

**WASHINGTON LAWYERS' COMMITTEE FOR
CIVIL RIGHTS AND URBAN AFFAIRS, INC.
DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

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, 2020 and 2019 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sarfinis and Rhoades, LLP

June 30, 2021

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

	DECEMBER 31,	
	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 13)	\$ 2,142,092	\$ 1,303,460
Restricted cash	<u>177,105</u>	<u>164,264</u>
Total cash and cash equivalents	\$ 2,319,197	\$ 1,467,724
Investments (Notes 1, 4 and 5)	-	1,072,128
Grants and contributions receivable (Notes 1 and 6)	341,242	722,698
Fees and other receivable (Notes 1 and 6)	80,391	103,767
Prepaid and other	<u>158,865</u>	<u>194,137</u>
TOTAL CURRENT ASSETS	<u>\$ 2,899,695</u>	<u>\$ 3,560,454</u>
PROPERTY AND EQUIPMENT (Notes 1 and 7)	<u>\$ 1,141,160</u>	<u>\$ 1,308,235</u>
OTHER ASSETS:		
Security deposit	\$ 110,642	\$ 110,642
Fees receivable - non-current portion (Notes 1 and 6)	36,673	79,577
Contributions receivable - non-current portion (Notes 1 and 6)	<u>24,217</u>	<u>39,435</u>
TOTAL OTHER ASSETS	<u>\$ 171,532</u>	<u>\$ 229,654</u>
TOTAL ASSETS	<u><u>\$ 4,212,387</u></u>	<u><u>\$ 5,098,343</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 308,549	\$ 330,765
Custodial escrow funds	70,000	-
Deferred lease obligation, current portion (Note 10)	273,121	4,606
Deferred revenue	<u>9,375</u>	<u>30,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 661,045</u>	<u>\$ 365,371</u>
OTHER LIABILITIES:		
Deferred lease obligation, long-term portion (Note 10)	<u>1,403,905</u>	<u>1,667,813</u>
TOTAL LIABILITIES	<u>\$ 2,064,950</u>	<u>\$ 2,033,184</u>
COMMITMENTS (Note 10)		
NET ASSETS (Notes 1 and 14):		
Without donor restrictions	\$ 1,809,402	\$ 2,284,645
With donor restrictions	<u>338,035</u>	<u>780,514</u>
TOTAL NET ASSETS	<u>\$ 2,147,437</u>	<u>\$ 3,065,159</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,212,387</u></u>	<u><u>\$ 5,098,343</u></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,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES AND GAINS (Notes 1, 8 and 12):						
Contributed services	\$ 41,940,103	\$ -	\$ 41,940,103	\$ 26,069,995	\$ -	\$ 26,069,995
Grants and contributions	2,116,814	433,105	2,549,919	689,292	758,024	1,447,316
Legal fees and court awards	298,508	-	298,508	932,820	-	932,820
Annual events	295,443	-	295,443	926,931	-	926,931
Less, direct benefits to donors	-	-	-	(78,751)	-	(78,751)
Contracted services revenue	95,050	-	95,050	-	-	-
Fellowship subsidies	-	52,708	52,708	-	96,165	96,165
In-kind contributions	-	-	-	33,425	-	33,425
Other income	3,667	-	3,667	-	-	-
Interest income	26,825	406	27,231	32,784	774	33,558
Net assets released from restrictions	928,698	(928,698)	-	822,265	(822,265)	-
TOTAL SUPPORT, REVENUES AND GAINS	<u>\$ 45,705,108</u>	<u>\$ (442,479)</u>	<u>\$ 45,262,629</u>	<u>\$ 29,428,761</u>	<u>\$ 32,698</u>	<u>\$ 29,461,459</u>
EXPENSES:						
Program service	\$ 45,069,826	\$ -	\$ 45,069,826	\$ 29,680,511	\$ -	\$ 29,680,511
Supporting services:						
Management and general	689,754	-	689,754	650,798	-	650,798
Fundraising	420,771	-	420,771	431,648	-	431,648
TOTAL EXPENSES	<u>\$ 46,180,351</u>	<u>\$ -</u>	<u>\$ 46,180,351</u>	<u>\$ 30,762,957</u>	<u>\$ -</u>	<u>\$ 30,762,957</u>
CHANGES IN NET ASSETS	\$ (475,243)	\$ (442,479)	\$ (917,722)	\$ (1,334,196)	\$ 32,698	\$ (1,301,498)
NET ASSETS, BEGINNING OF YEAR	<u>2,284,645</u>	<u>780,514</u>	<u>3,065,159</u>	<u>3,618,841</u>	<u>747,816</u>	<u>4,366,657</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,809,402</u></u>	<u><u>\$ 338,035</u></u>	<u><u>\$ 2,147,437</u></u>	<u><u>\$ 2,284,645</u></u>	<u><u>\$ 780,514</u></u>	<u><u>\$ 3,065,159</u></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,

	2020					2019					
	Supporting Services				Direct Benefits to Donors	Supporting Services				Direct Benefits to Donors	Total
	Program Service	Management and General	Fundraising	Total		Program Service	Management and General	Fundraising	Total		
Contributed services	\$ 41,940,103	\$ -	\$ -	\$ -	\$ -	\$ 41,940,103	\$ 26,069,995	\$ -	\$ -	\$ -	\$ 26,069,995
Salaries, benefits and payroll taxes	2,309,926	445,671	314,573	-	-	3,070,170	2,547,940	450,103	320,642	-	3,318,685
Occupancy	479,336	70,616	45,862	-	-	595,814	639,770	77,431	61,944	-	779,145
Depreciation and amortization	137,838	16,039	13,199	-	-	167,076	105,921	12,918	10,334	-	129,173
Consultants	-	93,015	-	-	-	93,015	6,143	78,479	-	-	84,622
Equipment rental and maintenance	44,791	11,804	4,142	-	-	60,737	57,637	4,979	3,983	-	66,599
PEP Grant Funds	37,602	-	-	-	-	37,602	2,500	-	-	-	2,500
Insurance	28,721	4,954	2,750	-	-	36,425	28,616	3,490	2,792	-	34,898
Communications	28,767	3,354	2,797	-	-	34,918	25,029	3,054	2,673	-	30,756
Technology	1,367	31,835	-	-	-	33,202	-	-	-	-	-
Publications and messaging	23,725	-	8,898	-	-	32,623	21,518	119	9,529	-	31,166
Printing and duplicating	19,985	3,614	1,804	-	-	25,403	20,857	2,715	2,267	-	25,839
Bank and credit card fees	-	-	16,906	-	-	16,906	-	-	8,422	-	8,422
Events	-	-	7,839	-	-	7,839	66,618	-	-	78,751	145,369
Miscellaneous	5,112	1,208	1,471	-	-	7,791	21,060	3,961	3,921	-	28,942
Office supplies	6,319	654	530	-	-	7,503	14,494	1,883	3,914	-	20,291
Litigation support	5,392	-	-	-	-	5,392	32,327	-	-	-	32,327
Bad debt expense	-	5,000	-	-	-	5,000	-	2,575	-	-	2,575
Travel	634	813	-	-	-	1,447	8,367	966	350	-	9,683
Taxes and other	-	1,177	-	-	-	1,177	-	7,516	-	-	7,516
Conferences and meetings	208	-	-	-	-	208	11,719	609	877	-	13,205
TOTAL EXPENSES	\$ 45,069,826	\$ 689,754	\$ 420,771	\$ -	\$ -	\$ 46,180,351	\$ 29,680,511	\$ 650,798	\$ 431,648	\$ 78,751	\$ 30,841,708
Less, Direct Benefits to Donors	-	-	-	-	-	-	-	-	-	(78,751)	(78,751)
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	\$ 45,069,826	\$ 689,754	\$ 420,771	\$ -	\$ -	\$ 46,180,351	\$ 29,680,511	\$ 650,798	\$ 431,648	\$ -	\$ 30,762,957

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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (917,722)	\$ (1,301,498)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	167,076	129,173
Donated furniture and equipment	-	(33,425)
Bad debt	5,000	2,575
Decrease (increase) in operating assets:		
Grants and contributions receivable	391,674	170,205
Accounts and other receivable	66,280	(136,284)
Accrued interest on investments	-	(25,402)
Prepaid expenses and other	35,272	(11,426)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(22,216)	50,782
Custodial escrow funds	70,000	(10,000)
Deferred lease obligation	4,607	1,551,938
Deferred revenue	(20,625)	30,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (220,654)	\$ 416,638
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	\$ 1,072,127	\$ 358,665
Refund of (payments for) security deposit	-	77,268
Purchases of property and equipment	-	(1,296,484)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 1,072,127	\$ (860,551)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 851,473	\$ (443,913)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,467,724	1,911,637
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,319,197	\$ 1,467,724
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	\$ -	\$ 7,516

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, 2020 AND 2019**

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 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, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 reduces 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, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 the Committee'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.

Investments - WLC investments consist primarily of Certificates of Deposit (CD) which include accrued interest and are reported at their fair values in the statements of financial position. Investment income is comprised of accrued interest on the CDs and is reported in the statements of activities.

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, 2020 and 2019. Fees and other receivable are uncollateralized.

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NOTES TO FINANCIAL STATEMENTS
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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.

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.

Grants and contributions - Grants and contributions are recognized at the earlier of when the donors make promises to give to the 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 recorded in the statements of activities as fellowship subsidies and are recognized as qualifying expenses are incurred under the terms of the fellowship agreements.

Amounts received in advance for fellowships are recorded as deferred revenue in the statements of financial position.

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.

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NOTES TO FINANCIAL STATEMENTS
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Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

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 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. In-kind contributions, such as donated property and equipment, are included in the statements of activities at their estimated fair value on the date of donation and are reported on the statements of financial position as property and equipment.

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 expenses, insurance, printing and duplicating, office supplies, communications, and equipment rental and maintenance.

Note 2. **Change in Accounting Principle** - WLC adopted the Financial Accounting Standards Board's Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue when control of the promised goods or services is transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. The Organization adopted the Standard on January 1, 2020 using the modified retrospective approach. The adoption did not materially affect changes in net assets, financial position or cash flows.

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NOTES TO FINANCIAL STATEMENTS
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Note 3. **Liquidity and Availability** - The following represents the Organization's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,319,197	\$1,467,724
Investments	-	1,072,128
Grants and contributions receivable	341,242	722,698
Accounts and other receivable	80,391	103,767
Employee receivable	-	2,195
Total financial assets	<u>\$ 2,740,830</u>	<u>\$3,368,512</u>
Less amounts with restrictions:		
Restricted by donors for purposes	<u>338,035</u>	<u>780,514</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 2,402,795</u></u>	<u><u>\$2,587,998</u></u>

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 invests cash in excess of daily requirements in various liquid short-term investments, including laddered certificate of deposits and overnight sweep accounts.

Note 4. **Investments** - WLC invests cash in excess of its immediate needs in CDs which are reported as investments in the statements of financial position. The balance at December 31, 2019 was \$1,072,128. The CDs matured in 2020.

Note 5. **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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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NOTES TO FINANCIAL STATEMENTS
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Note 5. **Fair Value Measurements** - (Continued)

- Level 1 Inputs to the 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 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 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.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis.

Certificates of Deposit Account Registry Service - Certificates of deposit managed by brokerage arrangements are priced based on credit and risk factors by independent pricing services. WLC's CDs were measured using level 2 inputs at December 31, 2019 at fair values of \$1,072,128.

Note 6. **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.

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Note 6. **Grants, Contributions and Fees Receivable** - (Continued)

Grants and contributions receivable were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Grants and contributions expected to be collected in:		
Less than one year	\$ 341,242	\$ 722,698
One to five years	<u>26,650</u>	<u>50,250</u>
	\$ 367,892	\$ 772,948
Less, discount to present value	<u>(2,433)</u>	<u>(10,815)</u>
Net grants and contributions receivable	<u>\$ 365,459</u>	<u>\$ 762,133</u>

Fees and other receivable were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Fees and other receivable expected to be collected in:		
Less than one year	\$ 80,391	\$ 103,767
One to five years	<u>39,600</u>	<u>91,450</u>
	\$ 119,991	\$ 195,217
Less, discount to present value	<u>(2,927)</u>	<u>(11,873)</u>
Net fees and other receivable	<u>\$ 117,064</u>	<u>\$ 183,344</u>

Note 7. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 1,220,305	\$ 1,220,305
Furniture and equipment	177,926	184,589
Website and other	<u>31,000</u>	<u>31,000</u>
Total property and equipment	\$ 1,429,231	\$ 1,435,894
Less, accumulated depreciation and amortization	<u>288,071</u>	<u>127,659</u>
Net property and equipment	<u>\$ 1,141,160</u>	<u>\$ 1,308,235</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$167,076 and \$129,173, respectively.

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Note 8. **Revenue Recognition**

Disaggregation of Revenue

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

	<u>2020</u>	<u>2019</u>
Recognized at a point in time	\$ 390,493	\$ 926,931
Recognized over time	-	-
Total	<u>\$ 390,493</u>	<u>\$ 926,931</u>

Contract Balances

The following shows the Organization's contract assets at December 31:

	<u>2020</u>	<u>2019</u>
Contract assets	<u>\$ 10,325</u>	<u>\$ 19,805</u>
Contract liabilities:		
Deferred revenue	<u>\$ -</u>	<u>\$ 30,000</u>

Performance Obligations

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

Significant Judgements

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

Note 9. **Paycheck Protection Program Loan** - On April 27, 2020, the Organization (the "Borrower"), received a loan (the "Loan") from Eagle Bank in the amount of \$533,217 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides 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 may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act, while maintaining payroll levels. Qualifying expenses include payroll, benefits, rent and utilities.

The Organization elected to account for the PPP loan as a conditional contribution and recognized revenue as conditions were met during 2020. This amount is included in the grants and contributions line item on the Statements of Activities.

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Note 10. **Commitments** - On September 4, 2018, WLC entered into a 113-month operating lease for office space effective June 2019. The lease provides for a free rent period, annual escalations in the base rent and \$1,496,448 in leasehold improvement allowance. The annual escalations and tenant improvement allowance give rise to a deferred lease obligation which is amortized over the lease term. The deferred lease obligation as of December 31, 2020 and 2019 was \$1,677,026 and \$1,672,419, respectively. Rent expense for the years ended December 31, 2020 and 2019 was \$576,823 and \$746,619, respectively, which is included in occupancy expense on the statements of functional expenses.

On December 18, 2018, WLC entered into a 63-month non-cancelable operating lease for a copier that expires in March 2024. On January 30, 2015, WLC entered into a 51-month non-cancelable operating lease for a postage meter that expired in April 2019 and was renewed an additional 51-month term expiring July 2023. Monthly rental payments on the copier and postage meter are \$1,600 and \$250, respectively. Equipment rental expense for the years ended December 31, 2020 and 2019 was \$44,355 and \$43,611, respectively.

Future minimum lease payments as of December 31, 2020 are as follows:

Years Ending December 31,	<u>Office Lease</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 701,115	\$ 19,200	\$ 720,315
2022	725,654	19,200	744,854
2023	751,052	19,200	770,252
2024	777,339	-	777,339
2025	804,545	-	804,545
Thereafter	<u>2,435,773</u>	<u>-</u>	<u>2,435,773</u>
Total	<u>\$ 6,195,478</u>	<u>\$ 57,600</u>	<u>\$ 6,253,078</u>

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. As described in Note 13, the annual event scheduled for June 2020 was cancelled subsequent to year-end as a result of the COVID-19 outbreak in the United States. There was no penalty as a result of this cancellation. All hotel deposits for this event were applied to future events.

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- Note 11. **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. The Organization provides for a discretionary contribution to the 401(k) plan based on each participant's compensation. For the years ending December 31, 2020 and 2019, contributions to the 401 (k) plan were \$113,819 and 95,911, respectively.
- Note 12. **Donated Services** - For the years ended December 31, 2020 and 2019, WLC received \$41,940,103 and 26,069,995, respectively, of in-kind contributions consisting 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 13. **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, 2020, there were no amounts in excess of these limits.

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Note 14. **Net Assets with Donor Restrictions** - Net assets with donor restrictions were for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Pro bono breakfast	\$ 110,268	\$ 108,669
Education project	56,569	10,000
Oberdorfer fund	45,434	36,746
Advocacy for the blind	17,500	17,500
PEP Fund	13,349	18,849
Compassionate release project	13,040	-
Housing justice project	-	200,000
Employment justice and workers rights	-	180,000
Prisoners' project	-	80,000
Disability rights project	-	40,000
Subtotal	<u>\$ 256,160</u>	<u>\$ 691,764</u>
Subject to passage of time:		
Amounts received for future operations	<u>81,875</u>	<u>88,750</u>
Total	<u><u>\$ 338,035</u></u>	<u><u>\$ 780,514</u></u>

Note 15. **Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 16. **Subsequent Events** - In preparation of these financial statements, WLC has evaluated events and transactions for potential recognition or disclosure through June 30, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

	FOR THE YEARS ENDED DECEMBER 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES AND GAINS:						
Grants and contributions	\$ 2,116,814	\$ 433,105	\$ 2,549,919	\$ 689,292	\$ 758,024	\$ 1,447,316
Legal fees and court awards	298,508	-	298,508	932,820	-	932,820
Annual events	295,443	-	295,443	926,931	-	926,931
Less, direct benefits to donors	-	-	-	(78,751)	-	(78,751)
Contracted services revenue	95,050	-	95,050	-	-	-
Fellowship subsidies	-	52,708	52,708	-	96,165	96,165
In-kind contributions	3,667	-	3,667	33,425	-	33,425
Interest income	26,825	406	27,231	32,784	774	33,558
Net assets released from restrictions	822,265	(822,265)	-	822,265	(822,265)	-
TOTAL SUPPORT, REVENUES AND GAINS	<u>\$ 3,658,572</u>	<u>\$ (336,046)</u>	<u>\$ 3,322,526</u>	<u>\$ 3,358,766</u>	<u>\$ 32,698</u>	<u>\$ 3,391,464</u>
EXPENSES:						
Program service	\$ 3,129,723	\$ -	\$ 3,129,723	\$ 3,610,516	\$ -	\$ 3,610,516
Supporting services:						
Management and general	689,754	-	689,754	650,798	-	650,798
Fundraising	420,771	-	420,771	431,648	-	431,648
TOTAL EXPENSES	<u>\$ 4,240,248</u>	<u>\$ -</u>	<u>\$ 4,240,248</u>	<u>\$ 4,692,962</u>	<u>\$ -</u>	<u>\$ 4,692,962</u>
CHANGES IN NET ASSETS	\$ (581,676)	\$ (336,046)	\$ (917,722)	\$ (1,334,196)	\$ 32,698	\$ (1,301,498)
NET ASSETS, BEGINNING OF YEAR	<u>2,284,645</u>	<u>780,514</u>	<u>3,065,159</u>	<u>3,618,841</u>	<u>747,816</u>	<u>4,366,657</u>
NET ASSETS, END OF YEAR	<u>\$ 1,702,969</u>	<u>\$ 444,468</u>	<u>\$ 2,147,437</u>	<u>\$ 2,284,645</u>	<u>\$ 780,514</u>	<u>\$ 3,065,159</u>