

THE DISTRICT OF COLUMBIA BAR FOUNDATION

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended September 30, 2025 and 2024

THE DISTRICT OF COLUMBIA BAR FOUNDATION

**Financial Statements Together with
Report of Independent Public Accountants**

SEPTEMBER 30, 2025 AND 2024

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
The District of Columbia Bar Foundation

Opinion

We have audited the accompanying financial statements of The District of Columbia Bar Foundation (DCBF), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DCBF as of September 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DCBF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DCBF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 DCBF's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DCBF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Washington, D.C.
March 30, 2026

SB + Company, LLC

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Statements of Financial Position As of September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 32,680,932	\$ 26,098,347
Investments	2,069,088	2,000,688
Receivables	1,168,596	1,109,116
Prepaid expenses and deposits	429,552	384,462
Property and equipment, net	18,298	14,400
Right of use asset - operating	106,752	-
Total Assets	<u>\$ 36,473,218</u>	<u>\$ 29,607,013</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 491,198	\$ 617,404
Grants and awards payable	679,429	920,561
Refundable advances	6,323,119	6,740,577
Amounts held on behalf of others	736,401	780,893
Deferred revenue	235,226	45,486
Lease liability - operating	106,752	-
Total liabilities	<u>8,572,125</u>	<u>9,104,921</u>
Net assets:		
Without donor restrictions		
Board designated	1,193,046	1,470,890
Undesignated	392,625	97,890
Total without donor restrictions	<u>1,585,671</u>	<u>1,568,780</u>
With donor restrictions	<u>26,315,422</u>	<u>18,933,312</u>
Total net assets	<u>27,901,093</u>	<u>20,502,092</u>
Total Liabilities and Net Assets	<u>\$ 36,473,218</u>	<u>\$ 29,607,013</u>

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

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Statements of Activities and Changes in Net Assets For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue and support:		
Local government grants	\$ 32,337,824	\$ 28,456,132
Contributions	772,777	786,898
Contributed nonfinancial assets	-	73,990
Special events, net	117,772	108,415
Interest income	90,331	73,054
Net assets released from restrictions	3,798,841	1,958,344
Total revenue and support	<u>37,117,545</u>	<u>31,456,833</u>
Expenses:		
Program services:		
Government and privately funded grant programs	<u>36,032,510</u>	<u>30,112,346</u>
Supporting services:		
General and administrative	695,435	795,047
Fundraising	372,709	327,431
Total supporting services	<u>1,068,144</u>	<u>1,122,478</u>
Total expenses	<u>37,100,654</u>	<u>31,234,824</u>
Change in net assets without donor restrictions	<u>16,891</u>	<u>222,009</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	113,744	64,690
IOLTA program contributions	10,315,329	12,550,247
Interest income	751,878	288,267
Net assets released from restrictions	<u>(3,798,841)</u>	<u>(1,958,344)</u>
Change in net assets with donor restrictions	<u>7,382,110</u>	<u>10,944,860</u>
Changes in net assets	7,399,001	11,166,869
Net assets at the beginning of the year	<u>20,502,092</u>	<u>9,335,223</u>
Net Assets at the End of the Year	<u>\$ 27,901,093</u>	<u>\$ 20,502,092</u>

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

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Statements of Functional Expenses For the Years Ended September 30, 2025 and 2024

	2025			
	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Grants and awards:				
Government	\$ 31,511,724	\$ -	\$ -	\$ 31,511,724
Private	608,020	-	-	608,020
Scoutt award	5,000	-	-	5,000
Subtotal Grants and Awards	32,124,744	-	-	32,124,744
Salaries	1,675,872	192,127	218,237	2,086,236
Employee benefits	216,838	19,507	30,756	267,101
Payroll taxes	137,426	12,107	18,007	167,540
Professional services	1,165,753	377,586	53,698	1,597,037
Grantee evaluation, training and technical assistance	513,270	20	74	513,364
Dues and subscription	12,969	21,488	1,155	35,612
Office expenses	119,412	34,920	24,154	178,486
Conferences and meetings	50,530	21,968	18,998	91,496
Advertising and promotional	657	440	5,189	6,286
Depreciation	7,601	872	986	9,459
Other	7,438	14,400	1,455	23,293
Total Expenses	\$ 36,032,510	\$ 695,435	\$ 372,709	\$ 37,100,654
	2024			
	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Grants and awards:				
Government	\$ 26,398,358	\$ -	\$ -	\$ 26,398,358
Private	204,177	-	-	204,177
Scoutt award	2,500	-	-	2,500
Subtotal Grants and Awards	26,605,035	-	-	26,605,035
Salaries	1,424,316	227,632	213,481	1,865,429
Employee benefits	163,427	20,508	24,534	208,469
Payroll taxes	105,565	13,955	15,410	134,930
Professional services	887,133	463,381	33,700	1,384,214
Grantee evaluation, training and technical assistance	758,223	5,112	222	763,557
Dues and subscription	53,149	17,111	2,395	72,655
Office expenses	68,585	19,390	17,244	105,219
Conferences and meetings	18,993	5,688	9,235	33,916
Advertising and promotional	2,400	-	5,800	8,200
Depreciation	5,228	836	783	6,847
Other	20,292	21,434	4,627	46,353
Total Expenses	\$ 30,112,346	\$ 795,047	\$ 327,431	\$ 31,234,824

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

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Statements of Cash Flows

For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,399,001	\$ 11,166,869
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	9,459	6,847
Reinvested investment proceeds, net	(68,400)	(76,054)
Changes in non-cash operating assets and liabilities:		
Receivables	(59,480)	(430,536)
Prepaid expenses and deposits	(45,090)	(195,487)
Accounts payable and accrued expenses	(126,206)	182,637
Grants and awards payable	(241,132)	920,561
Refundable advances	(417,458)	3,381,130
Amounts held on behalf of others	(44,492)	(11,372)
Deferred revenue	189,740	45,486
Net Cash from Operating Activities	<u>6,595,942</u>	<u>14,990,081</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments- earnings	-	1,924,556
Purchases of investments	-	(1,924,438)
Purchases of property and equipment	(13,357)	(13,213)
Net Cash from Investing Activities	<u>(13,357)</u>	<u>(13,095)</u>
Net change in cash	6,582,585	14,976,986
Cash, beginning of year	26,098,347	11,121,361
Cash, End of Year	<u>\$ 32,680,932</u>	<u>\$ 26,098,347</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Right of use asset and lease liability - operating	<u>\$ 106,752</u>	<u>\$ -</u>

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

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

1. BACKGROUND OF THE ORGANIZATION

The District of Columbia Bar Foundation (DCBF) is the leading funder of civil legal aid in the District of Columbia. DCBF is committed to the vision that residents of the District of Columbia have equal access to justice, regardless of income. DCBF's mission is to fund, support, and improve legal representation of people living in poverty and in vulnerable situations or who are otherwise underserved in the District of Columbia.

DCBF was organized in the District of Columbia in 1977 to provide a vehicle for lawyers and law firms to contribute to legal services organizations in the District of Columbia. In 1985, the District of Columbia Court of Appeals established an Interest on Lawyer's Trust Accounts (IOLTA) program in the District of Columbia, which DCBF administers. In 2006, the Council of the District of Columbia appropriated funds for civil legal services grants and a poverty lawyer loan repayment assistance program, designating DCBF as administrator. DCBF uses these funds to make awards and grants to legal services organizations in the District of Columbia that provide free civil legal services to people who are underserved and experiencing low income in the District of Columbia.

Government and Privately Funded Grant Programs

Government funded grant programs include the awards provided and administrative costs related to the Access to Justice Initiative - Civil Legal Services Program (ATJ), the Civil Legal Counsel Project Program (CLCPP), and the District of Columbia Poverty Lawyer Loan Repayment Assistance Program (Public LRAP).

DCBF has established its own Legal Services Grant Program and Loan Repayment Assistance Program (Private LRAP) which augments the Public LRAP and has substantially the same eligibility criteria. Both are funded primarily by the IOLTA program and private donations. Both the Public LRAP and Private LRAP provide interest-free forgivable loans to pay debt service on the education loans for qualifying attorneys employed by Section 501(c)(3) public charities providing direct legal services to underprivileged individuals in the District of Columbia. LRAP loans are based on actual education debt service of the individual and the program includes limits on the amount of income a recipient can earn while participating in the program. DCBF supports its grant programs with grantee evaluations, grantee training and other technical assistance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of DCBF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

DCBF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable District of Columbia income tax laws. Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. DCBF performed an evaluation of uncertain tax positions as of September 30, 2025 and 2024, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status.

As of September 30, 2025, the statute of limitations for fiscal years 2022 through 2025 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which DCBF files tax returns. It is DCBF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Investments

Investments consisted of money market funds. Changes in fair value for money market funds are recognized in the period in which the change occurs in the accompanying statements of activities and changes in net assets. Investment income and losses on investments of assets with donor restrictions are added to or deducted from net assets with donor restrictions.

Financial Risks

At times, certain balances held within the cash and money market accounts may not be fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) insurance. The uninsured portions of these accounts are backed solely by the assets of the underlying banks and financial institutions. Therefore, the failure of an underlying bank or financial institution could result in financial loss. However, DCBF has not experienced losses on these accounts in the past and management believes the risk of loss, if any, to be minimal.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables include donor contributions and IOLTA program contributions earned but not collected as of year end, which primarily consisted of amounts due within one year. Receivables are presented at the gross amount due to DCBF, less an allowance for doubtful accounts. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the customer or donor and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to bad debt expense and an allowance is recorded. Management believes the amounts as of September 30, 2025 and 2024, are fully collectible, thus, no allowance for doubtful accounts is recorded as of September 30, 2025 and 2024.

Property and Equipment, Net

Acquisitions of property and equipment greater than \$1,000 are recorded at cost and depreciated using the straight-line method over estimated useful lives ranging from three to five years. Repairs, maintenance, and minor replacements are expensed as incurred while major replacements or improvements that extend the useful lives of assets are capitalized and depreciated over the life of the assets.

Right of Use Asset – Operating Lease

DCBF leases office space. DCBF determines if an arrangement is a lease at inception. DCBF signed a new lease during the year ended September 30, 2025, from September 1, 2025 through November 30, 2028. Operating leases are included in the right of use asset (ROU) and lease liability.

ROU assets represent DCBF's right to use an underlying asset for the lease term and lease liabilities represent DCBF's net present value of obligations to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. DCBF has elected to recognize payments for leases with terms of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. As of September 30, 2025, the net present value of the right of use asset was \$106,752.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Awards Payable

Grants and awards payable include amounts paid to grantees after year end, related to expenses incurred during the current fiscal year.

Refundable Advances

DCBF receives advances for certain government grants. These amounts are recorded as refundable advances in the accompanying statements of financial position when received. DCBF recognizes revenue when the performance obligations have been met, and records a liability for amounts not yet earned as of September 30.

Amounts Held on Behalf of Others

DCBF acts as an intermediary for the Public LRAP grant. Similar to its refundable advances, DCBF recognizes revenue when the performance obligations have been met. DCBF records the Public LRAP grant award amounts, which have not yet been expended by September 30, as amounts held on behalf of others.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired. These net assets also represent amounts designated by the Board of Directors.

Net assets with donor restrictions are those whose use by DCBF has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent the restriction has been met) is reported as net assets without donor restrictions. As of September 30, 2025 and 2024, there were \$26,257,590 and \$18,868,347, respectively, in net assets with donor restrictions available for purpose appropriation.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by DCBF in perpetuity. As of September 30, 2025 and 2024, included in net assets with donor restrictions was \$57,832 and \$64,965, respectively, of net assets to be maintained in perpetuity.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Local Government Grants, and Contributions

Grants or contracts, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants or contracts awarded by the local government are generally considered conditional nonreciprocal transactions, restricted by the sponsor for certain specific purposes, and are recognized as revenue when qualifying regranting expenses have been incurred and all other conditions under the agreements are met.

Since the restrictions on unconditional grants are generally met in the same reporting period in which the grants are received, the amounts, to the extent the restriction has been met, are reported as net assets without donor restrictions on the accompanying statement of activities and changes in net assets.

Amounts received in advance on local government grants are recognized as refundable advances and are recognized as revenue and when allowable expenses are incurred.

Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions.

IOLTA Program Contributions

IOLTA programs have been established throughout the United States to generate funds to provide legal services to people experiencing poverty. Under the IOLTA programs, lawyers in private practice receiving certain client escrow funds deposit such funds into a pooled, interest-bearing account. Under the IOLTA program rules, the interest earned on the pooled client escrow funds is remitted by qualifying financial institutions to participating organizations such as DCBF.

The IOLTA funds received by DCBF, less specified administrative costs, are considered to be contributions that are restricted for the use of supporting legal assistance programs that provide legal and related assistance to people experiencing poverty in the District of Columbia, as well as for the improvement of the administration of justice in the District of Columbia.

The IOLTA account earnings remitted to DCBF are impacted by the balances in the escrow accounts and the interest rates paid by the banks on those accounts, which tend to vary according to changes in the Federal Funds Rate.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

IOLTA Program Contributions (continued)

In addition to the funds received as a participant in the IOLTA program from qualifying financial institutions, DCBF began earning interest, dividends, and investment income on these funds during fiscal year 2024. During the years ended September 30, 2025 and 2024, DCBF received \$10,315,329 and \$12,550,247, respectively, as remittances from qualifying financial institutions. DCBF also earned \$749,644 and \$287,145 of net investment income on invested IOLTA funds for the years ended September 30, 2025 and 2024, respectively. The revenues from IOLTA are included in the change in net assets with donor restrictions section of the accompanying statements of activities.

Contributed Nonfinancial Assets

Contributions of services and goods are recognized as contributed nonfinancial assets in accordance with U.S. GAAP. Donated services are recognized at fair value if the services: (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased by DCBF. As of September 30, 2024, contributed nonfinancial assets consisted of donated legal services totaling \$73,990.

DCBF relies on contributions of both time and expertise from its pool of volunteers. In particular, volunteers work on various aspects of DCBF's operations, including oversight. DCBF's volunteers donate hundreds of hours of service, which cannot be recorded under U.S. GAAP, yet these volunteers contribute significantly to the work, impact, and success of DCBF.

Special Events

Revenue from special events is recognized upon the occurrence of the event. Amounts received in advance of the event are recorded in deferred revenue.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program, and supporting services benefited. Salaries, employee benefits, and payroll taxes have been allocated based on estimated employee effort. Overhead expenses, including office expenses and depreciation, have also been allocated based on employee effort.

The general and administrative function includes activities necessary for the administrative processes of DCBF such as maintaining the office space and managing the financial responsibilities of DCBF.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

The fundraising function includes activities that encourage and secure financial support for DCBF and its programs.

Subsequent Events

Management has evaluated subsequent events and transactions through March 30, 2026, the date the financial statements were available to be issued, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

Accounting standards 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 under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that DCBF 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; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

3. INVESTMENTS (continued)

The asset's 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.

The following is a description of the valuation methodology used for investments measured at fair value.

Money market funds: Valued at cost plus accrued interest, where cost approximates fair value. These investments are categorized as Level 1 within the fair value hierarchy.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while DCBF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. RECEIVABLES

Receivables consisted of the following as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Contributions	\$ 188,697	\$ 78,666
Refundable awards	-	51,875
IOLTA program contributions	<u>979,899</u>	<u>978,575</u>
	<u>\$ 1,168,596</u>	<u>\$ 1,109,116</u>

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

5. LIQUIDITY

A substantial portion of DCBF's annual expenditures is supported by government grants from the District of Columbia. Government grant funding is typically received in the first few months of each fiscal year, while IOLTA program funding is received throughout the year, with any unused funds carried forward in net assets with donor restrictions.

DCBF manages its financial assets to ensure they are available as its obligations become due. DCBF has no debt and typically meets its obligations on time. The board calculates an annual operating reserve target as part of the budget process, equal to the portion of private grant awards, private LRAP awards, and six months of projected operating expenses that are expected to be covered by unrestricted resources. The final reserve is set at the lesser of the operating reserve target and the available net assets without donor restrictions, which is reported in the financial statements as board-designated net assets.

Financial assets available for general expenditure within one year consisted of the following as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash	\$ 32,680,932	\$ 26,098,347
Investments	2,069,088	2,000,688
Receivables	1,168,596	1,109,116
	<u>35,918,616</u>	<u>29,208,151</u>
Less: amounts not available for general expenditure within one year:		
Board designated net assets	1,193,046	1,470,890
Net assets with donor restrictions	26,315,422	18,933,312
	<u>\$ 8,410,148</u>	<u>\$ 8,803,949</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Useful Life</u>
Property and equipment	\$ 62,526	\$ 49,169	3-5 years
Less: accumulated depreciation	44,228	34,769	
	<u>\$ 18,298</u>	<u>\$ 14,400</u>	

Depreciation expense was \$9,459 and \$6,847, for the years ended September 30, 2025 and 2024, respectively.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

7. NET ASSETS

Net assets without donor restrictions consisted of the following as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Board designated:		
Grant and LRAP reserve	\$ 504,000	\$ 180,000
DCBF operating reserve	689,046	1,290,890
Undesignated	392,625	97,890
	<u>\$ 1,585,671</u>	<u>\$ 1,568,780</u>

Net assets with donor restrictions for appropriations consisted of the following as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
IOLTA program	\$ 26,143,846	\$ 18,803,657
Legal Walk	9,153	64,690
Legal Aid Society Court Order	97,741	-
Chili For a Cause	6,850	-
	<u>\$ 26,257,590</u>	<u>\$ 18,868,347</u>

8. ENDOWMENT

DCBF's endowment fund solely consisted of the Scoutt Endowment, which is a traditional donor-restricted endowment established in 1992 by a donor to provide an annual cash award to an attorney who is employed on a full-time basis by an organization that provides legal services to poor or disadvantaged persons in the Washington, D.C. area, including the cost of administrating the award. Attorneys receiving the award must have a record of compassionate, skilled service.

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), enacted by the District of Columbia, as requiring the preservation of the real (inflation adjusted) purchasing power of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, DCBF classifies as net assets held in perpetuity: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, and (4) endowment investment return in excess of the endowment payout.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

8. ENDOWMENT (continued)

Interpretation of Relevant Law (continued)

Donor-restricted endowment fund amounts that are not classified as net assets held in perpetuity are classified as net assets held for use until amounts are appropriated for expenditure by DCBF in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Board of Directors has adopted an investment policy covering the endowment fund that attempts to provide a predictable stream of funding for the annual Scoutt award while seeking to maintain the purchasing power of the endowment assets which must be held in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize return on the funds while assuming a low level of investment risk. DCBF expects its endowment funds, over time, to provide an average annual rate of return of an amount consistent with the market. Actual returns in any given year may vary from expected return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives for the endowment, given its relatively modest size and long-term objectives, DCBF relies on a total return strategy in which investment returns are achieved through fixed income investments such as certificates of deposit in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The donor stipulated that \$2,500 per year would be used to pay the annual award, plus direct related expenses.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to DCBF. There were no deficiencies in the endowment fund as of September 30, 2025 and 2024. However, because the earnings have not been sufficient to cover the annual award plus the direct related expenses, the donor stipulated that the amounts held in perpetuity should be used to support the award.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

8. ENDOWMENT (continued)

The endowment fund consisted of the following as of and for the year ended September 30, 2025:

	Amount Held for Appropriation	Amount Held in Perpetuity	Total
Endowment, October 1, 2024	\$ -	\$ 64,965	\$ 64,965
Interest income	2,234	-	2,234
Appropriations	(2,234)	(2,766)	(5,000)
Direct expenses	-	(4,367)	(4,367)
Endowment, September 30, 2025	<u>\$ -</u>	<u>\$ 57,832</u>	<u>\$ 57,832</u>

The endowment fund consisted of the following as of and for the year ended September 30, 2024:

	Amount Held for Appropriation	Amount Held in Perpetuity	Total
Endowment, October 1, 2023	\$ -	\$ 72,615	\$ 72,615
Interest income	1,094	-	1,094
Appropriations	(1,094)	(1,406)	(2,500)
Direct expenses	-	(6,244)	(6,244)
Endowment, September 30, 2024	<u>\$ -</u>	<u>\$ 64,965</u>	<u>\$ 64,965</u>

9. RETIREMENT PLAN

DCBF sponsors a defined contribution 401(k) plan, which is available to substantially all employees meeting certain eligibility requirements as defined by the plan document. Employer contributions, up to limits prescribed by the IRC, are discretionary and are determined by the Board of Directors. DCBF's contributions to the plan totaled \$73,218 and \$60,617, for the years ended September 30, 2025 and 2024, respectively.

10. LEASE LIABILITY

DCBF leases an office space with a lease from September 1, 2025 through November 30, 2028. The facility lease does not provide information about the discount rate implicit in the lease. Therefore, DCBF has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities. The weighted average discount rate was 3.63% as of September 30, 2025.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2025 and 2024

10. LEASE LIABILITY (continued)

Future minimum payments under this lease agreement as of September 30, 2025, are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2026	\$ 78,935
2027	43,260
2028	<u>6,291</u>
Undiscounted cash flows	128,486
Less: imputed interest	<u>21,734</u>
Total Present Value	<u>\$ 106,752</u>

Prior to signing this new lease, DCBF has a short-term operating lease agreement for a WeWork shared office space. Rent expense, inclusive of conference room rental and month-to-month additional office space rental, totaled \$96,747 and \$70,170, for the years ended September 30, 2025 and 2024, respectively.

11. COMMITMENTS AND CONTINGENCIES

Concentration of Revenue

DCBF receives a substantial portion of its revenue from the Office of Victim Services and Justice. If a significant reduction in this revenue should occur, it may have an effect on DCBF's programs. These amounts are reflected as local government grants in the accompanying statements of activities and changes in net assets. During the years ended September 30, 2025 and 2024, DCBF received \$32,337,824 and \$28,456,132, respectively, which accounted for approximately 73% and 67%, respectively, of total revenue and support.

Grants

DCBF receives financial assistance from government agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed costs resulting from such audits could become a liability of DCBF. Management believes such disallowance, if any, would be immaterial.