

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
DECEMBER 31, 2022 AND 2021**

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19
Supplementary Information:	
Schedules of Activities (Without Donated Services)	20

# SARFINOANDRHOADES, LLP

---

11921 Rockville Pike, Suite 501  
North Bethesda, Maryland  
20852-2758

**Certified Public Accountants  
and Business Advisors**

301.770.5500 Voice  
301.881.7747 Fax  
cpas@sarfinoandrhoades.com  
www.sarfinoandrhoades.com

## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

We have audited the accompanying financial statements of Washington Lawyers' Committee for Civil Rights and Urban Affairs (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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 as of December 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Washington Lawyers' Committee for Civil Rights and Urban Affairs and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Lawyers' Committee for Civil Rights and Urban Affairs's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Washington Lawyers' Committee for Civil Rights and Urban Affairs' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Lawyers' Committee for Civil Rights and Urban Affairs. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

***Report on Supplementary Information***

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, 2022 and 2021 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the valuation of donated services, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Sapfino and Rhodes, LLP*

September 8, 2023

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

	DECEMBER 31,	
	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,376,312	\$ 3,939,451
Restricted cash	<u>157,960</u>	<u>165,594</u>
Total cash and cash equivalents	\$ 3,534,272	\$ 4,105,045
Grants and contributions receivable	1,244,496	1,510,475
Fees and other receivable	29,167	53,574
Prepaid and other	<u>145,818</u>	<u>176,160</u>
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 4,953,753</u>	<u>\$ 5,845,254</u>
<b>PROPERTY AND EQUIPMENT</b>	<u>\$ 819,365</u>	<u>\$ 974,933</u>
<b>OTHER ASSETS:</b>		
Security deposit	\$ 110,642	\$ 110,642
Grants and contributions receivable - non-current portion	6,442	7,271
Right of use asset - operating	<u>3,177,892</u>	<u>-</u>
<b>TOTAL OTHER ASSETS</b>	<u>\$ 3,294,976</u>	<u>\$ 117,913</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,068,094</u>	<u>\$ 6,938,100</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 342,467	\$ 268,887
Custodial escrow funds	1,519	-
Deferred lease obligation, current portion	-	148,830
Operating lease liability, current portion	708,064	-
Deferred revenue	<u>15,000</u>	<u>49,375</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 1,067,050</u>	<u>\$ 467,092</u>
<b>OTHER LIABILITIES:</b>		
Operating lease liability, long-term portion	3,873,732	-
Deferred lease obligation, long-term portion	<u>-</u>	<u>1,403,905</u>
<b>TOTAL OTHER LIABILITIES</b>	<u>\$ 3,873,732</u>	<u>\$ 1,403,905</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 4,940,782</u>	<u>\$ 1,870,997</u>
<b>NET ASSETS:</b>		
Without donor restrictions	\$ 2,911,102	\$ 4,099,085
With donor restrictions	<u>1,216,210</u>	<u>968,018</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,127,312</u>	<u>\$ 5,067,103</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,068,094</u>	<u>\$ 6,938,100</u>

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,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES AND GAINS:</b>						
Contributed services	\$ 27,091,304	\$ -	\$ 27,091,304	\$ 24,842,989	\$ -	\$ 24,842,989
Grants and contributions	937,082	1,194,750	2,131,832	3,221,112	1,423,650	4,644,762
Annual events	1,038,400	-	1,038,400	1,012,330	-	1,012,330
Less, direct benefits to donors	(119,377)	-	(119,377)	-	-	-
Legal fees and court awards	399,835	-	399,835	1,279,777	-	1,279,777
Fellowship subsidies	-	92,417	92,417	-	117,708	117,708
Contracted services revenue	41,960	-	41,960	88,360	-	88,360
Interest and other income	31,468	1,798	33,266	13,760	312	14,072
Net assets released from restrictions	1,040,773	(1,040,773)	-	911,687	(911,687)	-
<b>TOTAL SUPPORT, REVENUES AND GAINS</b>	<u>\$ 30,461,445</u>	<u>\$ 248,192</u>	<u>\$ 30,709,637</u>	<u>\$ 31,370,015</u>	<u>\$ 629,983</u>	<u>\$ 31,999,998</u>
<b>EXPENSES:</b>						
Program service	\$ 30,396,725	\$ -	\$ 30,396,725	\$ 27,870,536	\$ -	\$ 27,870,536
Supporting services:						
Management and general	767,128	-	767,128	692,664	-	692,664
Fundraising	485,575	-	485,575	517,132	-	517,132
<b>TOTAL EXPENSES</b>	<u>\$ 31,649,428</u>	<u>\$ -</u>	<u>\$ 31,649,428</u>	<u>\$ 29,080,332</u>	<u>\$ -</u>	<u>\$ 29,080,332</u>
<b>CHANGES IN NET ASSETS</b>	\$ (1,187,983)	\$ 248,192	\$ (939,791)	\$ 2,289,683	\$ 629,983	\$ 2,919,666
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,099,085</u>	<u>968,018</u>	<u>5,067,103</u>	<u>1,809,402</u>	<u>338,035</u>	<u>2,147,437</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,911,102</u>	<u>\$ 1,216,210</u>	<u>\$ 4,127,312</u>	<u>\$ 4,099,085</u>	<u>\$ 968,018</u>	<u>\$ 5,067,103</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,

	2022					2021				
	Supporting Services					Supporting Services				
	Program Service	Management and General	Fundraising	Direct Benefits to Donors	Total	Program Service	Management and General	Fundraising	Total	
Contributed services	\$ 27,091,304	\$ -	\$ -	\$ -	\$ 27,091,304	\$ 24,842,989	\$ -	\$ -	\$ 24,842,989	
Salaries, benefits and payroll taxes	2,493,760	484,179	335,623	-	3,313,562	2,243,678	416,538	317,270	2,977,486	
Occupancy	472,292	67,284	59,182	-	598,758	468,687	73,281	53,410	595,378	
Consultants	15,906	155,434	-	-	171,340	23,575	149,397	-	172,972	
Depreciation and amortization	135,961	14,030	17,037	-	167,028	134,145	16,789	15,293	166,227	
Events	-	-	6,990	119,377	126,367	-	-	72,278	72,278	
Equipment rental and maintenance	45,109	21,766	5,653	-	72,528	43,345	16,738	4,941	65,024	
Publications and messaging	24,363	582	18,753	-	43,698	22,632	682	17,863	41,177	
Insurance	34,446	3,555	4,316	-	42,317	33,868	4,239	3,861	41,968	
Bank and credit card fees	-	-	28,959	-	28,959	-	-	25,657	25,657	
Communications	23,508	2,002	2,431	-	27,941	23,462	2,927	2,666	29,055	
Printing and duplicating	16,399	1,692	2,055	-	20,146	16,826	2,106	1,918	20,850	
Office supplies	15,519	1,393	2,829	-	19,741	4,396	417	406	5,219	
Miscellaneous	5,308	7,241	705	-	13,254	5,234	4,605	1,270	11,109	
PEP Grant Funds	9,454	-	-	-	9,454	4,000	-	-	4,000	
Conferences and meetings	6,476	1,024	695	-	8,195	2,109	50	299	2,458	
Travel	4,999	2,378	347	-	7,724	87	1,318	-	1,405	
Technology	-	2,616	-	-	2,616	268	1,567	-	1,835	
Litigation support	1,921	-	-	-	1,921	1,235	-	-	1,235	
Bad debt	-	1,000	-	-	1,000	-	-	-	-	
Taxes and other	-	952	-	-	952	-	2,010	-	2,010	
<b>TOTAL EXPENSES</b>	<b>\$ 30,396,725</b>	<b>\$ 767,128</b>	<b>\$ 485,575</b>	<b>\$ 119,377</b>	<b>\$ 31,768,805</b>	<b>\$ 27,870,536</b>	<b>\$ 692,664</b>	<b>\$ 517,132</b>	<b>\$ 29,080,332</b>	
Less, Direct Benefits to Donors	-	-	-	(119,377)	(119,377)	-	-	-	-	
<b>TOTAL EXPENSES PER STATEMENT OF ACTIVITIES</b>	<b>\$ 30,396,725</b>	<b>\$ 767,128</b>	<b>\$ 485,575</b>	<b>\$ -</b>	<b>\$ 31,649,428</b>	<b>\$ 27,870,536</b>	<b>\$ 692,664</b>	<b>\$ 517,132</b>	<b>\$ 29,080,332</b>	

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,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (939,791)	\$ 2,919,666
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	167,028	166,227
Amortization on right-of-use-asset	523,345	-
Bad debt	1,000	-
Decrease (increase) in operating assets:		
Grants and contributions receivable	265,808	(1,152,287)
Fees and other receivable	24,407	63,490
Prepaid and other	30,342	(17,295)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	73,580	(39,662)
Custodial escrow funds	1,519	(70,000)
Deferred lease obligation	-	(124,291)
Operating lease liability	(672,176)	-
Deferred revenue	(34,375)	40,000
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (559,313)</b>	<b>\$ 1,785,848</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(11,460)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (570,773)</b>	<b>\$ 1,785,848</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,105,045</b>	<b>2,319,197</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,534,272</b>	<b>\$ 4,105,045</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Right of use assets obtained with lease liabilities	\$ 3,701,238	\$ -
Derecognition of lease liabilities	\$ 5,253,972	\$ -

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

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Organization** - The Washington Lawyers' Committee for Civil Rights and Urban Affairs (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. WLC works on matters that affect the District of Columbia and the surrounding region and on cases outside of the region that may have an impact on local residents. WLC works closely with the private bar to expand the capacity of its staff and relies heavily on various firm pro bono partners. WLC's 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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 Justice System.** The criminal justice system is a prime driver of inequality. These issues include:
  - *A continued strong emphasis on addressing conditions of incarceration.* Persons confined to prisons, jails, immigration detention and other criminal justice 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 justice system and that reduce the effects of such contact.* Race bias is deeply imbedded in each criminal justice 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.

**Basis of Presentation** - WLC prepares its financial statements in accordance with U.S. generally accepted accounting principles, including those applicable to nonprofit organizations. Under this presentation, WLC is required to report information regarding its financial position and activities for each of the two classes of net assets:

*Net assets without donor restrictions* - Net assets without donor restrictions have no donor-imposed restrictions on their use and are fully available for general operations.

*Net assets with donor restrictions* - Net assets with donor restrictions arise from contributions with donor-imposed restrictions on their use that can be removed by the passage of time or actions by WLC.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Income Tax Status** - WLC 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. Income from certain activities not directly related to WLC's tax-exempt purpose are subject to taxation as unrelated business income.

**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 unconditional promises made by donors that have not yet been received by WLC. Contributions which will not be received in one year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year. WLC considers all contributions receivable to be fully collectible; accordingly, no allowance for uncollectible receivables has been provided.

**Fees and Other Receivable** - Fees receivable represent amounts due from case settlements and are stated at the amount management expects to collect from balances outstanding at year-end. 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. Other receivable represents amounts due for services provided. Based on management's assessment of the payment history with donors having outstanding balances and current relationships with them, they have concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. Therefore, there was no allowance for doubtful accounts as of December 31, 2022 and 2021. Fees and other receivable are uncollateralized.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Property and Equipment** - Property and equipment are stated at cost, if purchased, and at fair value, if donated. All additions of equipment over \$2,500 with useful lives more than one year are capitalized. Depreciation is computed on the straight-line method based on estimated useful lives of three to five years. Leasehold improvements are amortized on the straight-line basis over the lease term. Maintenance and repairs are expensed in the year incurred.

**Leases** - WLC determines if an arrangement is a lease at the transition date. Operating lease right of use (ROU) assets and operating lease liabilities are recognized based on the present value of the remaining future minimum lease payments over the lease term. The office lease does not provide an implicit rate, management has decided to use the risk-free rate of return based on the three and five-year treasury average rate available at the transition date in determining the present value of future lease payments. Management has also elected the practical expedient to not separate lease and non-lease components by class of underlying asset and is choosing to apply this expedient to all relevant asset classes. The office lease does not include any non-lease components.

WLC elected the package of three practical expedients permitted under the transition guidance, allowing them to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) initial direct costs for existing leases. WLC elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating the accounting treatment for all classes of underlying assets.

WLC has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less, but greater than one month at lease commencement. WLC's policy is to recognize lease cost associated with its short-term leases on a straight-line basis over the lease term.

**Revenue Recognition** - In accordance with Financial Accounting Standards Board's Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, WLC recognizes revenues from contracts with customers when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration WLC expects to be entitled to in exchange for those goods or services. Revenue from contracts with customers is reported as contracted services revenue in the statements of activities. The performance obligations are satisfied at the point in time when the service is provided to the customer.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Grants and contributions** - Grants and contributions are recognized at the earlier of when the donors make promises to give WLC that are, in substance, unconditional or when they are received. Revenue from grants that are considered conditional contributions are recorded in the statements of activities as grants and contributions when the conditions have been met. Contributions are without donor restrictions unless specifically restricted by the donor for time or purpose. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue from fellowship sponsorships that are considered to be conditional are reported in the statements of activities as fellowship subsidies and are recognized when the conditions are met and qualifying expenses are incurred under the terms of the fellowship agreements.

**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 notification and collection is deemed certain, which is determined by management on a case by case basis.

**Events Revenue** - Events revenue is recognized in the period the event is held. Events revenue collected in advance are recorded as deferred revenue in the statements of financial position.

**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 recognized as in-kind contributions revenue in the statements of activities at their estimated fair values in the period received. Donated services have been recorded by the organization as program services revenue and expenses. There were no donor-imposed restrictions associated with the donated services.

**Functional Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in detail by natural classification in the statement of functional expenses. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas benefitted based on a time and effort basis that is consistently applied. Allocated costs that benefitted multiple functional areas consisted primarily of occupancy, depreciation and amortization, insurance, printing and duplicating, office supplies, communications, and equipment rental and maintenance.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 2. **Change in Accounting Principle** - WLC adopted Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. Under ASC 842, WLC is required to recognize right-of-use assets and lease liabilities on the statements of financial position for most leases and provide disclosures regarding those leases. WLC adopted this change with the date of initial application of January 1, 2022, by applying the modified retrospective transition approach. Accordingly, management evaluated whether a cumulative-effect adjustment to net assets as of January 1, 2022, was necessary, and comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period. The most significant effects were the recognition of operating lease right-of-use (ROU) asset of \$3,701,238 and operating lease liability of \$5,253,972 on the statements of financial position as of January 1, 2022. No cumulative-effect adjustment to net assets as of January 1, 2022 was necessary. This change did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

WLC also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The ASU was applied on a retrospective basis and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Note 3. **Liquidity and Availability** - The following represents the WLC's financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,534,272	\$4,105,045
Grants and contributions receivable	1,244,496	1,510,475
Accounts and other receivable	<u>29,167</u>	<u>53,574</u>
Total financial assets	\$ 4,807,935	\$5,669,094
Less amounts with restrictions:		
Restricted by donors for purposes	<u>1,216,210</u>	<u>968,018</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,591,725</u>	<u>\$4,701,076</u>

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 3. **Liquidity and Availability** - (Continued)

WLC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$1,200,000. WLC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, WLC maintains cash in excess of daily requirements in various liquid short-term investments, including laddered certificate of deposits and overnight sweep accounts.

Note 4. **Grants, Contributions and Fees Receivable** - Grants and contributions receivable represent promises to give which have been made by donors but have not yet been received by WLC. Fees receivable represent amounts due for attorney fees that have not yet been received at year end. Receivables which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year.

Grants and contributions receivable were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Grants and contributions expected to be collected in:		
Less than one year	\$ 1,244,496	\$ 1,510,475
One to five years	<u>8,000</u>	<u>8,000</u>
	\$ 1,252,496	\$ 1,518,475
Less, discount to present value	<u>(1,558)</u>	<u>(729)</u>
Net grants and contributions receivable	<u>\$ 1,250,938</u>	<u>\$ 1,517,746</u>

Fees and other receivable were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Fees and other receivable expected to be collected in:		
Less than one year	<u>\$ 29,167</u>	<u>\$ 53,574</u>

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 5. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,220,305	\$ 1,220,305
Furniture and equipment	189,386	177,926
Website and other	<u>31,000</u>	<u>31,000</u>
Total property and equipment	\$ 1,440,691	\$ 1,429,231
Less, accumulated depreciation and amortization	<u>621,326</u>	<u>454,298</u>
Net property and equipment	<u>\$ 819,365</u>	<u>\$ 974,933</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$167,028 and \$166,227, respectively.

Note 6. **Revenue Recognition**

Disaggregation of Revenue

WLC's contract services revenue is local in nature and uncertainty of payment is mitigated through payment terms agreed upon during contract signing.

The following shows WLC's revenue disaggregated according to the timing of transfer of goods and services for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Recognized at a point in time	\$ 1,080,360	\$ 1,100,690
Recognized over time	<u>-</u>	<u>-</u>
Total	<u>\$ 1,080,360</u>	<u>\$ 1,100,690</u>

Contract Balances

The following shows WLC's contract assets at December 31:

	<u>2022</u>	<u>2021</u>
Contract assets	<u>\$ 10,180</u>	<u>\$ 10,605</u>
Contract liabilities:		
Deferred event revenue	<u>\$ 15,000</u>	<u>\$ 40,000</u>

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 6. **Revenue Recognition** - (Continued)

Performance Obligations

Performance obligations for contract services and event revenue are satisfied at the point in time in which the services are provided and the event taking place.

Significant Judgments

There are no significant judgments pertaining to contract services revenue that are significant to the financial statements.

- Note 7. **Paycheck Protection Program Loan** - On February 20, 2021, WLC (the "Borrower"), received a loan (the "Loan") from Eagle Bank in the amount of \$540,120 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provide for loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the loan could be forgiven if the proceeds were used for qualifying expenses as described in the CARES Act, while maintaining payroll levels. Qualifying expenses included payroll, benefits, rent and utilities.

WLC elected to account for the PPP loans as a conditional contribution and recognized revenue as conditions were met during 2021. These amounts are included in the grants and contributions line item on the statements of activities.

- Note 8. **Leasing arrangements** - WLC has operating leases for office space and equipment expiring at various times through 2028. The lease agreements do not contain material residual value guarantees or impose restrictions or covenants. As of December 31, 2022, WLC has not entered into any new lease agreements for the subsequent year-end. Leases that contain options to extend at the discretion of WLC's management have not been included the measurement of the lease assets and liabilities due to the uncertainty of exercising the option. As of December 31, 2022, WLC reported \$3,177,892 of operating lease right-of-use assets and \$4,581,796 of operating lease liabilities on the statements of financial position.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 8. **Leasing arrangements** - (Continued)

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease cost - Office	\$	576,824
Operating lease cost - Equipment		22,882
Variable lease cost		<u>922</u>
Total lease cost	<u>\$</u>	<u>600,628</u>
Weighted Average Remaining lease Term		5.80 years
Weighted Average Discount Rate		1.54%

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows for operating leases	<u>\$</u>	<u>748,536</u>
---	-----------	----------------

Future minimum lease payments on the operating leases at December 31, 2022 are as follows:

	<u>Office Leases</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 751,052	\$ 22,882	\$ 773,934
2024	777,339	8,482	785,821
2025	804,545	920	805,465
2026	832,705	-	832,705
2027	861,849	-	861,849
Thereafter	<u>741,220</u>	<u>-</u>	<u>741,220</u>
Total future minimum lease payments	\$ 4,768,710	\$ 32,284	\$ 4,800,994
Less imputed interest	<u>(219,017)</u>	<u>(181)</u>	<u>(219,198)</u>
Total lease obligations	\$ 4,549,693	\$ 32,103	\$ 4,581,796
Less current obligations	<u>(685,338)</u>	<u>(22,726)</u>	<u>(708,064)</u>
Long term lease obligations	<u>\$ 3,864,355</u>	<u>\$ 9,377</u>	<u>\$ 3,873,732</u>

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

- Note 9. **Retirement Plans** - WLC maintains two retirement plans for its employees, including a 401(k) retirement plan and a 403(b) retirement plan. Employees are eligible to participate in the 401(k) plan after completing one year of service. Eligibility for the 403(b) plan is at the time of employment and allows for employee deferrals. WLC provides for a discretionary contribution to the 401(k) plan based on each participant's compensation. For the years ending December 31, 2022 and 2021, contributions to the 401(k) plan were \$112,122 and 101,493, respectively.
- Note 10. **Donated Services** - For the years ended December 31, 2022 and 2021, WLC received \$27,091,304 and \$24,842,989, respectively, of donated services that consisted of legal and consulting services to support its program services. Donated services are valued at the estimated fair value of services provided by the contributing organization and are typically based on that organization's standard hourly billing rates. Donated service were allocated one hundred percent to programs.
- Note 11. **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 coverage by the Federal Deposit Insurance Corporation. Management believes the risk to be minimal. At December 31, 2022, there was \$72,396 in excess of these limits.

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

Note 12. **Net Assets with Donor Restrictions** - Net assets with donor restrictions were for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Housing justice project	\$ 402,500	\$ 230,000
Employment justice and workers rights	349,500	205,000
Pro bono breakfast	111,760	110,488
Disability rights project	96,250	55,000
Prisoners' rights	85,000	-
Oberdorfer Fund	46,200	45,675
Education	-	50,000
Eviction project	-	162,000
PEP Fund	-	9,349
Compassionate release project	-	<u>6,756</u>
Subtotal	<u>\$ 1,091,210</u>	<u>\$ 874,268</u>
Subject to passage of time:		
Amounts received for future operations	<u>125,000</u>	<u>93,750</u>
Total	<u><u>\$ 1,216,210</u></u>	<u><u>\$ 968,018</u></u>

Note 13. **Related Party** - WLC leases office space from a law firm where one of its governing members is a partner. Total amount paid to this firm for the years ended December 31, 2022 and 2021 was \$725,654 and \$703,119, respectively.

Note 14. **Commitments** - WLC 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 15. **Subsequent Events** - In preparation of these financial statements, WLC has evaluated events and transactions for potential recognition or disclosure through September 8, 2023, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**WASHINGTON LAWYERS' COMMITTEE FOR  
CIVIL RIGHTS AND URBAN AFFAIRS, INC.  
SCHEDULES OF ACTIVITIES  
(WITHOUT DONATED SERVICES)**

	FOR THE YEARS ENDED DECEMBER 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES AND GAINS:</b>						
Grants and contributions	\$ 937,082	\$ 1,194,750	\$ 2,131,832	\$ 3,221,112	\$ 1,423,650	\$ 4,644,762
Annual events	1,038,400	-	1,038,400	1,012,330	-	1,012,330
Less, direct benefits to donors	(119,377)	-	(119,377)	-	-	-
Legal fees and court awards	399,835	-	399,835	1,279,777	-	1,279,777
Fellowship subsidies	-	92,417	92,417	-	117,708	117,708
Contracted services revenue	41,960	-	41,960	88,360	-	88,360
Interest income	31,464	1,798	33,262	4,061	312	4,373
Other income	4	-	4	9,699	-	9,699
Net assets released from restrictions	1,040,773	(1,040,773)	-	911,687	(911,687)	-
<b>TOTAL SUPPORT, REVENUES AND GAINS</b>	<b>\$ 3,370,141</b>	<b>\$ 248,192</b>	<b>\$ 3,618,333</b>	<b>\$ 6,527,026</b>	<b>\$ 629,983</b>	<b>\$ 7,157,009</b>
<b>EXPENSES:</b>						
Program service	\$ 3,305,421	\$ -	\$ 3,305,421	\$ 3,027,547	\$ -	\$ 3,027,547
Supporting services:						
Management and general	767,128	-	767,128	692,664	-	692,664
Fundraising	485,575	-	485,575	517,132	-	517,132
<b>TOTAL EXPENSES</b>	<b>\$ 4,558,124</b>	<b>\$ -</b>	<b>\$ 4,558,124</b>	<b>\$ 4,237,343</b>	<b>\$ -</b>	<b>\$ 4,237,343</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ (1,187,983)</b>	<b>\$ 248,192</b>	<b>\$ (939,791)</b>	<b>\$ 2,289,683</b>	<b>\$ 629,983</b>	<b>\$ 2,919,666</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,099,085</b>	<b>968,018</b>	<b>5,067,103</b>	<b>1,809,402</b>	<b>338,035</b>	<b>2,147,437</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,911,102</b>	<b>\$ 1,216,210</b>	<b>\$ 4,127,312</b>	<b>\$ 4,099,085</b>	<b>\$ 968,018</b>	<b>\$ 5,067,103</b>