

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

DECEMBER 31, 2015

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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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sarpino and Rhodes, LLP

October 28, 2016

**WASHINGTON LAWYERS' COMMITTEE FOR
CIVIL RIGHTS AND URBAN AFFAIRS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$	744,642
Accounts receivable (Note 1)		332,605
Contributions receivable (Note 1)		20,000
Prepaid expenses		111,971
Other		221

TOTAL CURRENT ASSETS \$ 1,209,439

PROPERTY AND EQUIPMENT (Notes 1 and 4) 168,554

OTHER ASSETS:

Investments held for deferred compensation plan (Notes 1, 2, 3, and 6)	\$	262,183
Security deposit		77,268

TOTAL OTHER ASSETS 339,451

TOTAL ASSETS \$ 1,717,444

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Line of credit (Note 7)	\$	178,000
Accounts payable and accrued expenses		214,564
Custodial escrow funds		41,684
Deferred lease obligation, current portion (Note 5)		131,724

TOTAL CURRENT LIABILITIES \$ 565,972

OTHER LIABILITIES:

Deferred lease obligation, long-term portion (Note 5)	\$	423,776
Deferred compensation (Note 6)		262,183

TOTAL OTHER LIABILITIES 685,959

TOTAL LIABILITIES \$ 1,251,931

COMMITMENTS (Note 5)

NET ASSETS (Notes 1, 9 and 10):

Unrestricted	\$	139,684
Temporarily restricted		325,829

TOTAL NET ASSETS \$ 465,513

TOTAL LIABILITIES AND NET ASSETS \$ 1,717,444

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

**WASHINGTON LAWYERS' COMMITTEE FOR
CIVIL RIGHTS AND URBAN AFFAIRS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE (Notes 1 and 8):			
Contributed services	\$ 13,786,082	\$ -	\$ 13,786,082
Grants and contributions	1,090,221	254,250	1,344,471
Legal fees and court awards	751,682	-	751,682
Annual events	732,010	-	732,010
Rental income	158,954	-	158,954
Fellowship subsidies	41,000	-	41,000
Interest income	4,353	394	4,747
Net assets released from restrictions	<u>273,566</u>	<u>(273,566)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 16,837,868</u>	<u>\$ (18,922)</u>	<u>\$ 16,818,946</u>
EXPENSES:			
Program service	\$ 15,793,392	\$ -	\$ 15,793,392
Supporting services:			
Management and general	566,569	-	566,569
Fundraising	<u>312,640</u>	<u>-</u>	<u>312,640</u>
TOTAL EXPENSES	<u>\$ 16,672,601</u>	<u>\$ -</u>	<u>\$ 16,672,601</u>
CHANGES IN NET ASSETS	\$ 165,267	\$ (18,922)	\$ 146,345
NET ASSETS, BEGINNING OF YEAR	<u>(25,583)</u>	<u>344,751</u>	<u>319,168</u>
NET ASSETS, END OF YEAR	<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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Supporting Services</u>			Total Supporting Services	Total
	Program Service	General and Administrative	Fundraising		
Contributed services	\$ 13,786,082	\$ -	\$ -	\$ -	\$ 13,786,082
Salaries, benefits and payroll taxes	1,294,302	196,522	144,298	340,820	1,635,122
Occupancy	503,654	247,298	43,792	291,090	794,744
Consultants	61,869	12,357	30,541	42,898	104,767
Events	8,863	-	77,871	77,871	86,734
Equipment rental and maintenance	31,487	16,325	2,767	19,092	50,579
Depreciation and amortization	-	47,948	-	47,948	47,948
Communications	24,870	8,942	2,449	11,391	36,261
Insurance	18,962	9,874	1,674	11,548	30,510
Travel	18,503	2,188	679	2,867	21,370
Printing and duplicating	12,559	6,290	1,066	7,356	19,915
Miscellaneous	12,870	4,511	2,254	6,765	19,635
Publications	7,365	356	4,095	4,451	11,816
Office supplies	6,364	3,294	711	4,005	10,369
Bad debt expense	-	8,135	-	8,135	8,135
Interest	4,119	2,145	364	2,509	6,628
Conferences and meetings	1,523	384	79	463	1,986
	<u>\$ 15,793,392</u>	<u>\$ 566,569</u>	<u>\$ 312,640</u>	<u>\$ 879,209</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.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 146,345	
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,948	
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	36,476	
Employee receivable	534	
Prepaid expenses	(96,397)	
Other	2,034	
Increase (decrease) in:		
Accounts payable and accrued expenses	92,898	
Custodial escrow funds	29,669	
Deferred rent	<u>(110,864)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 148,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property and equipment	<u>\$ (8,025)</u>	
NET CASH USED IN INVESTING ACTIVITIES		(8,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net drawdown from line of credit	<u>\$ 178,000</u>	
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>178,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		\$ 318,618
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>426,024</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 744,642</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid		<u>\$ 6,628</u>

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, 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 cooperated 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's efforts and program have expanded from a focus primarily on issues of racial discrimination into providing pro bono representation in a broad range of civil rights and related poverty issues impacting virtually every group protected by the federal, state, and local civil rights laws. WLC's efforts are focused in the following areas of services: Equal Employment Opportunity, Fair Housing, Immigrant and Refugee Rights, Disability Rights, D.C. Prisoners' Rights, Public Accommodations, and Public Education.

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.
- *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 year ended December 31, 2015.

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

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

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 - WLC considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts and Contributions Receivable - Accounts receivable represents amounts due from settlements and customers and are reported on the statement of financial position at their net realizable value. 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 customers having outstanding balances, 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. Accounts receivable are uncollateralized.

Contributions receivable represent amounts pledged but not yet collected at year-end. Management expects the amounts to be received within the coming year.

Property and Equipment - Furniture and equipment are stated at cost, if purchased, and at fair value on the date of donation, 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.

Investments - Investments are measured at fair value at the statement 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 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.

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

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

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 statement 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 statement 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, 2015, WLC's uninsured cash balance was \$136,799.

Note 2. **Investments** - The aggregate fair values of investments as of December 31, 2015 are summarized as follows:

Common stocks and exchange-traded funds	\$ 193,948
Equity trusts	37,764
Money market fund	30,471
Totals	\$ 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).

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 3. **Fair Value Measurements** - (Continued)

The three levels of the fair value hierarchy are described as follows: level 1 inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that WLC has the ability to access; level 2 inputs to 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, or inputs that are derived principally from or corroborated by observable market data by correlation or by other means; level 3 inputs to valuation methodology are unobservable and significant to the fair value measurement. The asset's 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.

Valuation methodologies used for assets measured at fair value are as follows:

Money market funds - The funds are valued by the institutional fund management 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 which are traded on a national securities exchange are valued at the closing price reported 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, 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
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 4. **Property and Equipment** - Property and equipment consists of the following as of December 31, 2015:

Leasehold improvements	\$ 463,783
Furniture and equipment	<u>301,014</u>
Total property and equipment	\$ 764,797
Less, accumulated depreciation and amortization	<u>596,243</u>
Net property and equipment	<u><u>\$ 168,554</u></u>

Depreciation and amortization expense for the year ended December 31, 2015 was \$47,948.

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 liability which totaled \$555,500 as of December 31, 2015. Total rent expense for the year ended December 31, 2015 was \$793,628.

WLC had an operating lease for a copier which expired in 2015. 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 year ended December 31, 2015 was \$18,451.

Future minimum lease payments as of December 31, 2015 are as follows:

Years Ending December 31,	Office Lease	Sublease Income	Equipment	Total
2016	\$ 853,159	\$ (168,636)	\$ 18,120	\$ 702,643
2017	874,499	(173,393)	18,120	719,226
2018	896,320	(177,720)	18,120	736,720
2019	456,548	(90,523)	16,120	382,145
2020	<u>-</u>	<u>-</u>	<u>15,120</u>	<u>15,120</u>
Total	<u><u>\$ 3,080,526</u></u>	<u><u>\$ (610,272)</u></u>	<u><u>\$ 85,600</u></u>	<u><u>\$ 2,555,854</u></u>

Note 6. **Retirement Plan** - WLC maintains several retirement plans for its employees, including a 401(k) retirement plan, a 403(b) retirement plan, and a Section 457 deferred compensation plan.

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NOTES TO FINANCIAL STATEMENTS
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Note 6. **Retirement Plan** - (Continued)

Employees may participate in the 401(k) plan after completing two years of service. The plan contains no matching requirement by WLC but discretionary contributions can be made by WLC. For the year ending December 31, 2015, WLC made a \$66,400 contribution to the plan.

Employees may participate in the Section 403(b) plan that allows for employee deferrals immediately following 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 statement of financial position.

Note 7. **Line of Credit** - WLC maintains a \$400,000 revolving line of credit with a variable interest rate. The minimum interest rate is 3.75%. Borrowings from the line of credit are collateralized by a first priority security interest in all WLC's accounts, fees, grants and contributions receivable, and a blanket lien on all business assets. Interest accrues daily on the outstanding balance. At December 31, 2015, WLC had an outstanding line of credit balance of \$178,000.

Note 8. **Donated Goods and Services** - For the year ended December 31, 2015, WLC received \$13,602,276 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.

Note 9. **Restricted Net Assets** - In 2004, the John L. Burke Memorial Fund was established to fund the annual John L. Burke Pro Bono Breakfast of the Community and promote the provision of pro bono legal services. Temporarily restricted net assets were for the following purposes as of December 31, 2015:

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Prisoners' project	\$	140,338
Pro bono breakfast		105,646
Criminal justice reform and general civil rights advocacy		51,576
Foreclosure prevention and community redevelopment legal assistance		<u>28,269</u>
Total	\$	<u>325,829</u>

Note 10. **Reclassifications** - Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 11. **Subsequent Events** - In preparation of these financial statements, WLC has evaluated events and transactions for potential recognition or disclosure through October 28, 2016, which is the date the financial statements were available to be issued.