

# **The District of Columbia Bar Foundation**

Financial Report  
September 30, 2021

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## Independent Auditor's Report

Board of Directors  
The District of Columbia Bar Foundation

### Report on the Financial Statements

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, 2021 and 2020, 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.

### Auditor's 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. We also conducted our audit as of and for the year ended September 30, 2021, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 DCBF'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 DCBF'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 The District of Columbia Bar Foundation as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of DCBF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCBFs internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
March 8, 2022

The District of Columbia Bar Foundation

Statements of Financial Position  
September 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash	\$ 1,456,124	\$ 1,842,961
Investments	1,916,585	1,910,368
Receivables, net	150,720	151,192
Prepaid expenses and deposit	128,607	87,084
Property and equipment, net	6,835	9,009
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<b>Total assets</b>	<b>\$ 3,658,871</b>	<b>\$ 4,000,614</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 291,613	\$ 359,980
Refundable advances	35,338	221,757
Amounts held on behalf of others	546,799	329,286
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>873,750</b>	<b>911,023</b>
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	1,177,618	1,175,529
With donor restrictions	1,607,503	1,914,062
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<b>Total net assets</b>	<b>2,785,121</b>	<b>3,089,591</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and net assets</b>	<b>\$ 3,658,871</b>	<b>\$ 4,000,614</b>
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See notes to financial statements.

The District of Columbia Bar Foundation

Statement of Activities

Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants	\$12,020,765	\$ -	\$12,020,765
Contributions	814,600	100,000	914,600
IOLTA program contributions		609,251	609,251
Interest income	3,837	2,394	6,231
Net assets released from restrictions	1,018,204	(1,018,204)	-
<b>Total revenue and support</b>	<b>13,857,406</b>	<b>(306,559)</b>	<b>13,550,847</b>
Expenses:			
Program services:			
Government and privately funded grant programs	13,018,232	-	13,018,232
Supporting services:			
General and administrative	611,932	-	611,932
Fundraising	225,153	-	225,153
<b>Total supporting services</b>	<b>837,085</b>	<b>-</b>	<b>837,085</b>
<b>Total expenses</b>	<b>13,855,317</b>	<b>-</b>	<b>13,855,317</b>
<b>Change in net assets</b>	<b>2,089</b>	<b>(306,559)</b>	<b>(304,470)</b>
Net assets:			
Beginning	1,175,529	1,914,062	3,089,591
Ending	<b>\$ 1,177,618</b>	<b>\$ 1,607,503</b>	<b>\$ 2,785,121</b>

See notes to financial statements.

The District of Columbia Bar Foundation

Statement of Activities  
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants	\$10,567,658	\$ -	\$10,567,658
Contributions	732,248	75,000	807,248
IOLTA program contributions		1,397,539	1,397,539
Interest income	20,671	2,045	22,716
Net assets released from restrictions	1,577,754	(1,577,754)	-
<b>Total revenue and support</b>	<b>12,898,331</b>	<b>(103,170)</b>	<b>12,795,161</b>
Expenses:			
Program services:			
Government and privately funded grant programs	12,113,513	-	12,113,513
Supporting services:			
General and administrative	534,261	-	534,261
Fundraising	306,337	-	306,337
<b>Total supporting services</b>	<b>840,598</b>	<b>-</b>	<b>840,598</b>
<b>Total expenses</b>	<b>12,954,111</b>	<b>-</b>	<b>12,954,111</b>
<b>Change in net assets</b>	<b>(55,780)</b>	<b>(103,170)</b>	<b>(158,950)</b>
Net assets:			
Beginning	1,231,309	2,017,232	3,248,541
Ending	<u>\$ 1,175,529</u>	<u>\$ 1,914,062</u>	<u>\$ 3,089,591</u>

See notes to financial statements.

The District of Columbia Bar Foundation

Statement of Functional Expenses  
Year Ended September 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants and awards:				
Government	\$ 10,335,000	\$ -	\$ -	\$ 10,335,000
Private	896,727	-	-	896,727
Scoutt award	2,500	-	-	2,500
<b>Subtotal grants and awards</b>	<b>11,234,227</b>	<b>-</b>	<b>-</b>	<b>11,234,227</b>
Professional services	496,390	367,967	22,511	886,868
Salaries	564,388	150,152	141,835	856,375
Grantee evaluation, training and technical assistance	438,100	-	-	438,100
Office expenses	67,161	24,863	21,682	113,706
Employee benefits	62,216	22,430	15,353	99,999
Payroll taxes	46,865	18,715	13,196	78,776
Dues and subscription	61,840	6,815	1,894	70,549
Other	32,151	17,234	923	50,308
Conferences and meetings	9,280	2,687	-	11,967
Advertising and promotional	1,600	-	6,750	8,350
Depreciation	4,014	1,069	1,009	6,092
<b>Total expenses</b>	<b>\$ 13,018,232</b>	<b>\$ 611,932</b>	<b>\$ 225,153</b>	<b>\$ 13,855,317</b>

See notes to financial statements.



**The District of Columbia Bar Foundation**

**Statement of Functional Expenses  
Year Ended September 30, 2020**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants and awards:				
Government	\$ 9,619,000	\$ -	\$ -	\$ 9,619,000
Private	1,076,811	-	-	1,076,811
<b>Subtotal grants and awards</b>	<b>10,695,811</b>	<b>-</b>	<b>-</b>	<b>10,695,811</b>
Professional services	325,812	218,209	61,336	605,357
Salaries	535,030	219,477	170,750	925,257
Grantee evaluation, training and technical assistance	303,339	-	-	303,339
Office expenses	94,597	44,136	35,448	174,181
Employee benefits	63,290	20,069	14,478	97,837
Payroll taxes	36,710	12,986	14,493	64,189
Dues and subscriptions	32,209	8,063	2,894	43,166
Other	9,962	6,151	1,939	18,052
Conferences and meetings	10,456	3,465	204	14,125
Advertising and promotional	2,146	-	3,470	5,616
Depreciation	4,151	1,705	1,325	7,181
<b>Total expenses</b>	<b>\$ 12,113,513</b>	<b>\$ 534,261</b>	<b>\$ 306,337</b>	<b>\$ 12,954,111</b>

See notes to financial statements.

**The District of Columbia Bar Foundation**

**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (304,470)	\$ (158,950)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,092	7,181
Change in allowance for doubtful accounts	-	11,393
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	472	55,602
Prepaid expenses and deposit	(41,523)	(10,719)
Increase (decrease) in:		
Accounts payable and accrued expenses	(68,367)	265,123
Refundable advances	(186,419)	221,757
Amounts held on behalf of others	217,513	116,655
<b>Net cash (used in) provided by operating activities</b>	<b>(376,702)</b>	<b>508,042</b>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	606,048	1,885,659
Purchases of investments	(612,265)	(1,885,000)
Purchases of property and equipment	(3,918)	(3,267)
<b>Net cash used in investing activities</b>	<b>(10,135)</b>	<b>(2,608)</b>
<b>Net (decrease) increase in cash</b>	<b>(386,837)</b>	<b>505,434</b>
Cash and cash equivalents:		
Beginning	1,842,961	1,337,527
Ending	<b>\$ 1,456,124</b>	<b>\$ 1,842,961</b>

See notes to financial statements.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** 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 awards grants to legal services organizations in the District of Columbia that provide free civil legal services to low-income and underserved people in the District of Columbia. Since its inception, DCBF has awarded more than \$90 million in grants.

The program service description follows:

**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 administrative costs related to 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 (Foundation 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 Foundation 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 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.

The supporting service descriptions follows:

**General and administrative:** 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.

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

A summary of DCBFs significant accounting policies follows:

**Basis of presentation:** DCBF follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, DCBF is required to report information regarding its net assets and its activities according to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Without donor restrictions:** Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board-designation. Board designated net assets are described in Note 6.

**With donor restrictions:** Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are described in Note 6.

DCBF reports donor-restricted contributions, such as government grants, whose restrictions are met in the same year as net assets without donor restrictions. Furthermore, DCBF has elected this simultaneous restriction release policy for donor-restricted contributions that were initially conditional contributions (i.e., the condition has been met) without also having to elect it for other donor-restricted contributions.

**Use of estimates:** The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Income tax status:** DCBF is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) and was originally classified as other than a private foundation within the meaning of Section 509(a)(1) of the IRC.

**Cash:** For financial statement purposes, DCBF considers demand deposits to be cash. Cash and cash equivalents held in the investment portfolio, regardless of maturity, are not included in cash.

**Investments:** Investments consist of cash and cash equivalents and certificates of deposit, which are valued at cost plus accrued interest.

**Financial risk:** At times, certain balances held within the cash and cash equivalents accounts may not be fully guaranteed or insured by the U.S. Government. 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 certificates of deposit are invested in increments at or below the standard FDIC insurance maximum of \$250,000 so that both principal and interest are eligible for FDIC insurance. By working directly with its brokerage firm, DCBF receives FDIC insurance coverage from several banks but receives one joint statement. The certificates of deposit are typically held to maturity.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Receivables:** Receivables include donor contributions and IOLTA program contributions, which primarily consist of amounts due within one year. Receivables also include amounts due from lawyers participating in loan repayment assistance program (LRAP). Receivables are presented at the gross, or face, 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. The allowance for doubtful accounts totaled \$11,393 at September 30, 2021 and 2020.

**Property and equipment:** 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.

**Refundable advances:** Conditional contributions received in advance of becoming unconditional are recorded as refundable advances in the statements of financial position until the barriers to entitlement have been overcome, at which point the contribution is recognized as unconditional and classified as net assets without restrictions.

**Amounts held on behalf of others:** DCBF acts as an intermediary for the Public LRAP grant and, in this capacity, does not have variance power over these grant funds. In particular, although DCBF plays a large role in determining the recipients of the LRAP awards, the grant recipients must satisfy the eligibility requirements specified in the grant. Furthermore, DCBF does not have the power to override the grant restrictions without approval from the government of the District of Columbia. Thus, DCBF records the Public LRAP grant award amounts, which have not yet been expended, as amounts held on behalf of others.

**Revenue and support:** Revenue includes interest income. Support includes government grants, contributions and IOLTA program contributions.

**Government grants:** DCBF determined that the government grant funds are conditional contributions. The government grant funds were provided by the District of Columbia and apply to grant periods that coincide with the fiscal years in the accompanying financial statements. DCBF has approval from the District of Columbia to carryover administrative costs.

*Access to Justice Initiative – Civil Legal Services Program (ATJ):* Under the 2021 and 2020 grants for ATJ, DCBF was awarded \$7,189,247 and \$6,257,000, respectively, for grant making and administrative costs.

*Civil Legal Counsel Projects Program (CLCPP):* Under the 2021 and 2020 grants for CLCPP, DCBF was awarded \$4,600,100 and \$4,500,000, respectively, for grant making and administrative costs.

*District of Columbia Poverty Lawyer Loan Repayment Assistance Program (Public LRAP):* Under the 2021 and 2020 grants for Public LRAP, DCBF was awarded \$300,000 and \$300,000, respectively, for loan awards and administrative costs.

During October 2021, DCBF signed a new funding agreement with the District of Columbia for the year ending September 30, 2022. The 2022 grant for ATJ will be \$14,239,000. The 2022 grant for CLCPP will be \$8,000,000. The 2022 grant for Public LRAP will be \$52,500. The District of Columbia grant funding is conditional upon DCBF's compliance with the terms of the grant agreement.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**IOLTA program contributions:** IOLTA programs have been established throughout the United States to generate funds to provide legal services to the poor. 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 poor persons of the District of Columbia, as well as for the improvement of the administration of justice in the District of Columbia.

**Contributions:** Unconditional contributions are recognized when received. 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. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires.

Conditional contributions received are recorded as refundable advances in the statements of financial position until the barriers to entitlement have been overcome, at which point the contribution is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions, depending upon the terms of the donor agreement.

**Functional allocation of expenses:** The costs of providing various program 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.

**Reclassifications:** Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

**Recent accounting pronouncement adopted:** FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution). ASU 2018-08 also provided guidance for distinguishing between conditional and unconditional contributions. DCBF adopted the contributions received portion of the new standard effective for the year ended September 30, 2020. DCBF adopted the contributions made portion of the new standard effective for the year ended September 30, 2021, using the modified retrospective method. Based on management's review of its contributions made (grant expense), the timing of the amount of contributions recognized previously is consistent with how contributions are recognized under this new standard. Therefore, the adoption of this standard had no impact on DCBF's financial statements, but the standard does require additional disclosures.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Upcoming accounting pronouncements:** FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for DCBF's year ending September 30, 2022. DCBF does not expect the new standard to have a significant impact on the financial statements.

FASB ASU 2016-02, *Leases (Topic 842)*, supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective on October 1, 2022 (for DCBF's year ending September 30, 2023). DCBF is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

**Subsequent events:** Subsequent events have been evaluated through March 8, 2022, which is the date the financial statements were available to be issued.

#### Note 2. Investments

Investments are consisted of the following at September 20, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,830,506	\$ 1,218,241
Certificates of deposit	86,079	692,127
	<u>\$ 1,916,585</u>	<u>\$ 1,910,368</u>

#### Note 3. Receivables

Receivables consisted of the following at September 30, 2021 and 2020:

	2021	2020
Contributions	\$ 104,005	\$ 64,683
IOLTA program contributions	42,500	60,000
Other	15,608	37,902
	<u>162,113</u>	<u>162,585</u>
Less allowance for doubtful accounts	(11,393)	(11,393)
	<u>\$ 150,720</u>	<u>\$ 151,192</u>

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 4. Liquidity

A substantial portion of DCBF's annual expenditures are supported by government grants from the District of Columbia. The government grant funding is received in the first few months of each fiscal year while the IOLTA program funding is received throughout the year.

DCBF manages its financial assets to be available as its obligations become due. DCBF has no debt and typically pays its obligations timely. DCBF has a goal to maintain liquid financial assets equal to approximately four months of operating expense. The board-designated reserve funds, which are described in Note 6, have been designated to provide a minimum of six months of operating expense plus one year of privately funded awards.

Financial assets available for general expenditure within one year consisted of the following as of September 30, 2021 and 2020:

	2021	2020
Cash	\$ 1,456,124	\$ 1,842,961
Investments	1,916,585	1,910,368
Receivables, net	150,720	151,192
	<u>3,523,429</u>	<u>3,904,521</u>
Amounts not available for general expenditure within one year:		
Board designated net assets	(1,177,618)	(1,175,529)
Net assets with donor restrictions	(1,607,503)	(1,914,062)
	<u>\$ 738,308</u>	<u>\$ 814,930</u>

#### Note 5. Property and Equipment

Property and equipment consisted of the following at September 30, 2021 and 2020:

	2021	2020
Property and equipment	\$ 21,211	\$ 65,051
Less accumulated depreciation	(14,376)	(56,042)
	<u>\$ 6,835</u>	<u>\$ 9,009</u>

#### Note 6. Net Assets

**Without donor restrictions:** Net assets without donor restrictions consisted of the following at September 30, 2021 and 2020:

	2021	2020
Undesignated	\$ -	\$ -
Board designated:		
Grant & LRAP reserve	360,000	360,000
DCBF operating reserve	817,618	815,529
	<u>1,177,618</u>	<u>1,175,529</u>
	<u>\$ 1,177,618</u>	<u>\$ 1,175,529</u>



## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 6. Net Assets (Continued)

**With donor restrictions:** Net assets with donor restrictions consisted of the following at September 30, 2021 and 2020:

	2021	2020
IOLTA program	\$ 1,413,404	\$ 1,744,857
Coordinated intake and referral project	100,000	-
Scoutt endowment	88,672	88,778
Housing program legal assistance	5,427	5,427
COVID-19 fund	-	65,000
Promise to give - time restricted	-	10,000
	<u>\$ 1,607,503</u>	<u>\$ 1,914,062</u>

Net assets released from restrictions consisted of the following for the years ended September 30, 2021 and 2020:

	2021	2020
IOLTA program	\$ 940,704	\$ 1,349,142
COVID-19 fund	65,000	-
Promise to give - time restricted	10,000	-
Scoutt endowment	2,500	-
Government grants	-	228,612
Housing program legal assistance	-	-
	<u>\$ 1,018,204</u>	<u>\$ 1,577,754</u>

#### Note 7. 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. Attorneys receiving the award must have a record of compassionate, skilled service. The donor stipulated that \$2,500 per year would be used to pay the annual award.

#### 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. 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.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 7. Endowment (Continued)

##### 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

DCBF does not currently have a policy of appropriating a percentage of the endowment fund's fair value for distribution each year. DCBF plans to establish such a policy. In establishing the policy, DCBF will consider the long-term expected return on its endowment, the restrictions imposed by the donor, and the anticipated annual growth rate of the fund.

##### 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, 2021 and 2020.

The endowment fund consisted of the following as of and for the year ended September 30, 2021:

	Amount Held for Appropriation	Amount Held in Perpetuity	Total
Endowment, October 1, 2020	\$ 2,440	\$ 86,338	\$ 88,778
Interest income	2,394	-	2,394
Appropriations	(2,500)	-	(2,500)
Endowment, September 30, 2021	<u>\$ 2,334</u>	<u>\$ 86,338</u>	<u>\$ 88,672</u>

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 7. Endowment (Continued)

The endowment fund consisted of the following as of and for the year ended September 30, 2020:

	Amount Held for Appropriation	Amount Held in Perpetuity	Total
Endowment, October 1, 2019	\$ 60	\$ 89,610	\$ 89,670
Interest income	2,380	-	2,380
Reclassification *	-	(3,272)	(3,272)
Endowment, September 30, 2020	<u>\$ 2,440</u>	<u>\$ 86,338</u>	<u>\$ 88,778</u>

\* DCBF determined that there had been an over-allocation of interest income to the endowment fund during the year ended September 30, 2019.

#### Note 8. In-Kind Contributions

**Recorded amounts:** Contributions of services and goods are recognized as in-kind contributions 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.

In-kind contributions consisted of donated legal services which totaled \$60,251 and \$15,875 for the years ended September 30, 2021 and 2020, respectively.

**Unrecorded amounts:** 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.

#### Note 9. Retirement Plan

DCBF sponsors a defined contribution 401(k) plan, which is available to all employees meeting certain eligibility requirements as defined by the plan document. Employer contributions, up to limits prescribed in by the IRC, are discretionary and are determined by the Board of Directors. DCBF's contributions to the plan totaled \$16,600 and \$23,088 for the years ended September 30, 2021 and 2020, respectively.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### **Note 10. Commitments and Contingencies**

**Office space:** DCBF has a short-term operating lease agreement for a WeWork (shared) office space which expires on September 30, 2022. Future minimum cash basis rental payments for the shared office space will be \$79,128 during the year ended September 30, 2022.

Rent expense, inclusive of conference room rental and month-to-month additional office space rental, totaled \$77,535 and \$130,321 for the years ended September 30, 2021 and 2020, respectively.

**COVID-19 pandemic:** On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which DCBF operates. It is unknown how long these conditions will last and what the complete financial affect will be to DCBF and it is reasonably possible that DCBF is vulnerable to the risk of a near-term severe impact.

DCBF experienced a significant reduction in support related to IOLTA program contributions during the year ended September 30, 2021. The reduction in the IOLTA program contributions was due to reduced interest rates at participating banks, which was caused by pandemic-related changes affecting the general economic environment.