

THE DISTRICT OF COLUMBIA BAR FOUNDATION

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

For the Years Ended September 30, 2022 and 2021

SEPTEMBER 30, 2022 AND 2021

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 statement of financial position as of September 30, 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DCBF as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Other Matter

The financial statements of DCBF as of and for the year ended September 30, 2021 were audited by another auditor, who expressed an unmodified opinion on those statements on March 8, 2022.

Responsibilities of Management 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 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.
June 26, 2023

S B & Company, LLC

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Statements of Financial Position As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 2,741,692	\$ 1,456,124
Investments	1,919,619	1,916,585
Receivables, net	560,517	150,720
Prepaid expenses and deposits	182,425	128,607
Property and equipment, net	7,456	6,835
Total Assets	<u>\$ 5,411,709</u>	<u>\$ 3,658,871</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 228,043	\$ 291,613
Refundable advances	1,262,138	35,338
Amounts held on behalf of others	663,107	546,799
Total liabilities	<u>2,153,288</u>	<u>873,750</u>
Net assets:		
Without donor restrictions	1,314,840	1,177,618
With donor restrictions	1,943,581	1,607,503
Total net assets	<u>3,258,421</u>	<u>2,785,121</u>
Total Liabilities and Net Assets	<u>\$ 5,411,709</u>	<u>\$ 3,658,871</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Local government grants	\$ 11,746,102	\$ -	\$ 11,746,102	\$ 12,020,765	\$ -	\$ 12,020,765
Federal grants	9,500,000	-	9,500,000	-	-	-
Contributions	745,079	75,000	820,079	738,245	100,000	838,245
IOLTA program contributions	-	1,075,405	1,075,405	-	609,251	609,251
Contributed nonfinancial assets	10,234	-	10,234	60,251	-	60,251
Special events	77,614	-	77,614	76,355	-	76,355
Interest income	3,034	52	3,086	3,837	2,394	6,231
Net assets released from restrictions	814,379	(814,379)	-	1,018,204	(1,018,204)	-
Total revenue and support	<u>22,896,442</u>	<u>336,078</u>	<u>23,232,520</u>	<u>13,917,657</u>	<u>(306,559)</u>	<u>13,611,098</u>
Expenses:						
Program services:						
Government and privately funded grant programs	22,138,993	-	22,138,993	13,018,232	-	13,018,232
Supporting services:						
General and administrative	394,579	-	394,579	611,932	-	611,932
Fundraising	225,648	-	225,648	225,153	-	225,153
Total supporting services	620,227	-	620,227	837,085	-	837,085
Total expenses	<u>22,759,220</u>	<u>-</u>	<u>22,759,220</u>	<u>13,855,317</u>	<u>-</u>	<u>13,855,317</u>
Changes in net assets	137,222	336,078	473,300	2,089	(306,559)	(304,470)
Net assets at the beginning of the year	1,177,618	1,607,503	2,785,121	1,175,529	1,914,062	3,089,591
Net Assets at the End of the Year	<u>\$ 1,314,840</u>	<u>\$ 1,943,581</u>	<u>\$ 3,258,421</u>	<u>\$ 1,177,618</u>	<u>\$ 1,607,503</u>	<u>\$ 2,785,121</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, 2022 and 2021

	2022			
	Supporting Services			
	Program Services	General and Administration	Fundraising	Total
Grants and awards:				
Government	\$ 20,025,486	\$ -	\$ -	\$ 20,025,486
Private	95,999	-	-	95,999
Scoutt award	2,500	-	-	2,500
Subtotal Grants and Awards	20,123,985	-	-	20,123,985
Salaries	703,079	73,200	153,605	929,884
Employee benefits	73,423	8,941	17,513	99,877
Payroll taxes	57,705	4,599	11,390	73,694
Professional services	353,692	252,478	14,139	620,309
Grantee evaluation, training and technical assistance	682,367	-	-	682,367
Dues and subscription	49,233	12,517	1,690	63,440
Office expenses	70,903	12,511	19,510	102,924
Conferences and meetings	1,006	8,420	84	9,510
Advertising and promotional	3,800	848	3,845	8,493
Depreciation	4,973	518	1,088	6,579
Other	14,827	20,547	2,784	38,158
Total Expenses	\$ 22,138,993	\$ 394,579	\$ 225,648	\$ 22,759,220
	2021			
	Supporting Services			
	Program Services	General and Administration	Fundraising	Total
Grants and awards:				
Government	\$ 10,335,000	\$ -	\$ -	\$ 10,335,000
Private	896,727	-	-	896,727
Scoutt award	2,500	-	-	2,500
Subtotal Grants and Awards	11,234,227	-	-	11,234,227
Salaries	564,388	150,152	141,835	856,375
Employee benefits	62,216	22,430	15,353	99,999
Payroll taxes	46,865	18,715	13,196	78,776
Professional services	496,390	367,967	22,511	886,868
Grantee evaluation, training and technical assistance	438,100	-	-	438,100
Dues and subscription	61,840	6,815	1,894	70,549
Office expenses	67,161	24,863	21,682	113,706
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
Other	32,151	17,234	923	50,308
Total Expenses	\$ 13,018,232	\$ 611,932	\$ 225,153	\$ 13,855,317

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 473,300	\$ (304,470)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	6,579	6,092
Reinvested proceeds	(3,034)	(3,837)
Changes in non-cash operating assets and liabilities:		
Receivables, net	(409,797)	472
Prepaid expenses and deposits	(53,818)	(41,523)
Accounts payable and accrued expenses	(63,570)	(68,367)
Refundable advances	1,226,800	(186,419)
Amounts held on behalf of others	116,308	217,513
Net Cash from Operating Activities	<u>1,292,768</u>	<u>(380,539)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments- earnings	-	606,048
Purchases of investments	-	(608,428)
Purchases of property and equipment	(7,200)	(3,918)
Net Cash from Investing Activities	<u>(7,200)</u>	<u>(6,298)</u>
Net change in cash	1,285,568	(386,837)
Cash, beginning of year	1,456,124	1,842,961
Cash, End of Year	<u>\$ 2,741,692</u>	<u>\$ 1,456,124</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, 2022 and 2021

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 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 been awarded more than \$90 million in grants.

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 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, 2022 and 2021

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 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, 2022 and 2021, 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, 2022, the statute of limitations for fiscal years 2019 through 2022 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 cash equivalents and certificates of deposit. Cash equivalents consist of money market funds. Certificates of deposit are considered held to maturity debt securities, and are valued at amortized cost. Changes in fair value for cash equivalents 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 taken from net assets with donor restrictions.

Financial Risks

At times, certain balances held within the cash and cash equivalents 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, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, Net

Receivables include donor contributions and IOLTA program contributions, 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. There was no allowance for doubtful accounts recorded as of September 30, 2022. The allowance for doubtful accounts totaled \$11,393 as of September 30, 2021.

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.

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 (or as) 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 Loan Repayment Assistance Program (LRAP) grant. Similar to its refundable advances, DCBF recognizes revenue when (or as) 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.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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, 2022 and 2021, there was \$1,943,581 and \$1,607,503, respectively, in net assets with donor restrictions.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by DCBF in perpetuity. As of September 30, 2022 and 2021, included in net assets with donor restrictions was \$80,663 and \$88,672, respectively, of net assets to be maintained in perpetuity.

Revenue Recognition

Local Government and Federal Grants

Revenue from local government and Federal grants and contracts is recognized when eligible expenses are incurred under terms of the related contracts or based on some predetermined rate.

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.

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.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributed Nonfinancial Assets

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 \$10,234 and \$60,251, for the years ended September 30, 2022 and 2021, respectively.

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.

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.

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

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

Reclassifications

Certain 2021 amounts have been reclassified to conform with 2022 presentation.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which 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. This statement was implemented during fiscal year 2022 and had no material impact on the financial statements.

Recent Accounting Pronouncement

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which creates a singular reporting model for leases. This standard will require DCBF to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard is effective for fiscal years beginning after December 15, 2021. Management is evaluating the effects of this pronouncement on the financial statements and will implement this pronouncement by its effective date.

Subsequent Events

Management has evaluated subsequent events and transactions through June 26, 2023, 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.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

3. INVESTMENTS (continued)

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 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.

Certificates of deposit: Valued at cost plus accrued interest, where cost approximates fair value. These investments are also 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 method is 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.

Investments consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 1,833,540	\$ 1,830,506
Certificates of deposit	86,079	86,079
	<u>\$ 1,919,619</u>	<u>\$ 1,916,585</u>

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

4. RECEIVABLES

Receivables consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contributions	\$ 46,015	\$ 104,005
Refundable awards	309,547	-
IOLTA program contributions	204,955	42,500
Other	-	15,608
	<u>560,517</u>	<u>162,113</u>
Allowance for doubtful accounts	-	(11,393)
	<u>\$ 560,517</u>	<u>\$ 150,720</u>

5. LIQUIDITY

A substantial portion of DCBF's annual expenditures are supported by government grants from the District of Columbia and the Federal government. The government grant funding is typically 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 six months of operating expenses that are funded by unrestricted resources, which along with the annual amount of private grants and LRAP awards, are to be funded with unrestricted resources from the board designated reserve. The board calculates a target annually as part of the budget process and has set the final reserve amount equal to the available net assets without donor restriction.

Financial assets available for general expenditure within one year consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,741,692	\$ 1,456,124
Investments	1,919,619	1,916,585
Receivables, net	560,517	150,720
	<u>5,221,828</u>	<u>3,523,429</u>
Amounts not available for general expenditure within one year:		
Board designated net assets	(1,314,840)	(1,177,618)
Net assets with donor restrictions	(1,943,581)	(1,607,503)
	<u>\$ 1,963,407</u>	<u>\$ 738,308</u>

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Useful Life</u>
Property and equipment	\$ 28,411	\$ 21,211	3-5 years
Accumulated depreciation	<u>(20,955)</u>	<u>(14,376)</u>	
	<u>\$ 7,456</u>	<u>\$ 6,835</u>	

Depreciation expense was \$6,579 and \$6,092, for the years ended September 30, 2022 and 2021, respectively.

7. NET ASSETS

Net assets without donor restrictions consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board designated:		
Grant & LRAP reserve	\$ 470,000	\$ 360,000
DCBF operating reserve	<u>844,840</u>	<u>817,618</u>
	<u>\$ 1,314,840</u>	<u>\$ 1,177,618</u>

Net assets with donor restrictions consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
IOLTA program	\$ 1,795,763	\$ 1,413,404
Coordinated intake and referral project	61,728	100,000
Scoutt endowment	80,663	88,672
Housing program legal assistance	<u>5,427</u>	<u>5,427</u>
	<u>\$ 1,943,581</u>	<u>\$ 1,607,503</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. Attorneys receiving the award must have a record of compassionate, skilled service.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

8. ENDOWMENT (continued)

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.

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.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

8. ENDOWMENT (continued)

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, 2022 and 2021. However, because the earnings have not been sufficient to cover the annual award plus the direct related expenses, the donor stimulated that the amounts held in perpetuity should be used to support the award.

The endowment fund consisted of the following as of and for the year ended September 30, 2022:

	Amount Held for Appropriation	Amount Held in Perpetuity	Total
Endowment, October 1, 2021	\$ 2,334	\$ 86,338	\$ 88,672
Interest income	52	-	52
Appropriations	(2,386)	(114)	(2,500)
Direct expenses	-	(5,561)	(5,561)
Endowment, September 30, 2022	<u>\$ -</u>	<u>\$ 80,663</u>	<u>\$ 80,663</u>

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>

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 \$13,734 and \$16,600 for the years ended September 30, 2022 and 2021, respectively.

THE DISTRICT OF COLUMBIA BAR FOUNDATION

Notes to the Financial Statements September 30, 2022 and 2021

10. COMMITMENTS AND CONTINGENCIES

Office Space

DCBF has a short-term operating lease agreement for a WeWork shared office space which expired on September 30, 2022. Future minimum cash basis rental payments for the shared office space will be \$56,496, during the year ended September 30, 2023.

Rent expense, inclusive of conference room rental and month-to-month additional office space rental, totaled \$81,607 and \$77,535, for the years ended September 30, 2022 and 2021, respectively.

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 Government grants and Federal grants in the accompanying statements of activities and changes in net assets. During the years ended September 30, 2022 and 2021, DCBF received \$21,246,102 and \$12,020,765, respectively, which accounted for approximately 91% and 88%, respectively, of total revenue and support.

Grants

DCBF receives financial assistance from Federal and local agencies in the form of grants. The disbursement of funds received under these programs generally requires 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.