

**LEGAL AID SOCIETY OF
THE DISTRICT OF COLUMBIA
DECEMBER 31, 2015 AND 2014**

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J Gregory Sarfino CPA
David R Himes CPA
Michael J Devlin CPA
Brian W Dow, CPA

11921 Rockville Pike, Suite 501
North Bethesda, Maryland
20852-2794

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 Executive Committee
Legal Aid Society of the District of Columbia
Washington, D.C.

We have audited the accompanying financial statements of the Legal Aid Society of the District of Columbia (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 of 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 Legal Aid Society of the District of Columbia as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was 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, 2015 and 2014 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sapient and Rhodes, LLP

May 18, 2016

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 3)	\$ 845,359	\$ 414,085
Investments (Notes 1, 2 and 3)	1,604,743	2,017,364
Grants and contributions receivable (Notes 1 and 4)	277,562	242,397
Interest receivable and prepaid expenses	87,073	49,513
TOTAL CURRENT ASSETS	\$ 2,814,737	\$ 2,723,359
PROPERTY AND EQUIPMENT (Notes 1 and 5)	\$ 185,549	\$ 147,025
OTHER ASSETS:		
Deposit	\$ 24,006	\$ 23,273
TOTAL ASSETS	\$ 3,024,292	\$ 2,893,657
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 119,462	\$ 135,155
Deferred revenue	50,000	-
Deferred lease obligation, current portion (Note 7)	61,158	46,724
TOTAL CURRENT LIABILITIES	\$ 230,620	\$ 181,879
OTHER LIABILITIES:		
Deferred lease obligation (Note 7)	\$ 229,574	\$ 290,732
TOTAL LIABILITIES	\$ 460,194	\$ 472,611
COMMITMENTS (Note 7)		
NET ASSETS (Notes 1 and 10):		
Unrestricted	\$ 1,594,664	\$ 1,419,577
Temporarily restricted	517,996	557,162
Permanently restricted	451,438	444,307
TOTAL NET ASSETS	\$ 2,564,098	\$ 2,421,046
TOTAL LIABILITIES AND NET ASSETS	\$ 3,024,292	\$ 2,893,657

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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE (Notes 1 and 9):								
Contributed services	\$ 17,571,628	\$ -	\$ -	\$ 17,571,628	\$ 17,476,122	\$ -	\$ -	\$ 17,476,122
Grants and contributions	2,298,905	1,831,699	32,250	4,162,854	1,991,540	1,592,926	68,750	3,653,216
Special events	1,028,205	-	-	1,028,205	1,080,875	-	-	1,080,875
Investment income	21,098	-	(3,076)	18,022	37,360	-	18,137	55,497
In-kind contributions	45,545	-	-	45,545	44,960	-	-	44,960
Sublease income	-	-	-	-	24,000	-	-	24,000
Net assets released from restrictions	1,892,908	(1,870,865)	(22,043)	-	1,418,818	(1,399,099)	(19,719)	-
TOTAL SUPPORT AND REVENUE	<u>\$ 22,858,289</u>	<u>\$ (39,166)</u>	<u>\$ 7,131</u>	<u>\$ 22,826,254</u>	<u>\$ 22,073,675</u>	<u>\$ 193,827</u>	<u>\$ 67,168</u>	<u>\$ 22,334,670</u>
EXPENSES:								
Program services	\$ 21,621,981	\$ -	\$ -	\$ 21,621,981	\$ 21,143,587	\$ -	\$ -	\$ 21,143,587
Fundraising	594,696	-	-	594,696	561,025	-	-	561,025
Management and general	466,525	-	-	466,525	469,130	-	-	469,130
TOTAL EXPENSES	<u>\$ 22,683,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,683,202</u>	<u>\$ 22,173,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,173,742</u>
CHANGES IN NET ASSETS	\$ 175,087	\$ (39,166)	\$ 7,131	\$ 143,052	\$ (100,067)	\$ 193,827	\$ 67,168	\$ 160,928
NET ASSETS, BEGINNING OF YEAR	<u>1,419,577</u>	<u>557,162</u>	<u>444,307</u>	<u>2,421,046</u>	<u>1,519,644</u>	<u>363,335</u>	<u>377,139</u>	<u>2,260,118</u>
NET ASSETS, END OF YEAR	<u>\$ 1,594,664</u>	<u>\$ 517,996</u>	<u>\$ 451,438</u>	<u>\$ 2,564,098</u>	<u>\$ 1,419,577</u>	<u>\$ 557,162</u>	<u>\$ 444,307</u>	<u>\$ 2,421,046</u>

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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donated services	\$ 17,571,628	\$ -	\$ -	\$ 17,571,628	\$ 17,476,122	\$ -	\$ -	\$ 17,476,122
Salaries	2,843,598	320,037	284,732	3,448,367	2,528,025	324,090	258,177	3,110,292
Occupancy	446,012	50,197	44,660	540,869	442,818	56,366	45,223	544,407
Employee benefits	286,595	32,246	28,689	347,530	271,763	34,593	27,754	334,110
Payroll taxes	213,567	24,036	21,385	258,988	192,800	24,542	19,689	237,031
Special events	-	-	129,031	129,031	-	-	136,462	136,462
Office supplies and expenses	69,494	7,821	6,958	84,273	64,089	8,158	6,545	78,792
Professional services	68,871	7,751	6,896	83,518	56,685	7,215	5,790	69,690
Printing and publications	8,090	910	51,588	60,588	6,043	769	39,896	46,708
Miscellaneous	34,323	3,863	3,437	41,623	25,366	3,229	2,594	31,189
Depreciation and amortization (Note 5)	31,304	3,523	3,134	37,961	30,473	3,879	3,112	37,464
Insurance	21,717	2,444	2,175	26,336	17,842	2,271	1,822	21,935
Telephone	18,054	2,032	1,808	21,894	19,957	2,540	2,038	24,535
Postage and shipping	8,728	982	10,203	19,913	11,380	1,449	11,900	24,729
Bad debt expense	-	10,683	-	10,683	-	-	-	-
Interest	-	-	-	-	224	29	23	276
	<u>\$ 21,621,981</u>	<u>\$ 466,525</u>	<u>\$ 594,696</u>	<u>\$ 22,683,202</u>	<u>\$ 21,143,587</u>	<u>\$ 469,130</u>	<u>\$ 561,025</u>	<u>\$ 22,173,742</u>

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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 143,052	\$ 160,928
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	37,961	37,464
Net realized and unrealized losses on investments	51,619	24,367
Donated securities	(17,215)	(15,926)
Donated leasehold improvements	-	(37,125)
Donated furniture and equipment	(45,545)	(7,835)
Uncollectible pledge receivable	10,683	2,606
Change in assets and liabilities:		
Increase in grants and contributions receivable	(45,848)	(55,649)
Decrease (increase) in interest receivable and prepaid expenses	(37,559)	4,055
Increase (decrease) in accounts payable and accrued expenses	(15,693)	31,460
Increase in deferred revenue	50,000	-
Decrease in deferred lease obligation	(46,724)	(5,187)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 84,731	\$ 139,158
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 489,278	\$ 1,580,203
Purchases of investments	(111,060)	(1,675,113)
Payments for security deposits	(733)	-
Payments for purchases of property and equipment	(30,942)	(39,012)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 346,543	\$ (133,922)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	\$ -	\$ (5,305)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 431,274	\$ (69)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	414,085	414,154
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 845,359	\$ 414,085
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ 276

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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Organization - The Legal Aid Society of the District of Columbia (the “Organization”) was founded in 1932 as a non-profit public interest law firm. The Organization provides representation and other assistance to low-income persons who are either District of Columbia (“District”) residents or have a civil legal problem in the District’s courts or before a District administrative tribunal. The Organization’s staff and volunteers assist clients with civil legal problems on a range of matters including domestic violence, custody, child support, eviction, public housing, preservation of affordable housing, health care, public benefits and consumer law.

Program Services - The Organization works to ensure that families, individuals and communities living in poverty have equal and meaningful access to justice by providing advice, brief assistance, representation and referrals. In addition to direct client services, the Organization advocates for systemic change on matters that grow directly from individual cases. The core priorities of the Organization include keeping people housed, securing access to health care and public benefits, protecting limited assets and income, securing safety from domestic violence and finding family stability. The Organization also has a nationally-recognized appellate program, The Barbara McDowell Appellate Advocacy Project.

Basis of Accounting - The financial statements of the Organization 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 the Organization 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 actions of the Organization.
- *Permanently restricted net assets*: Permanently restricted net assets include resources with permanent donor-imposed restrictions.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Income Tax Status - The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) except for taxes on unrelated business income. There was no unrelated business income for the years ended December 31, 2015 and 2014.

Use of Estimates - The preparation of financial statements in conformity 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, the Organization considers highly liquid debt instruments purchased with original maturities of less than three months to be cash equivalents. Money market funds held with investment brokers are considered cash.

Investments - Investments are measured at fair value at the statement of financial position date. Investments include exchange-traded funds, certificates of deposit, mutual funds, common stocks and fixed income securities held with investment brokers. Investment income is comprised of interest, dividends and realized and unrealized gains and losses on investments and is reported in the statements of activities.

Property and Equipment - Furniture and equipment are stated at cost, if purchased, or fair value on the date of donation, if contributed. 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. All purchases of equipment over \$1,000 and with expected lives of greater than one year are capitalized. Maintenance and repairs are expensed in the year incurred.

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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Donated Goods and Services - Donated non-cash assets are recorded at their estimated fair market values in the period received. 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 either capitalized on the statements of financial position, as it relates to equipment, or shown in the representative functional expense account the contribution relates to.

Functional Allocation of Expenses - The Organization allocates salaries, benefits, rent and other overhead expenses to the various programs and supporting services based on the estimated amount of time staff worked in each functional area.

Concentration of Credit Risk - Financial instruments which potentially subject the Organization 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). The Organization attempts to minimize this risk by maintaining deposits at institutions it assesses as high quality. At December 31, 2015, the Organization's uninsured cash balances total \$45,211.

Note 2. **Investments** - The aggregate fair values of investments as of December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Fixed income securities	\$ 959,596	\$ 1,364,437
Exchange-Traded Funds	629,221	631,540
Equities	15,926	21,387
Totals	\$ 1,604,743	\$ 2,017,364

Note 3. **Fair Value Measurements** - The Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes 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).

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

The three levels of the fair value hierarchy are described as follows: level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. The asset'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 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.

Certificates of deposit and fixed income securities - Certificates of deposit and fixed income mutual funds are valued using appraisals from independent quotation services based on closing prices or other factors.

Equity mutual funds, fixed-income mutual funds, common stock, 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, the Organization's assets at fair value as of December 31:

	2015			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ -	\$ 959,597	\$ -	\$ 959,597
Exchange-traded funds	476,745	152,475	-	629,220
Common stock	15,926	-	-	15,926
Money market funds	-	505,434	-	505,434
	\$ 492,671	\$ 1,617,506	\$ -	\$ 2,110,177

	2014			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ -	\$ 1,364,436	\$ -	\$ 1,364,436
Exchange-traded funds	631,541	-	-	631,541
Common stock	21,387	-	-	21,387
Money market funds	-	9,594	-	9,594
	\$ 652,928	\$ 1,374,030	\$ -	\$ 2,026,958

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

The following summarizes investment income for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 69,641	\$ 79,864
Realized gains (losses) on investments	4,380	(7,633)
Unrealized losses on investments	<u>(55,999)</u>	<u>(16,734)</u>
	<u>\$ 18,022</u>	<u>\$ 55,497</u>

Note 4. **Grants and Contributions Receivable** - Grants and contributions receivable represent amounts pledged but not yet collected at year-end. These receivables, which are generally uncollateralized, 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 contributors and grantors having outstanding balances management has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. Management expects the amounts to be received within the coming year.

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

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 164,762	\$ 136,440
Computer equipment	140,219	139,236
Office furniture and equipment	40,404	71,208
Website	<u>11,289</u>	<u>11,289</u>
Total property and equipment	\$ 356,674	\$ 358,173
Less, accumulated depreciation and amortization	<u>171,125</u>	<u>211,148</u>
Net property and equipment	<u>\$ 185,549</u>	<u>\$ 147,025</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$37,961 and \$37,464, respectively.

Note 6. **Capital Lease** - The Organization's capital lease for a copier expired in 2014 and was fully depreciated as of December 31, 2014. The cost and accumulated depreciation is included in property and equipment on the statements of financial position.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7. **Commitments** - The Organization has entered into a twelve-year non-cancelable operating lease for office space that expires July 31, 2019. The lease agreement includes escalation clauses relating to increases in the consumer price index, real estate taxes and operating costs, as well as clauses calling for the abatement of a portion of the lease agreement. In November 2011, the Organization amended the original lease and entered into a lease agreement for additional office space. Modifications to the original lease agreement call for escalation clauses, the abatement of a portion of the lease commitment, and an allowance for leasehold improvements. The change in the rentable space resulted in an increase in the deferred lease obligation reported on the statements of financial position. The deferred lease obligation as of December 31, 2015 and 2014 was \$290,732 and \$337,456, respectively. Total rent expense for the years ended December 31, 2015 and 2014 was \$540,869 and \$544,407, respectively.

The Organization has also entered into a five-year non-cancelable operating lease for additional office space in Southeast D.C. that expires on August 17, 2020.

The Organization had operating leases for two copiers that expired in 2014. During 2015, they entered into a five-year non-cancelable operating lease for three copiers that expires in January 2020. Monthly rental payments on the three copiers are \$1,512 and rental expense for the years ended December 31, 2015 and 2014 was \$20,123 and \$10,775, respectively.

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

Years Ending December 31,	Office Leases	Equipment	Total
2016	\$ 585,916	\$ 18,146	\$ 604,062
2017	601,359	18,146	619,505
2018	617,223	18,146	635,369
2019	376,494	18,146	394,640
2020	14,858	1,512	16,370
Total	<u>\$ 2,195,850</u>	<u>\$ 74,096</u>	<u>\$ 2,269,946</u>

The Organization has entered into an agreement with a hotel relating to the annual Legal Aid Society Servant of Justice Dinner. This agreement obligates the Organization to spend certain minimums on food and beverages.

Note 8. **Retirement Plan** - The Organization maintains a contributory 401(k) retirement plan for employees meeting certain eligibility requirements, as outlined in the plan. Participants are eligible to make voluntary contributions to the plan after one year of employment. The Organization provides for a discretionary match of each participant's compensation. Employees may also defer a portion of their compensation. The Organization's contribution to the plan for the years ended December 31, 2015 and December 31, 2014 was \$83,275 and \$79,592, respectively.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 9. **Donated Goods and Services** - For the years ended December 31, 2015 and 2014, the Organization received \$17,571,628 and \$17,476,122, respectively, of in-kind contributions that consisted of legal and consulting services. Donated services are recorded at the amount reported by the contributing organization and are typically based on that organization's standard hourly billing rates.

During 2014, the Organization also received donated architectural services related to the renovation of leased space valued at \$37,125. The Organization also received donated furniture and equipment valued at \$45,545 and \$7,835, respectively, for the years ended December 31, 2015 and 2014.

Note 10. **Restricted Net Assets** - Temporarily restricted net assets were for the following purposes as of December 31:

	2015	2014
Social Security and Housing	\$ 90,000	\$ 90,000
Neighborhood Access Project	85,159	131,628
Landlord and Tenant Court	77,758	86,810
Child Support Court-Based Legal Services	40,798	57,423
Housing Right to Counsel Project	40,027	-
Domestic Violence Victims Project	39,473	38,879
Housing and Consumer Law	32,749	82,500
Cy Pres - Consumer Law	29,597	-
DCBF Foreclosure Prevention	24,901	-
Public Benefits/Consumer Health Rights	21,558	24,947
McDowell Endowment	19,568	17,118
Appellate Advocacy Project	7,100	9,053
Equal Justice Works Fellowship	6,833	6,834
Klepper Endowment	2,475	2,601
Skadden Fellowship	-	9,369
Total	\$ 517,996	\$ 557,162

Permanently restricted net assets consisted of the following as of December 31:

	2015	2014
McDowell Endowment	\$ 398,350	\$ 388,816
Klepper Endowment	47,026	49,429
Da Costa V. Mason	6,062	6,062
Total	\$ 451,438	\$ 444,307

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 11. **Endowments** - The Organization’s endowments consist of three donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, unless the endowment requires or permits otherwise, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Investment Return Objectives and Spending Policies: The Organization has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Organization complies with all donor agreements with respect to the distribution of income and principal of endowment funds.

Endowment net assets as of December 31, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ 22,043	\$ 451,438	\$ 473,481

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 11. **Endowments** - (Continued)

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 19,719	\$ 444,307	\$ 464,026
Contributions	-	32,250	32,250
Investment losses	-	(3,076)	(3,076)
Endowment funds disbursed	(19,719)		(19,719)
Additional required disbursements	22,043	(22,043)	-
Endowment net assets, end of year	<u>\$ 22,043</u>	<u>\$ 451,438</u>	<u>\$ 473,481</u>

Endowment net assets as of December 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 19,719</u>	<u>\$ 444,307</u>	<u>\$ 464,026</u>

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 16,927	\$ 377,139	\$ 394,066
Contributions	-	68,750	68,750
Investment income	-	18,137	18,137
Endowment funds disbursed	(16,927)	-	(16,927)
Additional required disbursements	19,719	(19,719)	-
Endowment net assets, end of year	<u>\$ 19,719</u>	<u>\$ 444,307</u>	<u>\$ 464,026</u>

Note 12. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
SCHEDULES OF ACTIVITIES
(WITHOUT DONATED SERVICES)

FOR THE YEARS ENDED DECEMBER 31,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Grants and contributions	\$ 2,298,905	\$ 1,831,699	\$ 32,250	\$ 4,162,854	\$ 1,991,540	\$ 1,592,926	\$ 68,750	\$ 3,653,216
Special events	1,028,205	-	-	1,028,205	1,080,875	-	-	1,080,875
Investment income	21,098	-	(3,076)	18,022	37,360	-	18,137	55,497
In-kind contributions	45,545	-	-	45,545	44,960	-	-	44,960
Sublease income	-	-	-	-	24,000	-	-	24,000
Net assets released from restrictions	1,892,908	(1,870,865)	(22,043)	-	1,418,818	(1,399,099)	(19,719)	-
TOTAL SUPPORT AND REVENUE	\$ 5,286,661	\$ (39,166)	\$ 7,131	\$ 5,254,626	\$ 4,597,553	\$ 193,827	\$ 67,168	\$ 4,858,548
EXPENSES:								
Program services	\$ 4,050,353	\$ -	\$ -	\$ 4,050,353	\$ 3,667,465	\$ -	\$ -	\$ 3,667,465
Fundraising	594,696	-	-	594,696	561,025	-	-	561,025
Management and general	466,525	-	-	466,525	469,130	-	-	469,130
TOTAL EXPENSES	\$ 5,111,574	\$ -	\$ -	\$ 5,111,574	\$ 4,697,620	\$ -	\$ -	\$ 4,697,620
CHANGES IN NET ASSETS	\$ 175,087	\$ (39,166)	\$ 7,131	\$ 143,052	\$ (100,067)	\$ 193,827	\$ 67,168	\$ 160,928
NET ASSETS, BEGINNING OF YEAR	1,419,577	557,162	444,307	2,421,046	1,519,644	363,335	377,139	2,260,118
NET ASSETS, END OF YEAR	\$ 1,594,664	\$ 517,996	\$ 451,438	\$ 2,564,098	\$ 1,419,577	\$ 557,162	\$ 444,307	\$ 2,421,046