

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

**Consolidated Financial Statements and  
Supplementary Information  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)  
With Report of Independent Auditors**

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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**TABLE OF CONTENTS**

	<b><u>Page(s)</u></b>
<b>REPORT OF INDEPENDENT AUDITORS</b>	1–2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6–27
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Financial Position	28
Consolidating Statement of Activities	29
Consolidated Schedule of Functional Expenses	30

## **REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying consolidated financial statements of the NAACP Legal Defense and Educational Fund, Inc. and Affiliate (the Fund), which comprise the consolidated statement of financial position as of June 30, 2013, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits in accordance with auditing standards generally accepted in the United States. 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the NAACP Legal Defense and Educational Fund, Inc. and Affiliate as of June 30, 2013, and the changes in its consolidated net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

## **Report on Summarized Comparative Information**

We have previously audited the Fund's consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and the consolidated statement of functional expenses 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mitchell & Titus, LLP*

October 31, 2013

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidated Statement of Financial Position

As of June 30, 2013

(With Comparative Figures for 2012)

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,178,773	\$ 6,500,317
Accounts receivable	84,389	86,678
Contributions receivable	1,482,082	3,045,129
Amounts held in escrow	3,423	3,423
Investments	24,285,250	21,813,148
Other assets	277,065	283,403
Property and equipment, net	16,868,233	2,576,975
Assets held in trust by others	1,510,166	1,422,782
<b>Total assets</b>	<b>\$ 51,689,381</b>	<b>\$ 35,731,855</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 3,064,966	\$ 1,347,662
Mortgage payable	3,939,851	-
Accrued pension liability	1,632,333	2,483,045
Court awards and fees pending distribution	3,423	3,423
Total liabilities	8,640,573	3,834,130
 <i>Net assets</i>		
<i>Unrestricted</i>		
Available for operations	2,736,707	33,548
Invested in property and equipment	12,928,382	2,576,975
Total unrestricted	15,665,089	2,610,523
Temporarily restricted	9,039,909	11,021,160
Permanently restricted	18,343,810	18,266,042
Total net assets	43,048,808	31,897,725
<b>Total liabilities and net assets</b>	<b>\$ 51,689,381</b>	<b>\$ 35,731,855</b>

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidated Statement of Activities  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013			2012 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 3,440,843	\$ 2,314,162	\$ -	\$ 5,755,005	\$ 12,026,706
Combined Federal campaign	196,194	1,646	-	197,840	275,014
Bequests	200,267	2,619	-	202,886	271,194
Special events, net of direct donor benefits of \$274,042 and \$268,156, respectively	1,583,446	5,000	-	1,588,446	2,115,537
Court costs and attorney fees awarded	55,021	-	-	55,021	1,522,459
Investment income, net of fees of \$59,985 and \$54,531, respectively	-	498,239	-	498,239	592,925
Gain on sale of condominium office	15,835,860	-	-	15,835,860	-
Net (depreciation) appreciation in fair value of investments	(1,621)	1,272,596	87,384	1,358,359	(580,265)
Net assets released from restrictions	6,085,129	(6,075,513)	(9,616)	-	-
Total revenue, gains, and other support	<u>27,395,139</u>	<u>(1,981,251)</u>	<u>77,768</u>	<u>25,491,656</u>	<u>16,223,570</u>
<b>EXPENSES</b>					
<i>Program services</i>					
Legal	9,581,852	-	-	9,581,852	9,398,400
Public information	1,820,484	-	-	1,820,484	1,939,910
Herbert Lehman education	462,720	-	-	462,720	520,112.00
Earl Warren legal training	82,044	-	-	82,044	73,896
Total program services	<u>11,947,100</u>	<u>-</u>	<u>-</u>	<u>11,947,100</u>	<u>11,932,318</u>
<i>Supporting services</i>					
Fundraising	1,896,080	-	-	1,896,080	2,179,983
Management and general	1,609,341	-	-	1,609,341	1,448,800
Total supporting services	<u>3,505,421</u>	<u>-</u>	<u>-</u>	<u>3,505,421</u>	<u>3,628,783</u>
Total expenses	<u>15,452,521</u>	<u>-</u>	<u>-</u>	<u>15,452,521</u>	<u>15,561,101</u>
Change in net assets before other credits (charges)	11,942,618	(1,981,251)	77,768	10,039,135	662,469
<b>OTHER CREDIT (CHARGE)</b>					
Credit (charge) for pension benefit other than net periodic pension cost	1,111,948	-	-	1,111,948	(1,199,075)
Changes in net assets	13,054,566	(1,981,251)	77,768	11,151,083	(536,606)
Net assets, beginning of year	2,610,523	11,021,160	18,266,042	31,897,725	32,434,331
<b>Net assets, end of year</b>	<u>\$ 15,665,089</u>	<u>\$ 9,039,909</u>	<u>\$ 18,343,810</u>	<u>\$ 43,048,808</u>	<u>\$ 31,897,725</u>

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2013

(With Comparative Figures for 2012)

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$11,151,083	\$ (536,606)
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	577,719	352,151
Donated securities	(164,955)	(38,040)
Donated property and equipment	-	(83,000)
Sale of property and equipment	2,148,240	-
Net (appreciation) depreciation in fair value of investments	(1,358,359)	580,265
Decrease (increase) in accounts receivable	2,289	(12,740)
Decrease in contributions receivable	1,563,047	1,487,863
Decrease in other assets	6,338	17,424
(Decrease) increase in accrued pension liability	(850,712)	1,434,116
Decrease in amounts held in escrow	-	2
Increase in accounts payable and accrued expenses	1,717,304	72,833
Decrease in court awards and fees pending distribution	-	(2)
Increase in mortgage liability	3,939,851	-
Net cash provided by operating activities	18,731,845	3,274,266
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	4,774,492	3,360,971
Purchases of investments	(5,810,664)	(2,808,387)
Purchases of property and equipment	(17,017,217)	(194,551)
Net cash (used in) provided by investing activities	(18,053,389)	358,033
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Net increase in cash and cash equivalents	678,456	3,632,299
Cash and cash equivalents, beginning of year	6,500,317	2,868,018
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,178,773</b>	<b>\$ 6,500,317</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
In-kind contributions of goods and services	\$ 164,955	\$ 121,040

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 1 ORGANIZATION**

Organization

The accompanying consolidated financial statements include the financial position and changes in net assets and cash flows of NAACP Legal Defense and Educational Fund, Inc. (LDF) and Earl Warren Legal Training Program, Inc. (EWLTP), which are collectively referred to as “the Fund.” The individual organizations have interrelated boards of directors and share common facilities and personnel. All material intercompany transactions and balances were eliminated on consolidation. The Internal Revenue Service has classified both as tax-exempt organizations, as defined in Section 501(c)(3) of the Internal Revenue Code (IRC).

LDF’s primary purpose is supporting litigation in the areas of poverty and justice, education, voting rights, fair employment, capital punishment, administration of criminal justice, and to increase educational opportunities through scholarships. Primary revenue sources include fund-raising from the general public, corporations, and foundations; reimbursement of court costs and fees; and investment income. LDF maintains offices in New York and Washington, D.C. EWLTP provides scholarship aid to minority law students. Its goal is to increase African-American representation in the legal profession and to meet the dire need of minority clients for skilled and knowledgeable attorneys.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

Reclassifications

Certain accounts in the 2012 financial statements were reclassified to conform to the 2013 presentation.

Net Asset Classification

The Fund's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Fund's net assets and the changes therein are classified and reported as follows:

*Unrestricted net assets:* Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets:* Net assets subject to donor-imposed stipulations that may be met by actions of the Fund and/or the passage of time.

*Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions and Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenue in the period received at fair value. The fair value of long-term contributions receivables is measured based on the present value of future cash flows, with consideration of expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

Contributions and Revenue Recognition *(continued)*

Contribution revenue is reported as increases in unrestricted net assets unless its use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose was fulfilled and/or the stipulated time period elapsed) are reported as net assets released from restrictions. Donor-restricted contributions received during the year whose restrictions have been met within the year are recorded as unrestricted contributions.

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

Allowance for Doubtful Accounts

The Fund provides an allowance for doubtful accounts for losses that may result from the inability of the debtor or donor to make payment on amounts owed or pledged to the Fund. Such allowance is based on several factors, including, but not limited to, the age of the receivables and the Fund's historical collection experience. Receivables that are determined to be uncollectible are charged against the allowance. As of June 30, 2013 and 2012, no allowance for doubtful accounts was deemed required.

In-kind Contributions

In-kind contributions are recorded at their estimated fair values at the date of donation.

Investments

The Fund's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 6 for further discussion and disclosures related to fair value measurements.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2013  
(With Comparative Information for 2012)

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

Investments *(continued)*

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

- Level 1:* Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the plan has the ability to access at the measurement date.
  
- Level 2:* Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
  
- Level 3:* Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The methods described above may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Fund's gains and losses on investments bought, sold, and held during the year.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

New Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurement*, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for non-public entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not affect the Fund's consolidated financial position or changes in net assets.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at date of gift, if donated. Property and equipment additions of \$1,000 or more are capitalized. Depreciation of the condominium interest, furniture, equipment, and website is provided on a straight line basis over their estimated useful lives of 40 years for the condominium interest and three to 15 years for the furniture, equipment, and website. Depreciation is recorded on a half-year convention in both the year of asset acquisition and disposal. Leasehold improvements are amortized on a straight line basis over the lesser of their estimated useful lives or the term of the lease, including extensions expected to be exercised.

The Fund evaluates long-lived assets, which are held for use, for impairment whenever events or circumstances indicate that impairment may exist. An impairment loss is recorded if the net carrying value of the asset exceeds the undiscounted future net operating cash flows attributable to the asset. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. Management determined that no long-lived assets were impaired at June 30, 2013.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

Assets Held in Trust by Others

Perpetual trusts held by outside trustees, through whom the Fund has an irrevocable right to receive the income earned on trust assets, are recognized in the accompanying consolidated statement of financial position as assets held in trust by others at the fair value of the Fund's share of the trust assets. Distributions from the trust are recorded as investment income and changes to the perpetual trusts' values are reported in the permanently restricted net asset class.

Split-Interest Agreement

The Fund's interest in charitable remainder annuity trusts held by outside trustees is recognized in the accompanying consolidated statement of financial position as assets held in trust by others at the estimated present value of amounts to be received upon termination of the trusts of \$59,369 in 2013 and \$59,404 in 2012. Annual adjustments to present value amounts are recognized as gains or losses in the permanently restricted net asset class.

Court Costs and Attorney Fees Awarded

In connection with certain cases decided or settled in LDF's favor, attorney fees may be awarded. Revenues are recognized when notification is received from the courts.

Defined Benefit Pension Plan

LDF's defined benefit pension plan is presented on a funded-status basis, recognizing in the consolidated statement of activities the net gain or loss and net prior service cost or credit for the year, in addition to the net transition asset or obligation recognized as a component of net periodic benefit cost for the period. Any amounts not yet recognized as components of net periodic benefit cost are presented in the consolidated statement of financial position. As discussed in Note 10, the pension plan was frozen, effective July 1, 2009.

Defined Contribution Plan

LDF has a voluntary defined contribution plan where employees of the Fund make tax-deferred contributions through payroll deductions. Currently, LDF does not match or make any contributions to this plan.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

Income Tax

LDF and EWLTP both qualify as charitable organizations as defined by IRC Section 501(c)(3) and, accordingly, are exempt from Federal income tax under IRC Section 501(a). Additionally, since both are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the IRC. LDF and EWLTP are also exempt from state and local income taxes.

Management has analyzed the tax positions taken by these entities and has concluded that as of June 30, 2013, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

LDF and EWLTP are subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that both entities are no longer subject to income tax examinations for years ended on or prior to June 30, 2009 under Federal and New York tax jurisdictions.

**NOTE 3**      **CASH AND CASH EQUIVALENTS**

The Fund maintains its cash and cash equivalents in a number of bank accounts held by certain financial institutions. The cash in these accounts occasionally exceeds the amount insured by the Federal Deposit Insurance Corporation, subjecting the Fund to concentration of risk. However, the Fund regularly monitors this risk.

At June 30, 2013 and 2012, approximately 97.4% and 97.5% of the Fund's cash and cash equivalents were held by two financial institutions, respectively.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 4      CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2013 and 2012 were due as follows:

	<b>2013</b>	<b>2012</b>
Less than one year	\$ 1,194,071	\$ 2,877,503
One to five years	277,460	157,075
More than five years	<u>10,551</u>	<u>10,551</u>
	<u>\$ 1,482,082</u>	<u>\$ 3,045,129</u>

Those receivables that are due in more than one year have been discounted to their present value using discount rates ranging from 4% to 12% per year. The related discounts amounted to approximately \$31,000 at June 30, 2013 and 2012, respectively.

**NOTE 5      INVESTMENTS**

Investments as of June 30, 2013 and 2012 were as follows:

	<b>2013</b>		<b>2012</b>	
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
Cash and cash equivalents	\$ 647,646	\$ 647,646	\$ 524,052	\$ 524,052
U.S. government and agency obligations	2,589,748	2,625,301	2,815,728	2,739,084
Common stocks	36,969	38,621	4,889	5,186
Corporate bonds	1,285,858	1,300,380	599,592	587,216
Exchange-traded funds	18,975,372	17,807,878	17,193,130	17,630,706
Mutual funds	<u>749,657</u>	<u>716,029</u>	<u>675,757</u>	<u>686,252</u>
	<u>\$24,285,250</u>	<u>\$23,135,855</u>	<u>\$21,813,148</u>	<u>\$22,172,496</u>

The following schedule summarizes the net appreciation (depreciation) in fair value of investments in the statement of activities:

	<b>2013</b>	<b>2012</b>
Realized gains	\$ 87,762	\$ 98,213
Unrealized gains (losses)	<u>1,270,597</u>	<u>(678,478)</u>
<b>Net appreciation (depreciation) in fair value of investments</b>	<u>\$ 1,358,359</u>	<u>\$ (580,265)</u>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 6 FAIR VALUE MEASUREMENTS**

At June 30, 2013, substantially all of the Fund's investments were held by two financial institutions.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As of June 30, 2013</b>				
Cash equivalents	\$ 6,751,760	\$ -	\$ -	\$ 6,751,760
<i>Investments</i>				
Cash and cash equivalents	647,646	-	-	647,646
U.S. government and agency obligations	2,589,748	-	-	2,589,748
Common stocks	36,969	-	-	36,969
Corporate bonds	1,285,858	-	-	1,285,858
Mutual funds	749,657	-	-	749,657
<i>Exchange-traded funds</i>				
Equities	12,109,475	-	-	12,109,475
Fixed income	4,117,297	-	-	4,117,297
Real estate	1,176,698	-	-	1,176,698
Hedge funds	1,176,738	-	-	1,176,738
Commodities	395,164	-	-	395,164
Subtotal	<u>24,285,250</u>	<u>-</u>	<u>-</u>	<u>24,285,250</u>
<i>Assets held in trust by others</i>				
Cash equivalents	3,366	2,126	-	-
U.S. government and agency Obligations	50,515	-	-	-
Common stocks	575,688	-	-	-
Corporate bonds	50,070	-	-	-
Mutual funds—equities	-	45,763	-	-
Mutual funds—fixed income	149,404	11,480	-	-
Mutual funds—commodities	15,078	-	-	-
<i>Common/collective trust funds</i>				
Equities <sup>(a)</sup>	-	375,632	-	-
Fixed income <sup>(a)</sup>	-	158,325	-	-
Real estate investment trusts	72,719	-	-	-
Subtotal	<u>916,840</u>	<u>593,326</u>	<u>-</u>	<u>1,510,166</u>
<b>Total</b>	<u>\$ 31,953,850</u>	<u>\$ 593,326</u>	<u>\$ -</u>	<u>\$ 32,547,176</u>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2013  
(With Comparative Information for 2012)

**NOTE 6 FAIR VALUE MEASUREMENTS** *(continued)*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As of June 30, 2012</b>				
Cash equivalents	\$ 5,844,980	\$ -	\$ -	\$ 5,844,980
<i>Investments</i>				
Cash and cash equivalents	524,052	-	-	524,052
U.S. government and agency obligations	2,815,728	-	-	2,815,728
Common stocks	4,889	-	-	4,889
Corporate bonds	599,592	-	-	599,592
Mutual funds	675,757	-	-	675,757
<i>Exchange-traded funds</i>				
Equities	10,325,012	-	-	10,325,012
Fixed income	4,478,142	-	-	4,478,142
Real estate	739,142	-	-	739,142
Hedge funds	1,085,868	-	-	1,085,868
Commodities	564,966	-	-	564,966
Sub total	<u>21,813,148</u>	<u>-</u>	<u>-</u>	<u>21,813,148</u>
<i>Assets held in trust by others</i>				
Cash equivalents	(25,369)	1,176	-	(24,193)
U.S. government and agency obligations	52,124	-	-	-
Common stocks	513,562	-	-	555,576
Corporate bonds	101,894	-	-	-
Mutual funds—equities		42,014	-	
Mutual funds—fixed income	150,140	16,214	-	320,372
<i>Common/collective trust funds</i>				
Equities <sup>(a)</sup>	-	339,061	-	339,061
Fixed income <sup>(a)</sup>	-	160,901	-	160,901
Real estate investment trusts	71,065	-	-	71,065
Subtotal	<u>863,416</u>	<u>559,366</u>	<u>-</u>	<u>1,422,782</u>
<b>Total</b>	<u>\$ 28,521,544</u>	<u>\$ 559,366</u>	<u>\$ -</u>	<u>\$ 29,080,910</u>

(a)The Plan invests in equity and fixed income common/collective trust funds. The investment objective of these Funds is to provide total return through investments in a diversified portfolio of equity and investment grade fixed income securities. The net asset values (NAVs) of the Funds are determined four times each month (“valuation date”). Issuances and redemptions of the Funds’ units are made on valuation dates based upon the NAV per unit. The fair value of this investment has been estimated using the NAV per share of the fund as June 30, 2013 and 2012.

The assets held in trust by others comprise the perpetual trusts within the Fund’s permanently restricted net assets and are measured using Level 1 fair value inputs. Such assets presented under the Level 1 category are those held by the trustee for the sole benefit of the Fund. The assets presented under the Level 2 category represent the Fund’s portion in another trust shared with other beneficiaries.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 7      PROPERTY AND EQUIPMENT**

The composition of property and equipment at June 30, 2013 and 2012 was as follows:

	<b>2013</b>	<b>2012</b>
Condominium interest	\$ 15,576,560	\$ 4,094,689
Furniture and equipment	<u>2,175,770</u>	<u>1,309,863</u>
	17,752,330	5,404,552
<i>Less: Accumulated depreciation and amortization</i>	<u>(884,097)</u>	<u>(2,827,577)</u>
	<u><u>\$ 16,868,233</u></u>	<u><u>\$ 2,576,975</u></u>

Depreciation and amortization expenses were \$577,719 and \$352,151 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 8      TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED  
NET ASSETS**

Temporarily restricted net assets were available for the following purposes or period at June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Unappropriated income of endowment assets	\$ 2,812,164	\$ 1,276,657
<i>Restricted as to the passage of time or purpose</i>		
Restricted for periods after June 30, 2013	2,523,726	4,892,858
Herbert Lehman education	1,386,432	1,483,955
Earl Warren legal training	204,813	230,565
Legal program	<u>2,112,774</u>	<u>3,137,125</u>
	<u><u>\$ 9,039,909</u></u>	<u><u>\$ 11,021,160</u></u>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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

Net assets were released from donor restrictions in 2013 and 2012 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<b>2013</b>	<b>2012</b>
Released from temporarily restricted net assets		
appropriation of income of endowment assets	\$ 26,000	\$ 2,764,092
<i>Purpose restriction met</i>		
Legal program	2,544,734	1,981,871
Herbert Lehman education (including fundraising expenses of \$33,890 and \$40,578, respectively)	496,609	560,687
Earl Warren legal training (including fundraising expenses of \$110 and \$0, respectively)	82,154	73,896
Passage of time	2,926,016	551,513
	6,075,513	5,932,059
Released from permanent restrictions	9,616	108,916
	\$ 6,085,129	\$ 6,040,975

Permanently restricted net assets (including perpetual trusts held by outside trustees) totaled \$18,343,810 and \$18,266,042 at June 30, 2013 and 2012, respectively. These are categorized as follows based on the purposes for which the related investment income may be used pursuant to the respective donors' stipulations:

	<b>2013</b>	<b>2012</b>
Unrestricted	\$ 14,307,059	\$ 14,316,675
Legal program	2,124,160	2,124,160
Scholarships	402,425	402,425
<i>Perpetual trusts</i>		
Scholarships	1,450,797	1,363,379
Unrestricted	59,369	59,403
	\$ 18,343,810	\$ 18,266,042

**NOTE 9      COMMITMENTS AND CONTINGENCIES**

Lease Agreement

LDF leases office space in Washington, D.C. under a non-cancelable operating lease that expired in July 2013 but was extended for 10 years through July 2021.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2013  
(With Comparative Information for 2012)

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**NOTE 9**      **COMMITMENTS AND CONTINGENCIES** *(continued)*

Lease Agreement *(continued)*

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

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 260,967
2015	267,491
2016	274,178
2017	287,900
2018	295,722
Thereafter	958,859
	<u>\$ 2,345,117</u>

Total rent expenses, including escalations, for the years ended June 30, 2013 and 2012, were \$873,149 and \$165,932, respectively.

Line of Credit Agreement

LDF maintains an annually renewable line of credit agreement with a financial institution in the amount of \$2 million. Advances drawn from the line of credit bear interest, generally at the rate of 3% above the prime rate. As of June 30, 2013 and 2012, there was no outstanding balance. No fees are payable under the agreement.

**NOTE 10**      **PENSION PLAN**

LDF sponsors a non-contributory, defined benefit pension plan (the Plan) for all full-time employees. On April 16, 2009, LDF's Board of Directors approved the Plan as being frozen as of July 1, 2009.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 10 PENSION PLAN** *(continued)*

The following tables provide information about the Plan as of and for the years ended June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
<b>Reconciliation of benefit obligation</b>		
Obligation, beginning of year	\$ 8,505,163	\$ 7,096,640
Service cost	107,231	107,888
Interest cost	344,452	373,707
Actuarial loss (gain)	(689,041)	1,227,505
Benefit payments	<u>(284,525)</u>	<u>(300,577)</u>
Obligation, end of year	<u>\$ 7,983,280</u>	<u>\$ 8,505,163</u>

	<b>2013</b>	<b>2012</b>
<b>Reconciliation of fair value of Plan assets</b>		
Fair value of Plan assets, beginning of year	\$ 6,022,118	\$ 6,047,711
Actual return on Plan assets	472,838	169,984
Employer contributions	140,516	105,000
Benefit payments	<u>(284,525)</u>	<u>(300,577)</u>
Fair value of Plan assets, end of year	<u>\$ 6,350,947</u>	<u>\$ 6,022,118</u>

<b>Funded status</b>		
Funded status, end of year	<u>\$(1,632,333)</u>	<u>\$(2,483,045)</u>

At June 30, 2013 and 2012, the funded status of the Plan is reported in the consolidated statement of financial position as follows:

	<b>2013</b>	<b>2012</b>
Accrued pension liability	<u>\$ 1,632,333</u>	<u>\$ 2,483,045</u>

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

	<b>2013</b>	<b>2012</b>
Discount rate	4.75%	4.25%
Rate of compensation increase	Not applicable	Not applicable

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 10 PENSION PLAN** *(continued)*

Amounts recognized in net unrestricted assets consisted of the following:

	<b>2013</b>	<b>2012</b>
Net loss	<u>\$ 3,712,865</u>	<u>\$ 4,824,813</u>

Other charge (credit) in Plan assets and benefit obligations recognized in unrestricted net assets in 2013 and 2012 consisted of the following:

	<b>2013</b>	<b>2012</b>
Net (gain) loss	\$ (811,027)	\$ 1,410,287
Amortization of net loss	<u>(300,921)</u>	<u>(211,212)</u>
<b>Total (credit) charge</b>	<u>\$ (1,111,948)</u>	<u>\$ 1,199,075</u>

The estimated net gain (loss), transition asset (obligation), and prior service credit (cost) for the Plan that will be amortized from accumulated change in unrestricted net assets into net periodic pension cost over the next fiscal year amount to \$292,022, \$0 and \$0, respectively.

Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the Plan for 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Service cost	\$ 107,231	\$ 107,888
Interest cost	344,452	373,707
Expected return on plan assets	(350,852)	(352,766)
Amortization of net loss	<u>300,921</u>	<u>211,212</u>
<b>Net periodic benefit cost</b>	<u>\$ 401,752</u>	<u>\$ 340,041</u>

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 10**     **PENSION PLAN** *(continued)*

Net Periodic Benefit Cost *(continued)*

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

	<u>2013</u>	<u>2012</u>
<b>Weighted-average assumptions, as of June 30</b>		
Discount rate	4.75%	4.25%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	Not applicable	Not applicable

Plan Assets

The Plan determines its assumptions for the expected rate of return on Plan assets for its retirement plans based on ranges of anticipated rates of return for each asset class. The Plan considers the expected rate of return to be a longer-term assessment of return expectations and does not anticipate changing this assumption annually, unless there are significant changes in economic conditions.

Previous market performance covering a wide range of economic conditions is evaluated to determine whether there are sound reasons for projecting forward any past trends.

LDF's Investment Committee monitors the asset allocation of the Plan's assets. Assets are rebalanced, as LDF deems appropriate. The Plan's investment strategy, with respect to its pension assets, is to maintain the principal of the assets. To develop the expected long-term rate of return on assets assumption, the Fund considered the historical returns and the expectations for future returns. The Plan's investment strategies are to invest prudently for the sole purpose of providing benefits to participants. The investment strategies are targeted to produce a total return that, when combined with LDF's contributions to the Plan, will maintain the Plan's ability to meet all required benefit obligations. Risk is controlled through investment in conservative fixed-income securities and cash. The guidelines allow the managers to maintain up to \$1.2 million in cash and cash equivalents.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 10**     **PENSION PLAN** *(continued)*

Plan Assets *(continued)*

The target allocation of Plan assets and actual allocation at the end of 2013 and 2012, by asset category based on asset fair values, are as follows:

<b>Asset Category</b>	<b>2013 Target Allocation</b>	<b>2013 Actual Allocation</b>	<b>2012 Actual Allocation</b>
Cash and cash equivalents	2.0%	3.5%	1.4%
Equities	45.0%	46.7%	43.0%
Fixed income/debt securities	38.0%	37.0%	42.2%
<i>Exchange-traded funds</i>			
Real estate	3.0%	4.9%	5.0%
Hedge funds	9.0%	5.0%	4.4%
Commodities	3.0%	2.9%	4.0%
	100.0%	100.0%	100.0%

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

	<b>2013</b>	<b>2012</b>
<b>Investments</b>		
Cash equivalents	\$ 217,518	\$ 82,422
U.S. government and agency obligations	785,760	811,385
Corporate bonds	643,139	636,949
<i>Exchange-traded funds</i>		
Equities	2,917,126	2,540,556
Fixed income	886,272	1,044,242
Real estate	304,582	293,142
Hedge funds	313,722	262,295
Commodities	179,718	235,453
Total investments	6,247,837	5,906,444
Accrued interest on investments	11,641	12,639
Notes receivable from loan participants	91,469	103,035
<b>Total Plan assets</b>	<b>\$ 6,350,947</b>	<b>\$ 6,022,118</b>

The Plan's investments as of June 30, 2013 and 2012 are carried at fair value based on quoted market price in active markets and are all classified as Level 1 in accordance with the fair value hierarchy described in Note 2.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 10**     **PENSION PLAN** *(continued)*

Plan Assets *(continued)*

Notes receivables from participants represent participant loans that are carried at their principal balance plus any accrued but unpaid interest, which are considered to approximate fair value. Participant loans have a maximum term of five years from inception and bear annual interest computed at 2% over the prime rate during the calendar quarter immediately preceding the date of the loan application.

Contributions

The minimum required contributions for the Plan years beginning July 1, 2012 and July 1, 2011 are \$156,128 and \$319,789, respectively. Cash contributions of \$140,516 were made during 2013 and an additional contribution of \$22,581 will be made by March 15, 2014 to meet the minimum required contribution for the plan year beginning July 1, 2012. The July 1, 2011 minimum required contribution was satisfied through cash contributions of \$105,000 during 2012 and the application of \$217,050 of the Plan's carryover and prefunding balances.

Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the fiscal year ending June 30:

<u>Year</u>	<u>Amount</u>
2014	\$ 351,743
2015	355,289
2016	374,155
2017	373,770
2018	401,223
2019-2023	2,358,780

**NOTE 11**     **AMOUNTS HELD IN ESCROW/COURT AWARDS AND FEES PENDING DISTRIBUTION**

Upon the successful completion of cases, the court may make awards to members of the class action litigation or to participating attorneys. As of June 30, 2013 and 2012, LDF held in escrow \$3,423 for members of the class and participating attorneys. The escrow amounts are invested in checking or money market accounts.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 12      IN-KIND CONTRIBUTIONS**

In fiscal years ended June 30, 2013 and 2012, the Fund received the following in-kind contributions, which were recognized as contributions in the accompanying consolidated statement of activities at fair value on the date of receipt:

	<b>2013</b>	<b>2012</b>
Marketable securities (recorded as investments)	\$ 164,955	\$ 38,040
Property and equipment	-	83,000
<b>Total in-kind contributions</b>	<b>\$ 164,955</b>	<b>\$ 121,040</b>

**NOTE 13      ENDOWMENTS**

LDF's endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions or as designated by the Board of Directors.

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which superseded the New York Uniform Management of Institutional Funds Act. LDF's Board of Directors follows the requirements of NYPMIFA, which allows an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent, but subject, however, to the intent of the donor expressed in the gift instrument. NYPMIFA provides that unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until so appropriated for expenditure by the institution. For purposes of financial statement presentation, LDF classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is characterized as temporarily restricted. It should be noted, however, that under NYPMIFA, the Fund is entitled to appropriate for expenditure endowment funds, whether here characterized as "permanently restricted" or "temporarily restricted," except where inconsistent with the intent of the donor expressed in the gift instrument.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

**NOTE 13      ENDOWMENTS** *(continued)*

Interpretation of Relevant Law *(continued)*

In accordance with state law, the Fund considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Fund and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the Fund;
7. The investment policies of the Fund; and
8. Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Fund.

The changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Year ended June 30, 2013</b>				
Endowment net assets, beginning of year	\$ -	\$ 3,067,430	\$ 18,266,042	\$ 21,333,472
<i>Investment return</i>				
Investment income	-	498,239	-	498,239
Net realized/unrealized depreciation in value of investments	-	1,272,596	87,384	1,359,980
Appropriation for expenditure	-	(463,039)	(9,616)	(472,655)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 4,375,226</b>	<b>\$ 18,343,810</b>	<b>\$ 22,719,036</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Year ended June 30, 2012</b>				
Endowment net assets, beginning of year	\$ -	\$ 6,039,978	\$ 18,428,168	\$ 24,468,146
<i>Investment return</i>				
Investment income	-	591,779	-	591,779
Net realized/unrealized depreciation in value of investments	-	(526,696)	(53,210)	(579,906)
Appropriation for expenditure	-	(3,037,631)	(108,916)	(3,146,547)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 3,067,430</b>	<b>\$ 18,266,042</b>	<b>\$ 21,333,472</b>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 13**     **ENDOWMENTS** *(continued)*

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2013 and 2012.

Return Objectives and Risk Parameters

LDF adopted investment and spending policies for endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that LDF must hold in perpetuity or for donor-specified periods or purposes and related unappropriated investment income. Under this policy, as approved by the Board of Directors' Investment Committee, the endowment assets are invested with the intent to preserve the assets of donor-restricted funds that LDF must hold in perpetuity while assuming a low level of investment risk. Over time, LDF expects its endowment funds to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments are to be thought of as a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. Therefore, a periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. LDF's spending policy allows up to 4.5% of the fair value of the portfolio if funds are available, subject to donor-stipulated restrictions.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

(With Comparative Information for 2012)

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**NOTE 14 SALE AND PURCHASE OF CONDOMINIUM INTEREST**

On October 26, 2012, LDF sold its office condominium at 99 Hudson Street for \$18.5 million. LDF recorded a gain of \$15.836 million on the sale.

A portion of the proceeds, along with a mortgage of \$4 million (Note 15), was used to purchase an office condominium at 40 Rector Street on November 15, 2012, for \$10.46 million. The condominium at 40 Rector Street was subsequently renovated to be used by LDF as its new headquarters.

**NOTE 15 MORTGAGE NOTE PAYABLE**

On November 15, 2012, LDF entered into a new mortgage loan agreement with a face value of \$4,000,000. The mortgage bears interest at 3.36% for five years and is secured by the LDF's property at 40 Rector Street. Thereafter, the interest rate shall be adjusted and fixed for an additional five years at a rate per year equal to the United State Treasury Securities Rate plus 2.90%. LDF does have the right to prepay the mortgage on November 17, 2017 with no prepayment penalty. The mortgage note provides for monthly payments of principal and interest to Bank of America, the loan holder, through November 15, 2022, at which time the remaining principal balance plus any accrued and unpaid interest becomes due.

Future minimum principal payments as of June 30, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 105,329
2015	108,973
2016	112,400
2017	116,634
2018	39,661
Thereafter	<u>3,456,854</u>
	<u>\$ 3,939,851</u>

**NOTE 16 SUBSEQUENT EVENTS**

The Fund evaluated events subsequent to June 30, 2013, through October 31, 2013, the date the consolidated financial statements were available to be issued, and determined that there were no subsequent events that required disclosure.

## **SUPPLEMENTARY INFORMATION**

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidating Statement of Financial Position

As of June 30, 2013

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,175,797	\$ 2,976	\$ 7,178,773
Accounts receivable	84,389	-	84,389
Contributions receivable	1,482,082	-	1,482,082
Amounts held in escrow	3,423	-	3,423
Investments	23,690,724	594,526	24,285,250
Other assets	277,065	-	277,065
Intercompany receivable (payable)	15,950	(15,950)	-
Property and equipment, net	16,842,547	25,686	16,868,233
Assets held in trust by others	1,510,166	-	1,510,166
<b>Total assets</b>	<b>\$ 51,082,143</b>	<b>\$ 607,238</b>	<b>\$ 51,689,381</b>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 3,064,966	\$ -	\$ 3,064,966
Mortgage payable	3,939,851	-	3,939,851
Accrued pension liability	1,632,333	-	1,632,333
Court awards and fees pending distribution	3,423	-	3,423
<b>Total liabilities</b>	<b>8,640,573</b>	<b>-</b>	<b>8,640,573</b>
<i>Net assets</i>			
<i>Unrestricted</i>			
Available for operations	2,736,707	-	2,736,707
Invested in property and equipment	12,902,696	25,686	12,928,382
<b>Total unrestricted</b>	<b>15,639,403</b>	<b>25,686</b>	<b>15,665,089</b>
Temporarily restricted	8,860,782	179,127	9,039,909
Permanently restricted	17,941,385	402,425	18,343,810
<b>Total net assets</b>	<b>42,441,570</b>	<b>607,238</b>	<b>43,048,808</b>
<b>Total liabilities and net assets</b>	<b>\$ 51,082,143</b>	<b>\$ 607,238</b>	<b>\$ 51,689,381</b>

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidating Statement of Activities

For the Year Ended June 30, 2013

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 5,746,155	\$ 8,850	\$ 5,755,005
Combined Federal campaign	196,194	1,646	197,840
Bequests	202,886	-	202,886
Special events, net of direct donor benefits of \$274,042	1,588,446	-	1,588,446
Court costs and attorney fees awarded	55,021	-	55,021
Investment income, net of fees of \$59,985	483,375	14,864	498,239
Gain on sale of condominium interest	15,835,860	-	15,835,860
Net depreciation in fair value of investments	1,327,317	31,042	1,358,359
Total revenue, gains, and other support	<u>25,435,254</u>	<u>56,402</u>	<u>25,491,656</u>
<b>EXPENSES</b>			
<i>Program services</i>			
Legal	9,581,852	-	9,581,852
Public information	1,820,484	-	1,820,484
Herbert Lehman education	462,720	-	462,720
Earl Warren legal training	-	82,044	82,044
Total program services	<u>11,865,056</u>	<u>82,044</u>	<u>11,947,100</u>
<i>Supporting services</i>			
Fundraising	1,895,970	110	1,896,080
Management and general	1,609,341	-	1,609,341
Total supporting services	<u>3,505,311</u>	<u>110</u>	<u>3,505,421</u>
Total expense	<u>15,370,367</u>	<u>82,154</u>	<u>15,452,521</u>
Change in net assets before other charges	10,064,887	(25,752)	10,039,135
<b>OTHER CHARGE</b>			
Charge to pension benefit other than net periodic pension cost	1,111,948	-	1,111,948
Change in net assets	11,176,835	(25,752)	11,151,083
Net assets, beginning of year	31,264,735	632,990	31,897,725
<b>Net assets, end of year</b>	<u>\$ 42,441,570</u>	<u>\$ 607,238</u>	<u>\$ 43,048,808</u>

**NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC. AND AFFILIATE**  
**Consolidated Schedule of Functional Expenses**  
**For the Year Ended June 30, 2013**  
**(With Comparative Totals for 2012)**

Description	Program Services				Subtotal	Supporting Services			2013 Total Expenses	2012 Total Expenses
	Legal Programs	Public Information	Herbert Lehman	Earl Warren		Fundraising	Mgmt. and General	Subtotal		
<b>Personnel costs</b>										
Payroll	\$ 3,210,453	\$ 904,873	\$ 75,336	\$ 24,000	\$ 4,214,662	\$ 522,029	\$ 717,982	\$ 1,240,011	\$ 5,454,673	\$ 5,540,175
Benefits	1,005,487	283,398	25,112	6,000	1,319,997	163,495	224,866	388,361	1,708,358	1,717,803
Temporary help	56,148	306	-	-	56,454	192	248	440	56,894	83,308
Total personnel costs	4,272,088	1,188,577	100,448	30,000	5,591,113	685,716	943,096	1,628,812	7,219,925	7,341,286
<b>Legal programs</b>										
Court costs	21,349	-	-	-	21,349	-	-	-	21,349	32,773
Expert witness	11,782	-	-	-	11,782	-	-	-	11,782	112,579
Legal printing	4,425	-	-	-	4,425	-	-	-	4,425	6,005
Attorney conferences	232,488	-	-	-	232,488	-	-	-	232,488	184,848
Special research	148,664	-	-	-	148,664	-	-	-	148,664	180,389
Library	151,705	-	-	-	151,705	-	-	-	151,705	189,256
Bar association dues	20,915	-	-	-	20,915	-	-	-	20,915	19,537
Total legal programs	591,328	-	-	-	591,328	-	-	-	591,328	725,387
<b>Other programs</b>										
Scholarships/grants	1,225,003	-	316,000	39,000	1,580,003	-	-	-	1,580,003	2,527,249
<b>Other expenses</b>										
Photos/press release	12,781	18,301	-	-	31,082	32,225	2,603	34,828	65,910	52,516
Clipping service	-	4,648	-	-	4,648	-	-	-	4,648	6,855
List rental	-	-	-	-	-	5,974	-	5,974	5,974	26,812
Mail handling	-	-	-	-	-	11,911	-	11,911	11,911	30,699
Fundraising professionals	-	-	-	-	-	478,516	-	478,516	478,516	548,793
Insurance	64,267	19,537	1,623	-	85,427	12,261	15,834	28,095	113,522	100,371
Telephone	143,387	33,634	2,642	1,200	180,863	20,229	27,261	47,490	228,353	223,978
Occupancy expense	751,282	143,828	11,948	2,400	909,458	90,263	116,572	206,835	1,116,293	502,739
Bank charges	23,677	7,199	5,256	-	36,132	20,107	5,835	25,942	62,074	41,473
Storage	82,291	440	37	-	82,768	276	357	633	83,401	64,206
Mailing	33,311	1,188	911	-	35,410	104,841	2,077	106,918	142,328	205,416
Office supplies	54,251	9,642	204	-	64,097	10,999	8,048	19,047	83,144	73,710
Messenger services	864	140	-	-	1,004	1,586	450	2,036	3,040	3,516
Equipment repairs and maintenance	49,979	6,328	518	-	56,825	72,714	8,029	80,743	137,568	230,386
Utilities	75,496	22,714	1,887	300	100,397	14,255	18,410	32,665	133,062	77,865
Catering costs	115,473	5,508	263	-	121,244	11,094	1,629	12,723	133,967	110,514
Interest expense	49,461	15,038	-	-	64,499	9,438	12,188	21,626	86,125	-
Pledges receivable written off	-	-	-	-	-	-	181,964	181,964	181,964	112,069
Miscellaneous	111,556	26,334	2,680	-	140,570	48,667	26,017	74,684	215,254	77,591
Photocopying	92,767	13,963	1,160	300	108,190	8,777	11,515	20,292	128,482	116,107
Meetings and travel	533,547	29,815	1,735	-	565,097	55,509	5,116	60,625	625,722	596,434
Service bureau	2,001	608	51	-	2,660	382	12,758	13,140	15,800	15,951
IT professionals	258,871	56,546	4,915	-	320,332	41,686	45,830	87,516	407,848	327,246
Professional fees	701,788	118,426	2,304	1,500	824,018	17,408	84,266	101,674	925,692	885,744
Printing	13,008	99	-	-	13,107	79,761	80	79,841	92,948	184,037
Amortization	87,620	26,293	2,184	-	116,097	16,501	21,311	37,812	153,909	66,966
Depreciation	235,755	71,678	5,954	7,344	320,731	44,984	58,095	103,079	423,810	285,185
Total other expenses	3,493,433	631,907	46,272	13,044	4,184,656	1,210,364	666,245	1,876,609	6,061,265	4,967,179
<b>Total expenses</b>	<b>\$ 9,581,852</b>	<b>\$ 1,820,484</b>	<b>\$ 462,720</b>	<b>\$ 82,044</b>	<b>\$ 11,947,100</b>	<b>\$ 1,896,080</b>	<b>\$ 1,609,341</b>	<b>\$ 3,505,421</b>	<b>\$ 15,452,521</b>	<b>\$ 15,561,101</b>