



To the Board of Directors
Washington Area Women's Foundation, Inc.
Washington, D.C.

In planning and performing our audit of the financial statements of the Washington Area Women's Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of the Foundation's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Foundation's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 5, 2017 on the financial statements of the Foundation. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

CURRENT YEAR OTHER RECOMMENDATIONS

I.T. Security Training

In today's environment it is critical for an organization to protect its sensitive internal information from the multitude of cyber security threats. One method to reduce such a risk is an increased effort on employee training. Security awareness training teaches employees to understand vulnerabilities and threats to business operations and to be aware of their responsibilities and accountabilities when using a computer on a business network. We recommend that the Foundation establish a policy regarding I.T. Security Training for all employees on a periodic basis (i.e. annually).

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PRIOR YEAR OTHER RECOMMENDATIONS WITH CURRENT YEAR STATUS

Review of Accounting Policies and Procedures

June 30, 2016 Comment and Recommendation: As the Foundation continues to evolve financially, as well as programmatically, it is important to periodically review the established Policies and Procedures to ensure they accurately reflect the current practices of the Foundation. Specifically, our audit process revealed three areas in which we recommend management establish (or update) their policies as follows:

- Allowance for Doubtful Accounts: Currently, the Foundation sets a reserve at 10.5% of pledges up to \$200,000 and an additional 3% for any amounts greater than \$200,000. While this policy is reasonable and appropriate, we recommend management formalize its current practice, within its Accounting Policies and Procedures Manual.
- Donated Stock: We noted that the level of donated securities has increased over the past several years. Currently, the Foundation's practice is to immediately sell the securities and recognize the amount of the donation based on the fair value at time of sale. While this policy is reasonable, we recommend management formalize such practice within its Accounting Policies and Procedures Manual. Additionally, management should consider the materiality of realized gains and losses on sales related to the securities and whether this information should be captured within the accounting records.
- As discussed below, management is in the process of establishing and formalizing internal policies and procedures related to Donor Advised Funds.

June 30, 2017 Status: During our 2017 audit process, we noted the following with respect to our prior year recommendations:

- Allowance for Doubtful Accounts: During the fiscal year, the Foundation's management, with approval from the board of directors, formalized the Allowance for Doubtful Accounts policy within the Foundation's Accounting Policies and Procedures Manual. Therefore, we consider this recommendation fully implemented.
- Donated Stock: During the fiscal year, the Foundation's management, with approval from the board of directors, formalized the Donated Stocks policy within the Foundation's Accounting Policies and Procedures Manual. Therefore, we consider this recommendation fully implemented.

Functional Allocation of Expenses

June 30, 2016 Comment and Recommendation: The Foundation's staff currently complete timesheets within a relatively new tracking system; however, the time reported is not split by program service area benefitted. Instead, management pre-assigns each individual's time allocation based on their expected responsibilities and budgeted level of effort. We believe the distribution of salaries, wages and related expenses to programs should reflect an after-the-fact determination of the actual activity of each employee. In order to ensure a more accurate reporting

of costs by functional area, we suggest management consider implementing an after-the-fact basis of time spent on the programs and activities within Foundation.

June 30, 2017 Status: In June 2017, the Foundation revised their electronic timesheet system to include specific programs codes, which allows employees to track their actual time spent working on the respective programs. This is also now being used as a basis for the distribution of salaries, wages and related expenses within the accounting records. Accordingly, we consider this recommendation fully implemented during the 2017 year under audit.

Donor Advised Funds

June 30, 2016 Comment and Recommendation: During the year, the Foundation established a new initiative to encourage additional giving through Donor Advised Funds (DAF). During our audit, we discussed the following items with management as it relates to DAF's:

- Formalization of Internal Policies and Procedures: We noted the Foundation has taken the appropriate steps (and consulted with the appropriate parties) to develop agreements and engage a third party vendor to actively manage the Donor Advised Funds. We recommend that the terms, policies and procedures that have been set forth to date, are formalized within the Foundation's Accounting Policies and Procedures.
- Reconciliation of Investment Activity Related to the Donor Advised Funds: Per our review of the current investment reconciliation, we recommended a more robust schedule that tracks the intended pledge amount separate from the unrealized gains and losses on the investment activity. We provided a detailed template that will allow the Foundation to capture such information, as the DAF activity continues to grow.
- Treatment of the General Operation Grant Recommendation within the Foundation's Accounting Records: Per the DAF agreements, there is a minimum 5% grant recommendation that should be made annually toward the general operations of the Foundation. We noted that the treatment of such funds were being booked as both revenue and expenses, which resulted in an overstatement of general contributions and grant expense. Although immaterial to the Foundation, we recommend that any reinvestment of funds from DAF to the Foundation is treated as a transfer between accounts, as opposed to new revenue and expense.

June 30, 2017 Status: During our 2017 audit process, we noted the following with respect to our prior year recommendations:

- Formalization of Internal Policies and Procedures: During the fiscal year, the Foundation's management, formalized a Donor Advised Funds Process and Procedures Manual. Therefore, we consider this recommendation fully implemented.
- Reconciliation of Investment Activity Related to the Donor Advised Funds: The Foundation's management properly maintained a reconciliation of the investment activity related to the DAF which captured the activity for the fiscal year. The reconciliation was complete and accurate and therefore we consider this recommendation fully implemented.

- Treatment of the General Operation Grant Recommendation within the Foundation's Accounting Records: Management of the Foundation was appropriately treating the general operation grants received from the DAF as transfers between accounts within their accounting records. Therefore, we consider this recommendation fully implemented.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee, management and others within the Washington Area Women's Foundation, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

October 5, 2017