

**FINANCIAL STATEMENTS**

**D.C. VOLUNTEER LAWYERS PROJECT**

**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

# D.C. VOLUNTEER LAWYERS PROJECT

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2018, with Summarized Financial Information for 2017	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	7
NOTES TO FINANCIAL STATEMENTS	8 - 13

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
D.C. Volunteer Lawyers Project  
Washington, D.C.

We have audited the accompanying financial statements of the D.C. Volunteer Lawyers Project (DCVLP), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 above present fairly, in all material respects, the financial position of DCVLP as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited DCVLP's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR  
2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 473,258	\$ 543,703
Grants receivable	496,485	132,743
Prepaid expenses	<u>15,189</u>	<u>6,267</u>
Total current assets	<u>984,932</u>	<u>682,713</u>
<b>FIXED ASSETS</b>		
Website	16,050	16,050
Less: Accumulated amortization	<u>(15,875)</u>	<u>(13,775)</u>
Total fixed assets	<u>175</u>	<u>2,275</u>
<b>OTHER ASSETS</b>		
Grants receivable, net of current portion	55,000	-
Deposits	<u>3,000</u>	<u>3,000</u>
Total other assets	<u>58,000</u>	<u>3,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,043,107</u></b>	<b><u>\$ 687,988</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 16,175	\$ 7,437
Accrued salaries and related benefits	<u>63,126</u>	<u>60,243</u>
Total current liabilities	<u>79,301</u>	<u>67,680</u>
<b>NET ASSETS</b>		
Unrestricted	216,806	168,308
Board designated	<u>442,000</u>	<u>442,000</u>
Total without donor restrictions	658,806	610,308
With donor restrictions	<u>305,000</u>	<u>10,000</u>
Total net assets	<u>963,806</u>	<u>620,308</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,043,107</u></b>	<b><u>\$ 687,988</u></b>

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 419,706	\$ 100,000	\$ 519,706	\$ 452,173
Foundation grants	676,698	205,000	881,698	440,575
Government grants	451,426	-	451,426	365,812
Contributed services and materials	6,540,206	-	6,540,206	5,337,691
Interest income	3,138	-	3,138	3,840
Net assets released from donor restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,101,174</u>	<u>295,000</u>	<u>8,396,174</u>	<u>6,600,091</u>
<b>EXPENSES</b>				
Program Services	<u>7,497,503</u>	<u>-</u>	<u>7,497,503</u>	<u>6,360,180</u>
Supporting Services:				
Management and General	222,183	-	222,183	137,248
Fundraising	<u>332,990</u>	<u>-</u>	<u>332,990</u>	<u>315,433</u>
Total supporting services	<u>555,173</u>	<u>-</u>	<u>555,173</u>	<u>452,681</u>
Total expenses	<u>8,052,676</u>	<u>-</u>	<u>8,052,676</u>	<u>6,812,861</u>
Change in net assets	48,498	295,000	343,498	(212,770)
Net assets at beginning of year	<u>610,308</u>	<u>10,000</u>	<u>620,308</u>	<u>833,078</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 658,806</u></b>	<b><u>\$ 305,000</u></b>	<b><u>\$ 963,806</u></b>	<b><u>\$ 620,308</u></b>

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017		
	Supporting Services			Total	Total	
	Program Services	General and Administrative	Fundraising	Supporting Services	Expenses	Expenses
Salaries and related expenses	\$ 745,756	\$ 133,184	\$ 225,011	\$ 358,195	\$ 1,103,951	\$ 1,073,737
Contributed services and materials	6,540,206	-	-	-	6,540,206	5,341,473
Facilities and equipment expenses	122,899	20,598	35,278	55,876	178,775	173,025
Other expenses	20,425	1,523	7,330	8,853	29,278	18,296
Professional fees	13,987	61,777	19,164	80,941	94,928	90,804
Administrative expenses	21,820	4,152	43,196	47,348	69,168	79,466
Direct program expense	18,858	863	816	1,679	20,537	18,365
Insurance	9,752	39	139	178	9,930	13,848
Travel and meetings	3,800	47	2,056	2,103	5,903	3,847
<b>TOTAL</b>	<b>\$ 7,497,503</b>	<b>\$ 222,183</b>	<b>\$ 332,990</b>	<b>\$ 555,173</b>	<b>\$ 8,052,676</b>	<b>\$ 6,812,861</b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR  
2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 343,498	\$ (212,770)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	2,100	5,350
(Increase) decrease in:		
Accounts receivable	-	5,000
Grants receivable	(418,742)	10,588
Prepaid expenses	(8,922)	16,927
Deposits	-	(3,000)
Increase (decrease) in:		
Accounts payable and accrued liabilities	8,738	(1,286)
Accrued salaries and related benefits	<u>2,883</u>	<u>40,171</u>
Net cash used by operating activities	<u>(70,445)</u>	<u>(139,020)</u>
Net decrease in cash and cash equivalents	(70,445)	(139,020)
Cash and cash equivalents at beginning of year	<u>543,703</u>	<u>682,723</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 473,258</u></b>	<b><u>\$ 543,703</u></b>



## D.C. VOLUNTEER LAWYERS PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The D.C. Volunteer Lawyers Project (DCVLP) is a non-profit organization whose mission is to provide high-quality, free legal services to low-income individuals in the District of Columbia for family law cases. Founded in 2008, DCVLP's primary mission is to increase the number of experienced, trained attorneys providing pro-bono representation to indigent clients in the area of family law. DCVLP provides the necessary resources, such as, office space, malpractice insurance, training programs, and active mentoring & supervision to volunteer attorneys. The attorneys of the organization provide pro-bono legal representation to individuals such as; survivors of domestic violence, children in high-conflict custody cases, and foster parents in adoption matters. DCVLP receives funding from individuals, corporations and government grants.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with DCVLP's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

##### Cash and cash equivalents -

DCVLP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, DCVLP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Amortization expense for the year ended December 31, 2018 totaled \$2,100 and is included on the Statement of Functional Expenses.

## D.C. VOLUNTEER LAWYERS PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Income taxes -

DCVLP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. The organization is not a private foundation

##### Uncertain tax positions -

For the year ended December 31, 2018, DCVLP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

##### Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

DCVLP receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs.

## D.C. VOLUNTEER LAWYERS PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Contributions and grants (continued) -

This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

##### Contributed services and materials -

Contributed services and materials consist primarily of legal representation provided by volunteer attorneys to the clients of the organization and accounting services. Contributed services and materials are recorded at their fair market value as of the date of the gift.

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of DCVLP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$610,308 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$10,000, are now classified as net assets with donor restrictions.

##### New accounting pronouncements not yet adopted -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

D.C. VOLUNTEER LAWYERS PROJECT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

New accounting pronouncements not yet adopted (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. DCVLP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. DCVLP has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

DCVLP plans to adopt the new ASUs at the respective required implementation dates.

2. **BOARD DESIGNATED NET ASSETS**

As of December 31, 2018, net assets have been designated by the Board of Directors for the following purposes:

<b>Operating Reserve</b>	<b>\$ <u>442,000</u></b>
--------------------------	--------------------------

3. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2018:

Subject to expenditure for specified purpose:	
Law Fellowship	\$ 100,000
Domestic Violence	70,000
Child Advocacy Project	40,000
Family Clinic	10,000
Subject to passage of time:	<u>85,000</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b>\$ <u>305,000</u></b>

**D.C. VOLUNTEER LAWYERS PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

The following net assets with restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

**Timing restrictions accomplished** **\$ 10,000**

**4. LIQUIDITY**

Financial assets available for use within one year of the Statement of Financial Position, comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 473,258
Grants receivable	<u>551,485</u>
Financial assets, at year end	<u>1,024,743</u>
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	(225,000)
Board designations:	
Amounts set aside for liquidity reserve	<u>(442,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>357,743</u></b>

DCVLP is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, DCVLP must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of DCVLP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board designates a portion of any operating surplus to its liquidity reserve, which was \$442,000 as of December 31, 2018. The fund may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**5. CONTRIBUTED SERVICES AND MATERIALS**

During the year ended December 31, 2018, DCVLP was the beneficiary of professional services which allowed DCVLP to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2018.

**Pro-Bono Legal & Consulting Services** **\$ 6,540,206**

**D.C. VOLUNTEER LAWYERS PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**6. LEASE COMMITMENTS**

DCVLP leases office space under a one-year agreement, renewable at the end of each year, which began in February 2013 and extended through July 2014. Base rent was \$5,500 per month.

In August 2014, DCVLP entered into a second amendment, which extended the lease to July 31, 2016, with base rent at \$9,000 per month, plus a proportionate share of expenses, increasing by a factor of 4% on the first day of August 2016.

In April 2016, DCVLP entered into a third amendment, which extended the lease to July 31, 2018, with a base rent of \$14,000 per month, plus a proportionate share of expenses, increasing by a factor of 4% on the first day of August 2018.

In July 2018, DCVLP entered into a fourth amendment, which extended the lease to July 31, 2020, with a base rent of \$14,560 per month, plus a proportionate share of expenses.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2019	\$ 174,720
2020	<u>101,920</u>
	<b><u>\$ 276,640</u></b>

Rent expense for the year ended December 31, 2018 was \$178,100 and is included on the Statement of Functional Expenses in facilities and equipment expenses.

**7. RETIREMENT PLAN**

DCVLP provides retirement benefits to its employees through a defined contribution plan covering all full-time employees. There is no matching of employee contributions. DCVLP made no contributions to the Plan during 2018.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, DCVLP has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.