-	-
Satisfaction of time and program restrictions	7,442,809	-	7,442,809	(7,442,809)	-	-
Total revenue and support	15,471,597	512,467	15,984,064	1,266,477	-	17,250,541
Expenses						
Program services:						
Child Care/Early Learning and Income Security	1,862,193	-	1,862,193	-	-	1,862,193
Reproductive Rights and Health	3,598,582	-	3,598,582	-	-	3,598,582
Women's Legal Rights	2,640,279	-	2,640,279	-	-	2,640,279
Workplace Justice and Education	4,150,954	-	4,150,954	-	-	4,150,954
Total program services	12,252,008	-	12,252,008	-	-	12,252,008
Supporting services:						
Administration	1,207,061	-	1,207,061	-	-	1,207,061
Development	862,599	-	862,599	-	-	862,599
Total supporting services	2,069,660	-	2,069,660	-	-	2,069,660
Total expenses	14,321,668	-	14,321,668	-	-	14,321,668
Change in Net Assets	1,149,929	512,467	1,662,396	1,266,477	-	2,928,873
Net Assets, beginning of year	1,860,330	10,400,417	12,260,747	12,761,984	19,182,895	44,205,626
Net Assets, end of year	\$ 3,010,259	\$ 10,912,884	\$ 13,923,143	\$ 14,028,461	\$ 19,182,895	\$ 47,134,499

National Women's Law Center Fund LLC

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ -	\$ 10,763,287	\$ -	\$ 10,763,287
Donated goods and services	-	1,705,647	-	1,705,647
Contributions from affiliates	-	5,201,458	-	5,201,458
Net assets released from restrictions:				
Satisfaction of time and program restrictions	3,573,026	(3,573,026)	-	-
Total revenue and support	<u>3,573,026</u>	<u>14,097,366</u>	<u>-</u>	<u>17,670,392</u>
Expenses				
Program services:				
TIMES UP Legal Defense Fund and Network for Gender Equity	3,380,182	-	-	3,380,182
Total program services	<u>3,380,182</u>	<u>-</u>	<u>-</u>	<u>3,380,182</u>
Supporting services:				
Administration	192,844	-	-	192,844
Development	-	-	-	-
Total supporting services	<u>192,844</u>	<u>-</u>	<u>-</u>	<u>192,844</u>
Total expenses	<u>3,573,026</u>	<u>-</u>	<u>-</u>	<u>3,573,026</u>
Change in Net Assets	-	14,097,366	-	14,097,366
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ 14,097,366</u>	<u>\$ -</u>	<u>\$ 14,097,366</u>

National Women's Law Center Action Fund

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Income from cash equivalents	\$ 87	\$ -	\$ -	\$ 87
Contributions	20,000	-	-	20,000
Contributions from affiliates	25,000	-	-	25,000
Net assets released from restrictions:				
Satisfaction of time and program restrictions	37,299	(37,299)	-	-
Total revenue and support	<u>82,386</u>	<u>(37,299)</u>	<u>-</u>	<u>45,087</u>
Expenses				
Program services:				
Reproductive Rights and Health	29,113	-	-	29,113
Total program services	<u>29,113</u>	<u>-</u>	<u>-</u>	<u>29,113</u>
Supporting services:				
Administration	8,186	-	-	8,186
Development	-	-	-	-
Total supporting services	<u>8,186</u>	<u>-</u>	<u>-</u>	<u>8,186</u>
Total expenses	<u>37,299</u>	<u>-</u>	<u>-</u>	<u>37,299</u>
Change in Net Assets	45,087	(37,299)	-	7,788
Net Assets, beginning of year	<u>75,406</u>	<u>85,743</u>	<u>-</u>	<u>161,149</u>
Net Assets, end of year	<u>\$ 120,493</u>	<u>\$ 48,444</u>	<u>\$ -</u>	<u>\$ 168,937</u>