

# **The District of Columbia Bar Foundation**

Financial Report  
September 30, 2020

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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 statement of financial position as of September 30, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, based on our audit, 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, 2020, 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.

**Other Matter**

The financial statements of The District of Columbia Bar Foundation as of and for the year ended September 30, 2019, were audited by other auditors whose report, dated February 7, 2020, expressed an unmodified opinion on those statements.

*RSM US LLP*

Washington, D.C.  
February 17, 2021

The District of Columbia Bar Foundation

Statements of Financial Position

September 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash	\$ 1,842,961	\$ 1,337,527
Investments	1,910,368	1,911,027
Receivables, net	151,192	218,187
Prepaid expenses and deposit	87,084	76,365
Property and equipment, net	9,009	12,923
<b>Total assets</b>	<b>\$ 4,000,614</b>	<b>\$ 3,556,029</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 359,980	\$ 94,857
Refundable advances	221,757	-
Amounts held on behalf of others	329,286	212,631
<b>Total liabilities</b>	<b>911,023</b>	<b>307,488</b>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	1,175,529	1,231,309
With donor restrictions	1,914,062	2,017,232
<b>Total net assets</b>	<b>3,089,591</b>	<b>3,248,541</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,000,614</b>	<b>\$ 3,556,029</b>

See notes to financial statements.

**The District of Columbia Bar Foundation**

**Statements of Activities  
Years Ended September 30, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Government grants	\$ 10,567,658	\$ -
Contributions	732,248	747,152
Interest income	20,671	16,670
Net assets released from restrictions	1,577,754	10,472,344
<b>Total revenue and support</b>	<b>12,898,331</b>	<b>11,236,166</b>
Expenses:		
Program services:		
Government and privately funded grant programs	12,113,513	10,620,855
Supporting services:		
General and administrative	534,261	321,814
Fundraising	306,337	282,945
<b>Total supporting services</b>	<b>840,598</b>	<b>604,759</b>
<b>Total expenses</b>	<b>12,954,111</b>	<b>11,225,614</b>
<b>Change in net assets without donor restrictions</b>	<b>(55,780)</b>	<b>10,552</b>
Activities with donor restrictions:		
IOLTA program contributions	1,397,539	2,080,436
Contributions	75,000	5,000
Interest income	2,045	10,917
Government grants	-	9,727,408
Net assets released from restrictions	(1,577,754)	(10,472,344)
<b>Change in net assets with donor restrictions</b>	<b>(103,170)</b>	<b>1,351,417</b>
<b>Change in net assets</b>	<b>(158,950)</b>	<b>1,361,969</b>
Net assets:		
Beginning	3,248,541	1,886,572
Ending	<b>\$ 3,089,591</b>	<b>\$ 3,248,541</b>

See notes to financial statements.

**The District of Columbia Bar Foundation**

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

	Program Service	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>
Salaries	535,030	219,477	170,750	925,257
Professional services	325,812	218,209	61,336	605,357
Grantee evaluation, training and technical assistance	303,339	-	-	303,339
Office rent	75,390	30,895	24,036	130,321
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
Telephone and internet	11,659	2,173	1,360	15,192
Conferences and meetings	10,456	3,465	204	14,125
Bank service charges	-	2,768	5,425	8,193
Depreciation	4,151	1,705	1,325	7,181
Printing	3,110	678	2,711	6,499
Advertising and promotional	2,146	-	3,470	5,616
Insurance	2,607	1,069	832	4,508
Supplies	588	2,141	264	2,993
Moving expense	-	2,742	-	2,742
Equipment rental	837	1,331	274	2,442
Postage and delivery	406	339	546	1,291
<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**

**Statement of Functional Expenses  
Year Ended September 30, 2019**

	Program Service	Supporting Services		Total
		General and Administrative	Fundraising	
Grants and awards:				
Government	\$ 8,471,000	\$ -	\$ -	\$ 8,471,000
Private	898,512	-	-	898,512
Scout award	2,500	-	-	2,500
<b>Subtotal grants and awards</b>	<b>9,372,012</b>	<b>-</b>	<b>-</b>	<b>9,372,012</b>
Salaries	507,645	79,038	125,772	712,455
Professional services	224,641	158,503	76,817	459,961
Grantee evaluation, training and technical assistance	208,721	-	-	208,721
Office rent	106,364	16,560	26,352	149,276
Employee benefits	66,223	17,562	10,520	94,305
Payroll taxes	39,475	12,094	10,510	62,079
Dues and subscriptions	31,204	13,050	1,493	45,747
Other	11,646	12,515	4,732	28,893
Telephone and internet	11,970	1,609	1,072	14,651
Conferences and meetings	19,882	1,906	620	22,408
Bank service charges	25	3,602	659	4,286
Depreciation	3,975	622	985	5,582
Printing	3,186	330	8,288	11,804
Advertising and promotional	9,466	-	4,291	13,757
Insurance	4,219	656	1,044	5,919
Supplies	170	939	140	1,249
Equipment rental		2,511	-	2,511
Postage and delivery	31	317	3,150	3,498
Special event	-	-	6,500	6,500
<b>Total expenses</b>	<b>\$ 10,620,855</b>	<b>\$ 321,814</b>	<b>\$ 282,945</b>	<b>\$ 11,225,614</b>

See notes to financial statements.



**The District of Columbia Bar Foundation**

**Statements of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (158,950)	\$ 1,361,969
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donor restricted contributions, perpetual in nature	-	(2,500)
Depreciation	7,181	5,582
Change in allowance for doubtful accounts	11,393	-
Loss on disposal of property and equipment	-	1,930
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	55,602	(99,134)
Prepaid expenses and deposit	(10,719)	17,928
Increase (decrease) in:		
Accounts payable and accrued expenses	265,123	(99,090)
Refundable advances	221,757	-
Amounts held on behalf of others	116,655	76,719
<b>Net cash provided by operating activities</b>	<b>508,042</b>	<b>1,263,404</b>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,885,659	477,532
Purchases of investments	(1,885,000)	(1,885,000)
Purchases of property and equipment	(3,267)	(9,080)
<b>Net cash used in investing activities</b>	<b>(2,608)</b>	<b>(1,416,548)</b>
Cash flows from financing activities:		
Donor restricted contributions, perpetual in nature	-	2,500
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>2,500</b>
<b>Net increase (decrease) in cash</b>	<b>505,434</b>	<b>(150,644)</b>
Cash and cash equivalents:		
Beginning	1,337,527	1,488,171
Ending	<b>\$ 1,842,961</b>	<b>\$ 1,337,527</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 DC 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 \$80 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 accounting:** The financial statements of DCBF are presented on the accrual basis of accounting, whereby, revenue is recognized when earned, support is recognized when unconditionally received and expenses are recognized when incurred.

## 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)

**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.

**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. DCBF's 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.

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. The investments 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 and, upon reaching maturity, are rolled into new certificates of deposit.

## 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 IOLTA program and donor 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 and \$0 at September 30, 2020 and 2019, respectively.

**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:** Government grant awards provided by the District of Columbia are received in advance of costs incurred. Government funds provided under the grant awards is recorded as refundable advances until expended for the purposes of the grants.

**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, IOLTA program contributions, and contributions.

**Government grants:** DCBF determined that the government grants are conditional contributions. The government grants were provided by the District of Columbia and apply to the grant period from October 1, 2019 through September 30, 2020. DCBF has approval from the District of Columbia to carryover administrative costs.

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

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

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

During October 2020, DCBF signed new funding agreements with the District of Columbia for the year ending September 30, 2021. The 2021 grant for ATJ will be \$7,189,247. The 2021 grant for CLCPP will be \$4,600,100. The 2021 grant for Public LRAP will be \$300,000. The District of Columbia grant funding is conditional upon DCBF's compliance with the terms of the respective grant agreements.

## 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 rent, depreciation, telephone and internet, supplies, insurance and postage and delivery 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. The following is a summary of September 30, 2019, reclassifications:

	Previously Reported	Reclassification	Currently Reported
Assets:			
Accounts receivable	\$ 213,887	\$ (213,887)	\$ -
Promises to give, net	4,300	213,887	218,187
	<u>\$ 218,187</u>	<u>\$ -</u>	<u>\$ 218,187</u>

## 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)

**Recent accounting pronouncement adopted:** In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 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, using the modified prospective method. DCBF will adopt the contributions made portion of the new standard when it is required during the year ending September 30, 2021. Based on management's review of its contributions received, the timing of the amount of contributions recognized previously was not consistent with how contributions are recognized under this new standard. The new standard also requires additional disclosures related to conditional contributions when they are present.

The adoption of this standard required management to make an adjustment to the financial statements related to the accounting treatment of the government grants. The government grants, which were previously reported as unconditional donor restricted contributions, should be reported, under the new standard, as conditional contributions released in the same period. Therefore, net assets with donor restrictions related to the government grants which totaled \$228,612 at September 30, 2019, were released from restrictions during the year ended September 30, 2020 (see Note 6), and they were used for current year grant expenditures. DCBF has also elected to adopt the simultaneous release accounting policy in conjunction with its adoption of ASU 2018-08. Therefore, donor-restricted contributions that were initially conditional contributions (i.e., the condition has been met) may be reported as net assets without donor restrictions when the donor restrictions are met within the same reporting period as the support is recognized.

**Upcoming accounting pronouncements:** 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 financial statements 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. The new standard is effective for the year ending September 30, 2023. 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. DCBF anticipates adopting the new standard when required during the year ending September 20, 2023, and is currently evaluating the impact of the adoption of the new standard on the financial statements.

**Subsequent events:** Subsequent events have been evaluated through February 17, 2021, which is the date the financial statements were available to be issued.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 2. Investments

Investments are recorded at cost and consisted of the following at September 20, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 1,218,241	\$ 3,922
Certificates of deposit	692,127	1,907,105
	<u>\$ 1,910,368</u>	<u>\$ 1,911,027</u>

A portion of DCBF's investments relate to board-designated reserve funds (see Note 6).

#### Note 3. Receivables

Receivables consisted of the following at September 30, 2020 and 2019:

	2020	2019
Contributions receivable	\$ 64,683	\$ 4,300
IOLTA program	60,000	200,000
LRAP receivables	37,902	13,887
	<u>162,585</u>	<u>218,187</u>
Less allowance for doubtful accounts	(11,393)	-
	<u>\$ 151,192</u>	<u>\$ 218,187</u>

#### 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, 2020 and 2019:

	2020	2019
Cash	\$ 1,842,961	\$ 1,337,527
Investments	1,910,368	1,911,027
Receivables, net	151,192	218,187
	<u>3,904,521</u>	<u>3,466,741</u>
Amounts not available for general expenditure within one year:		
Board-designated net assets	(1,175,529)	(1,229,907)
Net assets with donor restrictions	(1,914,062)	(2,017,232)
	<u>\$ 814,930</u>	<u>\$ 219,602</u>

**The District of Columbia Bar Foundation**

**Notes to the Financial Statements**

**Note 5. Property and Equipment**

Property and equipment consisted of the following at September 30, 2020 and 2019:

	2020	2019
Property and equipment	\$ 65,051	\$ 61,784
Less accumulated depreciation	(56,042)	(48,861)
	<u>\$ 9,009</u>	<u>\$ 12,923</u>

**Note 6. Net Assets**

**Without donor restrictions:** Net assets without donor restrictions consisted of the following at September 30, 2020 and 2019:

	2020	2019
Undesignated	\$ -	\$ 1,402
Board-designated		
Grant & LRAP reserve	360,000	380,000
DCBF operating reserve	815,529	849,907
	<u>1,175,529</u>	<u>1,229,907</u>
	<u>\$ 1,175,529</u>	<u>\$ 1,231,309</u>

**With donor restrictions:** Net assets with donor restrictions consisted of the following at September 30, 2020 and 2019:

	2020	2019
IOLTA program	\$ 1,744,857	\$ 1,693,523
Scoutt endowment	88,778	89,670
COVID-19 fund	65,000	-
Promise to give - time restricted	10,000	-
Housing program legal assistance	5,427	5,427
Government grants	-	228,612
	<u>\$ 1,914,062</u>	<u>\$ 2,017,232</u>

Net assets released from restrictions consisted of the following for the years ended September 30, 2020 and 2019:

	2020	2019
IOLTA program	\$ 1,349,142	\$ 780,885
Government grants	228,612	9,499,269
Housing program legal assistance	-	189,690
Scoutt endowment	-	2,500
	<u>\$ 1,577,754</u>	<u>\$ 10,472,344</u>



## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### 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.

Through the year ended September 30, 2019, the donor had provided an annual gift of \$5,000 to DCBF such that \$2,500 would be added to endowment principal and \$2,500 would be used to pay the annual award. The donor had also instructed DCBF to build the endowment until it was large enough to sustain the annual award through investment earnings. During the year ended September 30, 2020, the donor decided to cease providing contributions to the endowment fund.

#### *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*

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.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### Note 7. 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, 2020 and 2019.

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

	Appreciation	Corpus	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.

The endowment fund consisted of the following as of and for the year ended September 30, 2019:

	Appreciation	Corpus	Total
Endowment, October 1, 2018	\$ 60	\$ 82,712	\$ 82,772
Contributions	2,500	2,500	5,000
Interest income	-	4,398	4,398
Appropriations	(2,500)	-	(2,500)
Endowment, September 30, 2019	<u>\$ 60</u>	<u>\$ 89,610</u>	<u>\$ 89,670</u>

#### 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 \$15,875 and \$13,037 for the years ended September 30, 2020 and 2019, 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.

## The District of Columbia Bar Foundation

### Notes to the Financial Statements

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#### **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 \$23,088 and \$12,256 for the years ended September 30, 2020 and 2019, respectively.

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

**Office space:** During August 2017, DCBF signed an operating lease agreement for a WeWork (shared) office space on M Street, SE in Washington, DC, which had an expiration date of September 30, 2020. However, DCBF signed an amendment to the office lease for M Street so that it expired on July 1, 2020.

During June 2020, DCBF signed a new operating lease agreement for a WeWork (shared) office space on New York Ave, NW in Washington, DC, which was effective on July 1, 2020. The lease includes an annual escalation of base rentals and expires September 30, 2021. Future minimum cash basis rental payments for the WeWork New York Ave office lease will be \$80,256 during the year ending September 30, 2021.

Rent expense, inclusive of conference room rental and month-to-month additional office space rental, totaled \$130,321 and \$149,276 for the years ended September 30, 2020 and 2019, respectively.

**COVID-19 Pandemic:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak 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 the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus 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, to date, and it is reasonably possible that DCBF is vulnerable to the risk of a near-term severe impact.

The adverse impacts DCBF has experienced as a result of the pandemic primarily relate to a reduction in support. A significant reduction in support occurred in IOLTA program contributions during the year ended September 30, 2020. The reduction in the IOLTA program contributions was due to reduced interest rates at participating banks, which was caused by pandemic-related changes to the general economic environment.