

Audited Financial Statements
THE DISTRICT OF COLUMBIA
BAR FOUNDATION
September 30, 2019

The District of Columbia Bar Foundation

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Independent Auditor's Report

To the 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, 2019 and 2018, and the related statements of activities, functional expense, 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. 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, DCBF adopted the provisions of ASU 2016-14 during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and functional expense. There was no change in DCBF's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Washington, DC
January XX, 2020

The District of Columbia Bar Foundation

Statements of Financial Position

September 30,	2019	2018
Assets		
Cash	\$ 1,337,527	\$ 1,488,171
Investments	1,911,027	503,559
Accounts receivable	213,887	96,253
Promises to give	4,300	22,800
Prepaid expenses and deposit	76,365	94,293
Property and equipment	12,923	11,355
Total assets	\$ 3,556,029	\$ 2,216,431
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 94,857	\$ 193,947
Amounts held on behalf of others	212,631	135,912
Total liabilities	307,488	329,859
Net assets		
Without donor restrictions	1,231,309	1,220,757
With donor restrictions	2,017,232	665,815
Total net assets	3,248,541	1,886,572
Total liabilities and net assets	\$ 3,556,029	\$ 2,216,431

The District of Columbia Bar Foundation

Statements of Activities

<i>Year Ended September 30,</i>	2019	2018
Activities without donor restrictions		
Revenue and support		
Contributions	\$ 747,152	\$ 829,125
Interest income	16,670	10,272
	763,822	839,397
Net assets released from restriction	10,472,344	10,826,788
Total revenue and support	11,236,166	11,666,185
Expense		
Program services		
Government funded grant programs	9,372,012	9,565,120
Privately funded grant programs	1,248,843	1,443,283
Total program services	10,620,855	11,008,403
Supporting services		
General and administrative	321,814	319,449
Fund raising	282,945	278,040
Total supporting services	604,759	597,489
Total expense	11,225,614	11,605,892
Change in net assets without donor restrictions	10,552	60,293
Activities with donor restrictions		
Government grants	9,727,408	9,565,442
IOLTA program contributions	2,080,436	830,957
Contributions	5,000	5,060
Interest income	10,917	474
Net assets released from restriction	(10,472,344)	(10,826,788)
Change in net assets with donor restrictions	1,351,417	(424,855)
Change in net assets	1,361,969	(364,562)
Net assets, beginning of year	1,886,572	2,251,134
Net assets, end of year	\$ 3,248,541	\$ 1,886,572

See notes to the financial statements.

The District of Columbia Bar Foundation

Statements of Functional Expense

Years Ended September 30, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Fund Raising	Total	Program Services	General and Administrative	Fund Raising	Total
Grants and awards								
Government	\$ 8,471,000	\$ -	\$ -	\$ 8,471,000	\$ 8,862,472	\$ -	\$ -	\$ 8,862,472
Private	898,512			898,512	1,262,190			1,262,190
Scout award	2,500			2,500	2,500			2,500
Subtotal grants and awards	9,372,012	-	-	9,372,012	10,127,162	-	-	10,127,162
Salaries	507,645	79,038	125,772	712,455	366,066	43,489	110,469	520,024
Professional services	224,641	158,503	76,817	459,961	220,077	210,369	95,685	526,131
Grantee evaluation, training, and technical assistance	208,721			208,721	55,825			55,825
Office rent	106,364	16,560	26,352	149,276	105,083	12,484	31,711	149,278
Employee benefits	66,223	17,562	10,520	94,305	43,073	17,899	8,873	69,845
Payroll taxes	39,475	12,094	10,510	62,079	26,890	10,124	8,717	45,731
Dues and subscriptions	31,204	13,050	1,493	45,747	13,046	4,544	188	17,778
Other	11,646	12,515	4,732	28,893	9,887	9,147	2,248	21,282
Conferences and meetings	19,882	1,906	620	22,408	13,024	1,994	816	15,834
Telephone and internet	11,970	1,609	1,072	14,651	6,204	1,034	2,158	9,396
Advertising and promotional	9,466		4,291	13,757	1,046		1,893	2,939
Printing	3,186	330	8,288	11,804	3,477	512	2,051	6,040
Special event			6,500	6,500			6,412	6,412
Insurance	4,219	656	1,044	5,919	3,889	462	1,173	5,524
Depreciation	3,975	622	985	5,582	4,093	487	1,235	5,815
Bank service charges	25	3,602	659	4,286	60	4,075		4,135
Postage and delivery	31	317	3,150	3,498	257	342	1,644	2,243
Repairs and maintenance		2,511		2,511		553		553
Supplies	170	939	140	1,249	386	881	94	1,361
Moving costs				-	8,858	1,053	2,673	12,584
Total expense	\$ 10,620,855	\$ 321,814	\$ 282,945	\$ 11,225,614	\$ 11,008,403	\$ 319,449	\$ 278,040	\$ 11,605,892

See notes to the financial statements.

The District of Columbia Bar Foundation

Statements of Cash Flows

Year Ended September 30,	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,361,969	\$ (364,562)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donor restricted contributions, perpetual in nature	(2,500)	(2,500)
Depreciation	5,582	5,815
Loss on disposal of property and equipment	1,930	-
Changes in assets and liabilities:		
Accounts receivable	(117,634)	(9,793)
Promises to give	18,500	(20,800)
Prepaid expenses and deposit	17,928	(42,074)
Accounts payable and accrued expenses	(99,090)	117,601
Amounts held on behalf of others	76,719	18,560
Net cash provided by (used in) operating activities	1,263,404	(297,753)
Cash flows from investing activities		
Net (purchases) sales of investments	(1,407,468)	743,852
Purchases of property and equipment	(9,080)	(11,919)
Net cash (used in) provided by investing activities	(1,416,548)	731,933
Cash flows from financing activities		
Donor restricted contributions, perpetual in nature	2,500	2,500
Net cash provided by financing activities	2,500	2,500
Net (decrease) increase in cash	(150,644)	436,680
Cash, beginning of year	1,488,171	1,051,491
Cash, end of year	\$ 1,337,527	\$ 1,488,171

The District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The District of Columbia Bar Foundation (DCBF) was organized in the District of Columbia in November 1977. The District of Columbia Bar (DC Bar), which was created by the District of Columbia Court of Appeals in 1972, has the ability to appoint and remove a majority voting interest in DCBF's Board of Directors. DCBF exists to fund, support, and improve legal representation of the poor, vulnerable, and otherwise disadvantaged population within the District of Columbia.

DCBF facilitates and improves the provision of legal services and the administration of justice for the underprivileged. Those services relate to representing individuals whom society has a special interest in protecting, or also involving important claims or defenses belonging to a significant segment of the public. DCBF promotes the study of the law and the science of jurisprudence and related research, through the diffusion of legal knowledge and the continuing legal education of lawyers, and by publishing and distributing essays, treatises, reports and other literary works on legal subjects.

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 and was originally classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

New accounting principle: The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). DCBF adopted the provisions of ASU 2016-14 during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and functional expense. There was no change in DCBF's previously reported change in net assets as a result of the adoption of the ASU.

Cash: Cash consists of demand deposit accounts held by banks and financial institutions. At times, certain balances held within these 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.

Accounts receivable: Accounts receivable consists of both Interest on Lawyer Trust Accounts (IOLTA) program contributions and amounts due from lawyers participating in the Foundation loan repayment assistance program (LRAP). DCBF's management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the organization and the age of the receivable balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts had been recorded.

The District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Promises to give: Promises to give are unconditional and consist of contributions which are receivable within one year. Management periodically reviews the status of all promises to give for collectability. Each balance is assessed based on management's knowledge of and relationship with the donors and the age of the promise to give balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful promises had been recorded.

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 Public LRAP grant award amounts which have not yet been expended as amounts held on behalf of others.

Government grants: The following three government grant awards were provided by the District of Columbia:

- 1) *Access to Justice Initiative - Civil Legal Services Program (ATJ)* and, under the 2019 grant for ATJ Subgrants, DCBF was awarded \$4,625,260 for grant making and \$549,996 for administrative costs. DCBF's expenditures to subrecipients totaled \$4,626,000 and administrative expenses totaled \$549,256 for the year ended September 30, 2019.
- 2) *Civil Legal Counsel Projects Program (CLCPP)* and, under the 2019 grant for CLCPP, DCBF was awarded \$3,865,000 for grant making and \$635,000 for administrative costs. DCBF's expenditures to subrecipients totaled \$3,845,000 and administrative costs totaled \$426,856 for the year ended September 30, 2019.
- 3) *District of Columbia Poverty Lawyer Loan Repayment Assistance Program (Public LRAP)* and, under the 2019 grant for Public LRAP, DCBF was awarded \$324,700 for loan awards and \$57,300 for administrative costs. DCBF's expenditures related to loans totaled \$253,128 and administrative costs totaled \$52,153 for the year ended September 30, 2019.

During October 2019, DCBF signed new funding agreements with the District of Columbia for the year ending September 30, 2020. The 2020 grant for ATJ will be \$6,257,000. The 2020 grant for CLPP will be \$4,500,000 and the 2020 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.

Contributions: Contributions, including government grants and private foundation grants, are recognized when unconditionally promised to, or received by DCBF. Contributions are recorded as support without or with donor restrictions depending upon the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated purpose restriction is accomplished or when a time restriction expires), net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF 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 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.

Special event: The fair value of meals and entertainment provided at the special event is considered direct benefit to donors which is determined using the actual cost to DCBF. The costs of direct benefit to donors ultimately benefit donors rather than DCBF and are, therefore, included in fund raising expense. Other costs such as postage and printing are included in program services expense. The cost of direct benefit to donors which was included in fund raising expense totaled \$7,054 and \$6,085 for the years ended September 30, 2019 and 2018, respectively.

Program services: Program service descriptions are as follows:

Government 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).

Privately funded grant programs: 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. 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.

Supporting services: Supporting service descriptions are as 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.

Fund raising: The fund raising function includes activities that encourage and secure financial support for DCBF and its programs.

The District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional allocation of expense: The costs of providing various programs and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated among programs and supporting services benefited. Indirect costs include salaries, employee benefits, payroll taxes, office rent, depreciation, telephone and internet, supplies, insurance, and postage and delivery. Indirect costs are allocated based on employee effort.

Subsequent events: Subsequent events have been evaluated through January XX, 2020, which is the date the financial statements were available to be issued.

B. INVESTMENTS

Investments consist solely of certificates of deposit, which are recorded at cost plus accrued interest. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy as defined under the fair value measurements topic of the Accounting Standards Codification.

The certificates of deposit are issued by banks and financial institutions. 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.

Furthermore, a portion of DCBF's investments have been board-designated as reserve funds as described in Note E. Investments totaled \$1,911,027 and \$503,559 at September 30, 2019 and 2018, respectively.

The District of Columbia Bar Foundation

Notes to the Financial Statements

C. 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 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 E, provide a minimum of six months of operating expense plus one year of privately funded awards.

The following provides a summary of financial assets available for general expenditures within one year at September 30:

	2019	2018
Financial assets		
Cash	\$ 1,337,527	\$ 1,488,171
Investments	1,911,027	503,559
Accounts receivable	<u>218,187</u>	<u>119,053</u>
Total financial assets	3,466,741	2,110,783
Less amounts not available for general expenditures		
Board-designated net assets	(1,231,309)	(1,220,757)
Net assets with donor restrictions	<u>(2,017,232)</u>	<u>(665,815)</u>
	<u>\$ 218,200</u>	<u>\$ 224,211</u>

D. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$1,000 are recorded at cost. Depreciation is computed using the straight-line method over estimated service lives ranging from 3 to 5 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.

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

	2019	2018
Property and equipment	\$ 61,784	\$ 58,218
Less accumulated depreciation	<u>(48,861)</u>	<u>(46,863)</u>
	<u>\$ 12,923</u>	<u>\$ 11,355</u>

The District of Columbia Bar Foundation

Notes to the Financial Statements

E. NET ASSETS

Without Donor restrictions: Net assets without donor restrictions are those funds which have not been restricted by donors. However, DCBF's net assets without donor restrictions may be limited in other respects, such as by board designation. Net assets without donor restrictions consisted of the following at September 30,:

	2019	2018
Undesignated	\$ 1,402	\$ -
Board-designated		
Grant & LRAP reserve	380,000	641,187
DCBF operating reserve	849,907	575,678
Technical assistance	-	3,892
	<u>1,229,907</u>	<u>1,220,757</u>
	<u>\$ 1,231,309</u>	<u>\$ 1,220,757</u>

With donor restrictions: Net assets with donor restrictions include those net assets whose use by DCBF has been donor restricted by specified purpose or time limitations. Net assets with donor restrictions consisted of the following at September 30,:

	2019	2018
IOLTA program contributions	\$ 1,693,523	\$ 387,459
DC Grant - ATJ & CLCPP	205,000	-
Scoutt endowment	89,670	82,772
ATJ & CLCPP (administrative only)	23,145	-
Housing program legal assistance	5,427	195,117
Interest earned on DC grants	467	467
Public LRAP (administrative only)	-	-
	<u>2,017,232</u>	<u>665,815</u>
	<u>\$ 2,017,232</u>	<u>\$ 665,815</u>

The District of Columbia Bar Foundation

Notes to the Financial Statements

E. NET ASSETS - CONTINUED

Net assets were released from restrictions either by the passage of time or by incurring expenses satisfying the donor's restricted purpose. Net assets with time and / or purpose restrictions are released after both restrictions are satisfied (generally, time restrictions are met first). Net assets released from restrictions consisted of the following for the years ended September 30,:

	2019	2018
ATJ (grants only)	\$ 4,626,000	\$ 4,722,700
CLCPP (grants only)	3,845,000	4,139,772
ATJ & CLCPP (administrative only)	976,117	697,964
IOLTA program legal assistance	780,885	664,670
Housing program legal assistance	189,690	575,400
Public LRAP (administrative only)	52,152	23,782
Scoutt endowment award	2,500	2,500
	<u>\$ 10,472,344</u>	<u>\$ 10,826,788</u>

F. ENDOWMENT

DCBF's endowment fund solely consisted of the Scoutt Endowment, which is a traditional donor-restricted endowment established in 1992 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 provides an annual gift of \$5,000 to DCBF such that \$2,500 is added to endowment principal and \$2,500 is used to pay the annual award. Under the terms of the donor's gift, DCBF has been instructed to build the endowment until it is large enough to sustain the annual award through investment earnings.

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

F. 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, 2019 and 2018.

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

2019	Available for expenditure	Amount held in perpetuity	Total
Endowment, October 1, 2018	\$ 60	\$ 82,712	\$ 82,772
Contributions	2,500	2,500	5,000
Interest income	-	4,398	4,398
	2,500	6,898	9,398
Appropriations	(2,500)		(2,500)
Endowment, September 30, 2019	\$ 60	\$ 89,610	\$ 89,670

The District of Columbia Bar Foundation

Notes to the Financial Statements

F. ENDOWMENT - CONTINUED

The endowment fund consisted of the following as of and for the year ended September 30, 2018:

2018	Available for expenditure	Amount held in perpetuity	Total
Endowment, October 1, 2017	\$ -	\$ 80,205	\$ 80,205
Contributions	2,560	2,500	5,060
Interest income		7	7
	2,560	2,507	5,067
Appropriations	(2,500)		(2,500)
Endowment, September 30, 2018	\$ 60	\$ 82,712	\$ 82,772

G. IN-KIND CONTRIBUTIONS

Recorded amounts: Contributions of services and goods are recognized as in-kind contributions in accordance with generally accepted accounting principles. 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. Donated goods are recognized at the estimated fair value of the items donated.

In-kind contributions consisted of donated legal services which totaled \$13,037 and \$48,551 for the years ended September 30, 2019 and 2018, 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 generally accepted accounting principles, yet these volunteers contribute significantly to the work, impact, and success of DCBF.

H. 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 IRS regulations, are discretionary and are determined by the Board of Directors. DCBF's contributions to the plan totaled \$12,256 and \$6,663 for the years ended September 30, 2019 and 2018, respectively.

The District of Columbia Bar Foundation

Notes to the Financial Statements

I. COMMITMENTS

Office space: DCBF had an operating sublease for office space on New York Avenue, NW in Washington, DC which was scheduled to expire on February 28, 2018. However, the landlord released DCBF from the lease two months early. As a result, rent payments on this lease ceased after December 2017 and, as a result, DCBF paid three months of rent on the old office space during the year ended September 30, 2018.

During August 2017, DCBF signed an operating lease agreement for a WeWork (shared) office space on M Street, SE in Washington, DC which was effective on October 1, 2017. The lease includes annual escalations of base rentals and expires September 30, 2020. Future minimum cash basis rental payments for the WeWork office lease will be \$108,600 for the year ending September 30, 2020.

Rent expense related to the office leases consisted of the following for the years ended September 30:

	2019	2018
WeWork	\$ 149,276	\$ 132,990
New York Avenue, NW	-	16,288
	<u>\$ 149,276</u>	<u>\$ 149,278</u>