

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
DECEMBER 31, 2016 AND 2015**

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# SARFINO AND RHOADES, LLP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Washington Lawyers' Committee for Civil Rights and Urban Affairs, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of Washington Lawyers' Committee for Civil Rights and Urban Affairs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Washington Lawyers' Committee for Civil Rights and Urban Affairs, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Activities (Without Donated Services) for the years ended December 31, 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 statement 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 financial statements as a whole.

*Sapiano and Rhodes, LLP*

August 25, 2017

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
STATEMENTS OF FINANCIAL POSITION**

	DECEMBER 31,	
	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 1)	\$ 2,188,232	\$ 744,642
Grants and contributions receivable (Note 1)	328,656	20,000
Accounts and other receivable (Note 1)	182,537	332,605
Deferred compensation asset (Notes 1, 2, 3, and 6)	295,069	262,183
Prepaid expenses	38,582	111,971
Employee receivables	1,059	221
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,034,135</b>	<b>\$ 1,471,622</b>
<b>PROPERTY AND EQUIPMENT</b> (Notes 1 and 4)	<b>\$ 120,753</b>	<b>\$ 168,554</b>
<b>OTHER ASSETS:</b>		
Security deposit	\$ 77,268	\$ 77,268
<b>TOTAL ASSETS</b>	<b>\$ 3,232,156</b>	<b>\$ 1,717,444</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 475,870	\$ 214,564
Custodial escrow funds	95,086	41,684
Deferred compensation liability (Note 6)	295,069	262,183
Deferred lease obligation, current portion (Note 5)	153,063	131,724
Line of credit (Note 7)	-	178,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 1,019,088</b>	<b>\$ 828,155</b>
<b>OTHER LIABILITIES:</b>		
Deferred lease obligation, long-term portion (Note 5)	270,714	423,776
<b>TOTAL LIABILITIES</b>	<b>\$ 1,289,802</b>	<b>\$ 1,251,931</b>
<b>COMMITMENTS</b> (Note 5)		
<b>NET ASSETS</b> (Notes 1 and 9):		
Unrestricted	\$ 1,281,298	\$ 139,684
Temporarily restricted	661,056	325,829
<b>TOTAL NET ASSETS</b>	<b>\$ 1,942,354</b>	<b>\$ 465,513</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,232,156</b>	<b>\$ 1,717,444</b>

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

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
STATEMENTS OF ACTIVITIES**

	FOR THE YEARS ENDED DECEMBER 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b> (Notes 1 and 8):						
Contributed services	\$ 21,934,777	\$ -	\$ 21,934,777	\$ 13,786,082	\$ -	\$ 13,786,082
Grants and contributions	1,625,747	562,750	2,188,497	1,090,221	254,250	1,344,471
Legal fees and court awards	1,818,532	-	1,818,532	751,682	-	751,682
Annual events	882,040	-	882,040	732,010	-	732,010
Rental income	168,636	-	168,636	158,954	-	158,954
Fellowship subsidies	72,840	-	72,840	41,000	-	41,000
Interest income	3,204	412	3,616	4,353	394	4,747
Net assets released from restrictions	227,935	(227,935)	-	273,566	(273,566)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>\$ 26,733,711</u>	<u>\$ 335,227</u>	<u>\$ 27,068,938</u>	<u>\$ 16,837,868</u>	<u>\$ (18,922)</u>	<u>\$ 16,818,946</u>
<b>EXPENSES:</b>						
Program service	\$ 24,428,965	\$ -	\$ 24,428,965	\$ 15,823,192	\$ -	\$ 15,823,192
Supporting services:						
Management and general	780,689	-	780,689	534,139	-	534,139
Fundraising	382,443	-	382,443	315,270	-	315,270
<b>TOTAL EXPENSES</b>	<u>\$ 25,592,097</u>	<u>\$ -</u>	<u>\$ 25,592,097</u>	<u>\$ 16,672,601</u>	<u>\$ -</u>	<u>\$ 16,672,601</u>
<b>CHANGES IN NET ASSETS</b>	\$ 1,141,614	\$ 335,227	\$ 1,476,841	\$ 165,267	\$ (18,922)	\$ 146,345
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>139,684</u>	<u>325,829</u>	<u>465,513</u>	<u>(25,583)</u>	<u>344,751</u>	<u>319,168</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,281,298</u>	<u>\$ 661,056</u>	<u>\$ 1,942,354</u>	<u>\$ 139,684</u>	<u>\$ 325,829</u>	<u>\$ 465,513</u>

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

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES**

FOR THE YEARS ENDED DECEMBER 31,

	2016					2015				
	Supporting Services			Total		Supporting Services			Total	
	Program Service	General and Administrative	Fundraising	Supporting Services	Total	Program Service	General and Administrative	Fundraising	Supporting Services	Total
Contributed services	\$ 21,934,777	\$ -	\$ -	\$ -	\$ 21,934,777	\$ 13,786,082	\$ -	\$ -	\$ -	\$ 13,786,082
Salaries, benefits and payroll taxes	1,603,721	458,412	152,425	610,837	2,214,558	1,294,302	196,522	144,298	340,820	1,635,122
Occupancy	558,454	213,087	43,954	257,041	815,495	503,654	247,298	43,792	291,090	794,744
Consultants	108,268	48,865	68,050	116,915	225,183	61,869	12,357	30,541	42,898	104,767
Events	24,079	-	96,134	96,134	120,213	8,863	-	77,871	77,871	86,734
Travel	31,171	2,139	710	2,849	34,020	18,503	2,188	679	2,867	21,370
Equipment rental and maintenance	34,119	13,887	2,723	16,610	50,729	31,487	16,325	2,767	19,092	50,579
Depreciation and amortization	32,149	13,086	2,566	15,652	47,801	29,800	15,518	2,630	18,148	47,948
Communications	26,373	7,691	3,206	10,897	37,270	24,870	8,942	2,449	11,391	36,261
Insurance	22,396	9,116	1,788	10,904	33,300	18,962	9,874	1,674	11,548	30,510
Miscellaneous	18,423	4,318	4,988	9,306	27,729	12,870	4,511	2,254	6,765	19,635
Printing and duplicating	12,799	4,765	934	5,699	18,498	12,559	6,290	1,066	7,356	19,915
Publications	9,710	581	3,442	4,023	13,733	7,365	356	4,095	4,451	11,816
Office supplies	8,392	3,353	1,244	4,597	12,989	6,364	3,294	711	4,005	10,369
Interest	2,796	1,138	223	1,361	4,157	4,119	2,145	364	2,509	6,628
Conferences and meetings	1,338	251	56	307	1,645	1,523	384	79	463	1,986
Bad debt expense	-	-	-	-	-	-	8,135	-	8,135	8,135
	<u>\$ 24,428,965</u>	<u>\$ 780,689</u>	<u>\$ 382,443</u>	<u>\$ 1,163,132</u>	<u>\$ 25,592,097</u>	<u>\$ 15,823,192</u>	<u>\$ 534,139</u>	<u>\$ 315,270</u>	<u>\$ 849,409</u>	<u>\$ 16,672,601</u>

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

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,476,841	\$ 146,345
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,801	47,948
Change in assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(308,656)	-
Accounts and other receivable	150,068	38,510
Deferred compensation asset	(32,886)	3,501
Prepaid expenses	73,389	(96,397)
Employee receivables	(838)	534
Increase (decrease) in:		
Accounts payable and accrued expenses	261,306	92,898
Custodial escrow funds	53,402	29,669
Deferred compensation liability	32,886	(3,501)
Deferred lease obligation	(131,723)	(110,864)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,621,590</b>	<b>\$ 148,643</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property and equipment	-	(8,025)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net draws (repayments) on line of credit	(178,000)	178,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,443,590</b>	<b>\$ 318,618</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>744,642</b>	<b>426,024</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,188,232</b>	<b>\$ 744,642</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 4,157	\$ 6,628

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



**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 1. **Organization and Summary of Significant Accounting Policies**

**Organization** - The Washington Lawyers' Committee for Civil Rights and Urban Affairs, Inc. (WLC), a nonprofit organization, was incorporated in Washington, D.C. in 1992. Its primary purpose is to provide legal services to protect the civil rights of members of the general public who have historically been subject to discrimination or poverty through legal representation and litigation as well as providing counseling and assistance to individuals, groups, and organizations requiring or requesting such services. In addition, WLC cooperates with and assists the organized bar, government agencies, public and private corporations, associations, and legal practitioners in extending these civil rights protections to those in need of them.

**Program Service** - WLC engages in litigation, public policy advocacy, client counseling and community education to address racial and other forms of discrimination. The Committee works on matters that effect the District of Columbia and the surrounding region and on cases outside of the region that may have an impact on local residents. We work closely with the private bar to expand the capacity of our staff and rely heavily on firm pro bono partners. Our project priorities include:

- **Creating Equal Opportunity to Economic Stability for Individuals and Families.** People of color, women, children and persons with disabilities are disproportionately forced to live in poverty. The inequities in the social and legal systems have created circumstances in which social mobility is extremely limited and the gap between rich and poor is expanding. Inequality and immobility is significantly worse in communities of color. Poverty has become as much an inheritance as wealth. Work has become a key element of reducing poverty since welfare “reform,” making access to employment, fair wages and stability in work critical.
- **Challenging the Conditions that Force Racial and Economic Segregation and that Limit Options for Safe, Decent and Affordable Housing Based on Race and National Origin.** Housing segregation is itself inherently unequal and contributes to diminished opportunities for education, work and recreation. Racial segregation in housing is increasing in the District and the region driven by economic development, the effects of discrimination in the criminal legal system and other structural and economic factors. The forces of segregation in the District have deprived low income and many communities of color access to safe, decent and affordable housing.
- **Reducing Barriers to Public Services and Public Accommodations.** The ability to access public services or participate in the economy are essential to be full members of society. Everyone, regardless of race, gender, disability or language should be free from discrimination in civic participation, economic activity and social engagement.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

- **Creating Equal Opportunity for an Education.** One of the great unfinished projects of the civil rights movement is addressing inequality in education. Schools are increasingly segregated, separate and unequal. Children of color, with disabilities and English language learners are much more frequently denied the opportunity to thrive and achieve their aspirations. Education reform in the District and in the region, has had some effect, but it is limited.
  
- **Reducing the Impact of an Unfair Criminal System.** The criminal system is a prime driver of inequality. Work to address these issues will include:
  - *A continued strong emphasis on addressing conditions of incarceration.* Persons confined to prisons, jails, immigration detention and other criminal system institutions are confronted with a unique and particularly cruel form of state power. As long as mass incarceration is a fact, the need for prisoners' rights advocacy will be essential.
  
  - *Strategies to reduce unnecessary and discriminatory contact with the criminal system and that reduces the effects of such contact.* Race bias is deeply imbedded in each criminal system component, including the writing of laws, police, prosecutors, courts, prisons and the effects of collateral consequences. These effects are significant whether they result in long-term incarceration, crushing court imposed financial obligations (debtors' prisons) or barriers to employment, education or housing after a period of incarceration.

**Basis of Accounting** - The financial statements of WLC have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

**Basis of Presentation** - The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- *Unrestricted net assets:* Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for WLC to utilize in any of its program or supporting services.
  
- *Temporarily restricted net assets:* Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by the actions of WLC.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

- *Permanently restricted net assets*: Permanently restricted net assets include resources with permanent donor-imposed restrictions.

**Income Tax Status** - The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) except for taxes on unrelated business income. There was no unrelated business income for the years ended December 31, 2016 and 2015.

**Use of Estimates** - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, WLC considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

**Grants and Contributions Receivable** - Grants receivable represent amounts due from donors based on approved grants and are reported on the statements of financial position at their net realizable value. Contributions receivable represent amounts pledged but not yet collected at year-end. Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on its assessment of the payment history and current relationships with donors, management has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. It is WLC's policy to directly charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management expects the amounts to be received within the coming year.

**Accounts Receivable** - Accounts receivable represents amounts due from their sub-tenant and case settlements. Case settlements are shown on the statements of financial position at the time of settlement notification and when the amount of the award is deemed certain. Based on its assessment of the payment history and current relationships, management has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. Accounts receivable are uncollateralized.

**Property and Equipment** - Property and equipment are stated at cost, if purchased, and at fair value, if contributed. All additions of equipment over \$1,000 with expected lives greater than one year are capitalized. Leasehold improvements are amortized on the straight line basis over the lease term. Depreciation is computed using the straight-line method based on useful lives of three to five years. Maintenance and repairs are expensed in the year incurred.

**WASHINGTON LAWYERS' COMMITTEE FOR  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

**Investments** - Investments are measured at fair value at the statements of financial position date. Investments include money market funds, equity trusts, common stocks and exchange-traded funds. Investments are held for a deferred compensation plan under IRS Code Section 457 (see Note 6) with a corresponding liability amount owed to its participants. Investment income is comprised of interest, dividends, and realized and unrealized gains and losses.

**Grants and contributions** - Grants and contributions are recognized at the earlier of when the donor makes a promise to give to WLC that is, in substance, unconditional or when they are received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Legal Fees and Court Awards** - Legal fees and court awards are compensation to WLC for the work of its attorneys and reimbursement of expenses incurred in connection with litigation. Revenue for these legal fees and court awards is recognized upon receipt of funds or upon receipt of award or settlement notifications and collection is deemed certain, which is determined by management on a case by case basis.

**Donated Goods and Services** - Donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their estimated fair values in the period received. Such amounts are reflected as a part of contributed services revenue and program activities expenses in the accompanying statements of activities.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among the programs and supported services benefited.

**Concentration of Credit Risk** - Financial instruments which potentially subject WLC to concentrations of credit risk include cash deposits with investment advisors, as well as deposits with financial institutions which, at times during the year, may exceed the limit of insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Management believes the risk to be minimal. At December 31, 2016, WLC's uninsured cash balance was \$1,445,405.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 2. **Investments** - Investments were comprised of the following as of December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Common stocks and exchange-traded funds	\$ 217,172	\$ 193,948
Money market fund	57,698	30,471
Equity trusts	20,199	37,764
Totals	\$ 295,069	\$ 262,183

Note 3. **Fair Value Measurements** - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**WASHINGTON LAWYERS' COMMITTEE FOR  
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NOTES TO FINANCIAL STATEMENTS  
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Note 3. **Fair Value Measurements** - (Continued)

Following is a description of the valuation methodologies used for investments measured at fair value:

*Money market funds* - The funds are valued by the fund manager at the stated price of the fund which generally approximates the original cost and the fair value of the underlying assets.

*Common stock, equity trusts, and exchange-traded funds* - Securities traded on a national securities exchange are valued at the closing price stated on the last business day of the year.

The following table sets forth by level, within the fair value hierarchy, WLC's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and exchange-traded funds	\$ 217,172	\$ -	\$ -	\$ 217,172
Equity trusts	20,199	-	-	20,199
Money market funds	-	57,698	-	57,698
	<u>\$ 237,371</u>	<u>\$ 57,698</u>	<u>\$ -</u>	<u>\$ 295,069</u>

The following table sets forth by level, within the fair value hierarchy, WLC's assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and exchange-traded funds	\$ 193,948	\$ -	\$ -	\$ 193,948
Equity trusts	37,764	-	-	37,764
Money market funds	-	30,471	-	30,471
	<u>\$ 231,712</u>	<u>\$ 30,471</u>	<u>\$ -</u>	<u>\$ 262,183</u>

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

Note 4. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	2016	2015
Leasehold improvements	\$ 463,783	\$ 463,783
Furniture and equipment	301,014	301,014
Total property and equipment	\$ 764,797	\$ 764,797
Less, accumulated depreciation and amortization	644,044	596,243
Net property and equipment	\$ 120,753	\$ 168,554

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was \$47,801 and \$47,948, respectively.

Note 5. **Commitments** - On June 19, 2008, WLC entered into a ten-year lease extension for office space effective July 2009. The lease extension established annual escalations in the base rent and provided a \$608,570 build-out allowance, of which up to 30% could have been used towards office rent. The annual escalations and build-out allowance give rise to a deferred lease obligation which is amortized over the lease term. The deferred lease obligation as of December 31, 2016 and 2015 was \$423,777 and \$555,500, respectively. Total rent expense for the years ended December 31, 2016 and 2015 was \$814,308 and \$793,628.

On September 22, 2015, WLC entered into a 63-month non-cancelable operating lease for a copier that expires in December 2020. On January 30, 2015, WLC entered into a 51-month non-cancelable operating lease for a postage meter that expires in April 2019. Monthly rental payments on the copier and postage meter are \$1,260 and \$250, respectively. Rental expense for the years ended December 31, 2016 and 2015 was \$22,944 and \$18,451, respectively.

Future minimum lease payments as of December 31, 2016 are as follows:

Years Ending December 31,	Office Lease	Equipment	Total
2017	\$ 874,499	\$ 18,120	\$ 892,619
2018	896,320	18,120	914,440
2019	456,548	16,120	472,668
2020	-	15,120	15,120
Total	\$ 2,227,367	\$ 67,480	\$ 2,294,847

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Note 5. **Commitments** - (Continued)

The Organization has entered into an agreement with a hotel relating to the annual awards luncheon. The agreement includes a cancellation penalty and obligates WLC to spend certain minimums on food and beverage.

Note 6. **Retirement Plans** - WLC maintains three retirement plans for its employees, including a 401(k) retirement plan, a 403(b) retirement plan, and a Section 457 deferred compensation plan. Employees are eligible for the 401(k) plan after completing one year of service. The Organization provides for a discretionary contribution based of each participant's compensation. For the years ending December 31, 2016 and 2015, contributions to the plan were \$92,345 and \$66,400, respectively.

Employees may participate in the Section 403(b) plan that allows for employee deferrals immediately upon employment.

WLC maintains an inactive nonqualified Section 457 deferred compensation plan. WLC does not contribute to this plan, but rather is maintaining the plan for the benefit of the remaining participants. The participant contributions are included in other assets and plan obligations are included with other liabilities on the statements of financial position.

Note 7. **Line of Credit** - WLC terminated its \$400,000 revolving line of credit during the year ended December 31, 2016. The line of credit carried a balance of \$178,000 as of December 31, 2015.

Note 8. **Donated Goods and Services** - For the years ended December 31, 2016 and 2015, WLC received \$21,934,777 and \$13,786,082, respectively, of in-kind contributions that consisted of legal and consulting services. Donated services are recorded at the amount reported by the contributing organization and are typically based on that organization's standard hourly billing rates.



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Note 9. **Restricted Net Assets** - Temporarily restricted net assets were for the following purposes as of December 31:

	<u>2016</u>	<u>2015</u>
Parent engagement and academic enrichment	\$ 209,583	\$ -
Prisoners' project	162,314	140,338
Pro bono breakfast	105,949	105,646
Advocacy for racial justice	100,000	-
Advocacy for the blind	35,000	-
Criminal justice reform and general civil rights advocacy	28,210	51,576
Strategic planning	20,000	-
Foreclosure prevention and community redevelopment legal assistance	-	28,269
Total	<u>\$ 661,056</u>	<u>\$ 325,829</u>

Note 10. **Reclassifications**- Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 11. **Subsequent Events** - In preparation of these financial statements, WLC has evaluated events and transactions for potential recognition or disclosure through August 25, 2017, which is the date the financial statements were available to be issued.

In March 2017, the Equal Justice Center merged its operations with WLC. The assets and liabilities of Equal Justice Center were transferred to WLC and the two organizations are now operating as one.

## **SUPPLEMENTARY INFORMATION**

**WASHINGTON LAWYERS' COMMITTEE FOR  
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SCHEDULES OF ACTIVITIES  
(WITHOUT DONATED SERVICES)**

	FOR THE YEARS ENDED DECEMBER 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b> (Notes 1 and 8):						
Grants and contributions	\$ 1,625,747	\$ 562,750	\$ 2,188,497	\$ 1,090,221	\$ 254,250	\$ 1,344,471
Legal fees and court awards	1,818,532	-	1,818,532	751,682	-	751,682
Annual events	882,040	-	882,040	732,010	-	732,010
Rental income	168,636	-	168,636	158,954	-	158,954
Fellowship subsidies	72,840	-	72,840	41,000	-	41,000
Interest income	3,204	412	3,616	4,353	394	4,747
Net assets released from restrictions	227,935	(227,935)	-	273,566	(273,566)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>\$ 4,798,934</u>	<u>\$ 335,227</u>	<u>\$ 5,134,161</u>	<u>\$ 3,051,786</u>	<u>\$ (18,922)</u>	<u>\$ 3,032,864</u>
<b>EXPENSES:</b>						
Program service	\$ 2,494,188	\$ -	\$ 2,494,188	\$ 2,037,110	\$ -	\$ 2,037,110
Supporting services:						
Management and general	780,689	-	780,689	534,139	-	534,139
Fundraising	382,443	-	382,443	315,270	-	315,270
<b>TOTAL EXPENSES</b>	<u>\$ 3,657,320</u>	<u>\$ -</u>	<u>\$ 3,657,320</u>	<u>\$ 2,886,519</u>	<u>\$ -</u>	<u>\$ 2,886,519</u>
<b>CHANGES IN NET ASSETS</b>	\$ 1,141,614	\$ 335,227	\$ 1,476,841	\$ 165,267	\$ (18,922)	\$ 146,345
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>139,684</u>	<u>325,829</u>	<u>465,513</u>	<u>(25,583)</u>	<u>344,751</u>	<u>319,168</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,281,298</u>	<u>\$ 661,056</u>	<u>\$ 1,942,354</u>	<u>\$ 139,684</u>	<u>\$ 325,829</u>	<u>\$ 465,513</u>