

**LEGAL AID SOCIETY OF
THE DISTRICT OF COLUMBIA
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17
Supplementary Information:	
Schedules of Activities (Without Donated Services)	18

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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, 2017 and 2016, 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 Legal Aid Society of the District of Columbia as of December 31, 2017 and 2016, 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, 2017 and 2016 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.

Sarpino and Rhoads, LLP

May 16, 2018

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

	DECEMBER 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 3)	\$ 1,023,452	\$ 1,378,469
Investments (Notes 1, 2 and 3)	2,393,786	1,384,827
Grants and contributions receivable (Note 1)	2,653,150	465,730
Other receivables	28,150	-
Interest receivable and prepaid expenses	90,844	120,356
TOTAL CURRENT ASSETS	\$ 6,189,382	\$ 3,349,382
PROPERTY AND EQUIPMENT (Notes 1 and 4)	237,634	160,084
OTHER ASSETS:		
Deposits	36,300	24,006
TOTAL ASSETS	\$ 6,463,316	\$ 3,533,472
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 138,305	\$ 116,958
Deferred revenue (Note 1)	23,149	25,832
Deferred lease obligation, current portion (Note 5)	-	75,975
TOTAL CURRENT LIABILITIES	\$ 161,454	\$ 218,765
NON-CURRENT LIABILITIES:		
Deferred lease obligation (Note 5)	332,885	153,599
TOTAL LIABILITIES	\$ 494,339	\$ 372,364
COMMITMENTS (Note 5)		
NET ASSETS (Notes 1, 8 and 9):		
Unrestricted	\$ 3,158,535	\$ 2,011,086
Temporarily restricted	2,258,627	658,714
Permanently restricted	551,815	491,308
TOTAL NET ASSETS	\$ 5,968,977	\$ 3,161,108
TOTAL LIABILITIES AND NET ASSETS	\$ 6,463,316	\$ 3,533,472

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,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE (Notes 1 and 7):								
Donated services	\$ 22,917,449	\$ -	\$ -	\$ 22,917,449	\$ 20,369,463	\$ -	\$ -	\$ 20,369,463
Grants and contributions	3,064,410	4,156,785	21,850	7,243,045	2,701,073	1,933,625	29,250	4,663,948
Special events	1,227,932	-	-	1,227,932	1,202,081	-	-	1,202,081
Investment income	23,117	-	64,387	87,504	32,977	-	34,136	67,113
In-kind contributions	8,261	-	-	8,261	29,250	-	-	29,250
Net assets released from restrictions	<u>2,582,602</u>	<u>(2,556,872)</u>	<u>(25,730)</u>	<u>-</u>	<u>1,892,867</u>	<u>(1,869,351)</u>	<u>(23,516)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 29,823,771</u>	<u>\$ 1,599,913</u>	<u>\$ 60,507</u>	<u>\$ 31,484,191</u>	<u>\$ 26,227,711</u>	<u>\$ 64,274</u>	<u>\$ 39,870</u>	<u>\$ 26,331,855</u>
EXPENSES:								
Program services	\$ 27,586,980	\$ -	\$ -	\$ 27,586,980	\$ 24,674,465	\$ -	\$ -	\$ 24,674,465
Fundraising	629,592	-	-	629,592	632,968	-	-	632,968
Management and general	<u>459,750</u>	<u>-</u>	<u>-</u>	<u>459,750</u>	<u>427,412</u>	<u>-</u>	<u>-</u>	<u>427,412</u>
TOTAL EXPENSES	<u>\$ 28,676,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,676,322</u>	<u>\$ 25,734,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,734,845</u>
CHANGES IN NET ASSETS	\$ 1,147,449	\$ 1,599,913	\$ 60,507	\$ 2,807,869	\$ 492,866	\$ 64,274	\$ 39,870	\$ 597,010
NET ASSETS, BEGINNING OF YEAR	<u>2,011,086</u>	<u>658,714</u>	<u>491,308</u>	<u>3,161,108</u>	<u>1,518,220</u>	<u>594,440</u>	<u>451,438</u>	<u>2,564,098</u>
NET ASSETS, END OF YEAR	<u>\$ 3,158,535</u>	<u>\$ 2,258,627</u>	<u>\$ 551,815</u>	<u>\$ 5,968,977</u>	<u>\$ 2,011,086</u>	<u>\$ 658,714</u>	<u>\$ 491,308</u>	<u>\$ 3,161,108</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,

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donated services (Note 7)	\$ 22,917,449	\$ -	\$ -	\$ 22,917,449	\$ 20,369,463	\$ -	\$ -	\$ 20,369,463
Salaries	3,209,485	314,370	266,379	3,790,234	3,006,788	298,521	298,326	3,603,635
Employee benefits	393,629	38,556	32,670	464,855	327,286	32,494	32,473	392,253
Occupancy (Note 5)	497,774	48,790	41,335	587,899	473,828	47,043	47,012	567,883
Payroll taxes	240,656	23,572	19,974	284,202	225,131	22,351	22,337	269,819
Special events	-	-	164,465	164,465	-	-	146,535	146,535
Professional services	85,388	9,013	29,587	123,988	77,476	7,692	7,687	92,855
Office supplies and expenses	73,916	7,240	6,135	87,291	65,816	6,535	6,530	78,881
Miscellaneous	60,437	5,920	5,016	71,373	28,977	2,878	2,875	34,730
Depreciation and amortization (Note 4)	46,421	4,547	3,853	54,821	45,654	4,532	4,530	54,716
Printing and publications	5,526	541	48,248	54,315	9,829	976	47,858	58,663
Telephone	24,270	2,377	2,014	28,661	13,816	1,371	1,371	16,558
Insurance	22,058	2,161	1,831	26,050	20,300	2,016	2,014	24,330
Postage and shipping	9,971	977	8,085	19,033	10,101	1,003	13,420	24,524
Bad debt	-	1,686	-	1,686	-	-	-	-
	<u>\$ 27,586,980</u>	<u>\$ 459,750</u>	<u>\$ 629,592</u>	<u>\$ 28,676,322</u>	<u>\$ 24,674,465</u>	<u>\$ 427,412</u>	<u>\$ 632,968</u>	<u>\$ 25,734,845</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,807,869	\$ 597,010
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,821	54,716
Net realized and unrealized gains on investments	(21,828)	(7,055)
Donated securities recorded as revenue	(29,684)	(43,555)
Donated furniture and equipment recorded as revenue	(8,261)	(29,250)
Leased asset acquired through a reduction in rent expense	(121,472)	-
Bad debt	1,686	-
Change in assets and liabilities:		
Increase in grants and contributions receivable	(2,189,106)	(188,168)
Increase in other receivables	(28,150)	-
Decrease (increase) in interest receivable and prepaid expenses	29,512	(33,283)
Increase (decrease) in accounts payable and accrued expenses	21,347	(2,504)
Decrease in deferred revenue	(2,683)	(24,168)
Increase (decrease) in deferred lease obligation	103,311	(61,158)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 617,362	\$ 262,585
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 394,132	\$ 294,110
Purchases of investments	(1,351,580)	(23,585)
Payments for security deposits	(12,294)	-
Payments for purchases of property and equipment	(2,637)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ (972,379)	\$ 270,525
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (355,017)	\$ 533,110
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,378,469	845,359
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,023,452	\$ 1,378,469

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, 2017 AND 2016

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 individuals 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, 2017 AND 2016

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, 2017 and 2016.

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.

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 in full within the coming year. Therefore there was no allowance for doubtful accounts as of December 31, 2017 and 2016.

Investments - Investments are measured at fair value at the statement of financial position date. Investments include exchange-traded funds, common stocks and fixed income securities held with investment brokers. Money market funds held with investment brokers are reported as cash. 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 - Property 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Revenue Recognition - Grants and 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 grants and 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.

Revenue from cost-reimbursable grants is recognized when the related costs have been incurred. Revenue from special events is recognized in the period the event occurs. Amounts received in advance for registrations for future events is recorded as deferred revenue.

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 donated 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.

Note 2. **Investments** - The aggregate fair values of investments as of December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Fixed income securities	\$ 1,243,652	\$ 688,184
Exchange-Traded Funds	1,128,921	678,413
Equities	21,213	18,230
Totals	\$ 2,393,786	\$ 1,384,827

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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.

Fixed-income securities - 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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

	2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 551,908	\$ -	\$ 551,908
Fixed-income securities	1,243,651	-	-	1,243,651
Exchange-traded funds	679,489	449,432	-	1,128,921
Common stock	21,214	-	-	21,214
	<u>\$ 1,944,354</u>	<u>\$ 1,001,340</u>	<u>\$ -</u>	<u>\$ 2,945,694</u>

	2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 1,088,697	\$ -	\$ 1,088,697
Fixed-income securities	688,184	-	-	688,184
Exchange-traded funds	342,104	336,309	-	678,413
Common stock	18,230	-	-	18,230
	<u>\$ 1,048,518</u>	<u>\$ 1,425,006</u>	<u>\$ -</u>	<u>\$ 2,473,524</u>

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

	2017	2016
Interest and dividends	\$ 65,676	\$ 60,058
Realized losses on investments	(20,531)	(10,448)
Unrealized gains on investments	42,359	17,503
	<u>\$ 87,504</u>	<u>\$ 67,113</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

	2017	2016
Leasehold improvements	\$ 286,234	\$ 164,762
Computer equipment	121,957	140,219
Office furniture and equipment	46,883	69,654
Website	11,289	11,289
Total property and equipment	\$ 466,363	\$ 385,924
Less, accumulated depreciation and amortization	228,729	225,840
Net property and equipment	\$ 237,634	\$ 160,084

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was \$54,821 and \$54,716, respectively.

Note 5. **Commitments** - During 2017 the Organization acquired additional office space and extended the existing lease for an additional ten years expiring in September 2027. The new 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 rent commitment and an allowance for leasehold improvements. This arrangement gives rise to a deferred lease obligation which is being amortized over the term of the lease. The deferred lease obligation as of December 31, 2017 and 2016 was \$332,885 and \$229,574, 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. Total office rent expense for the years ended December 31, 2017 and 2016 was \$587,899 and \$567,883, respectively.

During 2015, the Organization 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. During 2017, the Organization entered into two non-cancelable operating leases for copiers that expires in September 2020 and September 2022. Monthly rental payments on the two copiers range from \$342 to \$651. Total rental expense for the years ended December 31, 2017 and 2016 was \$21,765 and \$18,253, respectively.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Future minimum lease payments as of December 31, 2017 are as follows:

Years Ending December 31,	Office Leases	Equipment	Total
2018	\$ 370,853	\$ 30,057	\$ 400,910
2019	464,507	30,057	494,564
2020	704,393	11,714	716,107
2021	713,667	7,808	721,475
2022	738,642	5,205	743,847
Thereafter	3,876,085	-	3,876,085
Total	<u>\$ 6,868,147</u>	<u>\$ 84,841</u>	<u>\$ 6,952,988</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 6. **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 upon date of employment. The Organization provides for a discretionary match of each participant's compensation. The Organization's contribution to the plan for the years ended December 31, 2017 and 2016 was \$73,327 and \$78,603, respectively.

Note 7. **Donated Goods and Services** - For the years ended December 31, 2017 and 2016, the Organization received \$22,917,449 and \$20,369,463, 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.

The Organization also received donated furniture and equipment valued at \$8,261 and \$29,250, respectively, for the years ended December 31, 2017 and 2016.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. **Restricted Net Assets** - Temporarily restricted net assets were for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Landlord and Tenant Court	\$ 680,272	\$ 111,140
Housing Right to Counsel Project	477,074	66,705
Neighborhood Access Project	385,000	141,515
Child Support Court-Based Legal Services	175,000	54,510
Foreclosure Prevention Program	169,413	108,281
Domestic Violence Victims Project	130,000	41,828
Foreclosure Prevention Project	70,000	15,635
Sidley Austin Fellow	67,245	-
Community Preservation Project	58,893	28,070
McDowell Endowment	22,991	21,025
Appellate Advocacy Project	20,000	7,773
Klepper Endowment	2,739	2,491
Equal Justice Works Fellowship	-	22,971
Social Security and Housing	-	10,091
Public Benefits/Consumer Health Rights	-	26,679
Total	<u>\$ 2,258,627</u>	<u>\$ 658,714</u>

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

	<u>2017</u>	<u>2016</u>
McDowell Endowment	\$ 496,200	\$ 437,911
Klepper Endowment	49,553	47,335
Da Costa V. Mason	6,062	6,062
Total	<u>\$ 551,815</u>	<u>\$ 491,308</u>

Note 9. **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

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 9. **Endowments** - (Continued)

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, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 25,730</u>	<u>\$ 551,815</u>	<u>\$ 577,545</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 9. **Endowments** - (Continued)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 23,516	\$ 491,308	\$ 514,824
Contributions	-	21,850	21,850
Investment income	-	64,387	64,387
Endowment funds disbursed	(23,516)	-	(23,516)
Additional required disbursements	25,730	(25,730)	-
Endowment net assets, end of year	<u>\$ 25,730</u>	<u>\$ 551,815</u>	<u>\$ 577,545</u>

Endowment net assets as of December 31, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 23,516</u>	<u>\$ 491,308</u>	<u>\$ 514,824</u>

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 22,043	\$ 451,438	\$ 473,481
Contributions	-	29,250	29,250
Investment loss	-	34,136	34,136
Endowment funds disbursed	(22,043)	-	(22,043)
Additional required disbursements	23,516	(23,516)	-
Endowment net assets, end of year	<u>\$ 23,516</u>	<u>\$ 491,308</u>	<u>\$ 514,824</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 10. **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, 2017, the Organization's uninsured cash balances total \$518,724.

Note 11. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 16, 2018, 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,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Grants and contributions	\$ 3,064,410	\$ 4,156,785	\$ 21,850	\$ 7,243,045	\$ 2,701,073	\$ 1,933,625	\$ 29,250	\$ 4,663,948
Special events	1,227,932	-	-	1,227,932	1,202,081	-	-	1,202,081
Investment income	23,117	-	64,387	87,504	32,977	-	34,136	67,113
In-kind contributions	8,261	-	-	8,261	29,250	-	-	29,250
Net assets released from restrictions	<u>2,582,602</u>	<u>(2,556,872)</u>	<u>(25,730)</u>	<u>-</u>	<u>1,892,867</u>	<u>(1,869,351)</u>	<u>(23,516)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 6,906,322</u>	<u>\$ 1,599,913</u>	<u>\$ 60,507</u>	<u>\$ 8,566,742</u>	<u>\$ 5,858,248</u>	<u>\$ 64,274</u>	<u>\$ 39,870</u>	<u>\$ 5,962,392</u>
EXPENSES:								
Program services	\$ 4,669,531	\$ -	\$ -	\$ 4,669,531	\$ 4,305,002	\$ -	\$ -	\$ 4,305,002
Fundraising	629,592	-	-	629,592	632,968	-	-	632,968
Management and general	<u>459,750</u>	<u>-</u>	<u>-</u>	<u>459,750</u>	<u>427,412</u>	<u>-</u>	<u>-</u>	<u>427,412</u>
TOTAL EXPENSES	<u>\$ 5,758,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,758,873</u>	<u>\$ 5,365,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,365,382</u>
CHANGES IN NET ASSETS	\$ 1,147,449	\$ 1,599,913	\$ 60,507	\$ 2,807,869	\$ 492,866	\$ 64,274	\$ 39,870	\$ 597,010
NET ASSETS, BEGINNING OF YEAR	<u>2,011,086</u>	<u>658,714</u>	<u>491,308</u>	<u>3,161,108</u>	<u>1,518,220</u>	<u>594,440</u>	<u>451,438</u>	<u>2,564,098</u>
NET ASSETS, END OF YEAR	<u>\$ 3,158,535</u>	<u>\$ 2,258,627</u>	<u>\$ 551,815</u>	<u>\$ 5,968,977</u>	<u>\$ 2,011,086</u>	<u>\$ 658,714</u>	<u>\$ 491,308</u>	<u>\$ 3,161,108</u>