

**Audited Financial Statements
& Reports Required by Government Auditing
Standards and the Uniform Guidance**

DISTRICT OF COLUMBIA BAR FOUNDATION

September 30, 2017

District of Columbia Bar Foundation

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Independent Auditor's Report

To the Board of Directors
District of Columbia Bar Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of District of Columbia Bar Foundation (DCBF), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expense, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 District of Columbia Bar Foundation as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on the Schedule of Expenditures of District of Columbia Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. As required by the terms of the District of Columbia grants (District of Columbia Poverty Lawyer Loan Assistance Repayment Program and Access to Justice Initiative / Civil Legal Services Program), an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, was performed. The accompanying schedule of expenditures of District of Columbia Awards prepared in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of District of Columbia Bar Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District of Columbia Bar Foundation's internal control over financial reporting and compliance.



Washington, DC
February 14, 2018

District of Columbia Bar Foundation

Statement of Financial Position

September 30, 2017

Assets	
Cash	\$ 1,051,491
Investments	1,247,411
Accounts receivable	86,460
Promises to give	2,000
Prepaid expenses and deposit	52,219
Property and equipment	5,251
<hr/>	
Total assets	\$ 2,444,832
<hr/>	
Liabilities and net assets	
Liabilities	
Accounts payable and accrued expenses	\$ 76,346
Amounts held on behalf of others	117,352
<hr/>	
Total liabilities	193,698
Net assets	
Unrestricted	1,160,464
Temporarily restricted	1,010,465
Permanently restricted	80,205
<hr/>	
Total net assets	2,251,134
<hr/>	
Total liabilities and net assets	\$ 2,444,832

District of Columbia Bar Foundation

Statement of Activities

Year Ended September 30, 2017

Unrestricted activities

Revenue and support	
Contributions	\$ 891,814
Interest income	1,166
	<hr/>
	892,980
Net assets released from restriction	5,983,970
	<hr/>
Total revenue and support	6,876,950
Expense	
Program services	
Government funded grant programs	4,857,835
Privately funded grant programs	1,618,006
	<hr/>
Total program services	6,475,841
Supporting services	
General and administrative	256,150
Fund raising	222,045
	<hr/>
Total supporting services	478,195
Total expense	6,954,036
	<hr/>
Change in unrestricted net assets	(77,086)
Temporarily restricted activities	
Government grants	4,857,835
IOLTA program contributions	626,019
Contributions	2,500
Interest income	309
Net assets released from restriction	(5,983,970)
	<hr/>
Change in temporarily restricted net assets	(497,307)
Permanently restricted activities	
Contributions	2,500
Interest income	7
	<hr/>
Change in permanently restricted net assets	2,507
Change in net assets	<hr/>
	(571,886)
Net assets, beginning of year	2,823,020
	<hr/>
Net assets, end of year	\$ 2,251,134

See notes to the financial statements.

District of Columbia Bar Foundation

Statement of Functional Expense

Year Ended September 30, 2017

	Program Services	General and Administrative	Fund Raising	Total
Grants and awards				
Government	\$ 4,552,000	\$ -	\$ -	\$ 4,552,000
Private	1,097,411			1,097,411
Scoutt award	2,500			2,500
Subtotal grants and awards	5,651,911			5,651,911
Professional services	417,411	98,325	96,657	612,393
Salaries	259,396	98,960	70,806	429,162
Employee benefits	39,376	18,095	11,682	69,153
Office rent	40,891	13,281	14,272	68,444
Payroll taxes	17,997	7,272	6,248	31,517
Grantee evaluation, training, and technical assistance	16,176	1,332		17,508
Conferences and meetings	8,279	1,365	3,381	13,025
Telephone and internet	7,563	3,045	1,558	12,166
Other	3,768	628	3,832	8,228
Dues and subscriptions	2,334	4,498	891	7,723
Depreciation	3,818	1,595	1,352	6,765
Printing	2,341	2,793	623	5,757
Advertising and promotional	1,729		3,146	4,875
Insurance	2,536	1,067	887	4,490
Bank service charges	171	1,160	2,823	4,154
Special event			3,506	3,506
Postage and delivery	96	934	265	1,295
Supplies	48	1,022	116	1,186
Repairs and maintenance		778		778
Total expense	\$ 6,475,841	\$ 256,150	\$ 222,045	\$ 6,954,036

See notes to the financial statements.

District of Columbia Bar Foundation

Statement of Cash Flows

Year Ended September 30, 2017

Cash flows from operating activities	
Change in net assets	\$ (571,886)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Permanently restricted contributions	(2,500)
Depreciation	6,765
Changes in assets and liabilities:	
Accounts receivable	(31,832)
Promises to give	500
Prepaid expenses and deposit	4,419
Accounts payable and accrued expenses	7,506
Amounts held on behalf of others	(13,611)
<hr/>	
Net cash used in operating activities	(600,639)
Cash flows from investing activities	
Net purchases of investments	(144,691)
Cash flows from financing activities	
Permanently restricted contributions	2,500
<hr/>	
Net decrease in cash	(742,830)
Cash, beginning of year	1,794,321
<hr/>	
Cash, end of year	\$ 1,051,491

District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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.

Accounts receivable: Accounts receivable consists of both Interest on Lawyer Trust Accounts (IOLTA) program contributions and amounts due from lawyers participating in the Foundation LRAP loan repayment program. 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.

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.

District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government grants: DCBF has two government grants from the District of Columbia for 1) Civil Legal Services Subgrants and 2) District of Columbia Poverty Lawyer Loan Repayment Assistance Program (Public LRAP). Under the 2017 grant for Civil Legal Services Subgrants, DCBF was awarded \$4,552,000 for grant making and \$257,058 for administrative costs. Under the 2017 grant for Public LRAP, DCBF was awarded \$170,000 for loan awards and \$30,000 for administrative costs.

Contributions: Contributions, including government grants and private foundation grants, are recognized when unconditionally promised to, or received by, DCBF. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the time restriction expires or when the purpose restriction is met.

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 \$3,506 for the year ended September 30, 2017.

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 Civil Legal Services Subgrants 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.

District of Columbia Bar Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Functional allocation of expense: The costs of providing program and supporting services activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited. In particular, DCBF allocates personnel costs to various program and supporting services based on employee timesheets.

Subsequent events: Subsequent events have been evaluated through February 14, 2018, which is the date the financial statements were available to be issued.

B. CASH

For financial statement purposes, DCBF considers demand deposit accounts to be cash. 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 institution. Therefore, the failure of an underlying 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.

Cash also includes amounts which have been established in separate accounts at financial institutions in accordance with internal designations. The balances in the separate accounts may or may not agree to the related net asset balances.

Cash consisted of the following separate account balances at September 30, 2017:

Operating accounts	\$ 673,389
Separate accounts	
Public LRAP	152,091
Public grants	5,197
Scoutt endowment (see Note F)	77,896
Foundation LRAP	14,245
DCBF operating reserve	<u>128,673</u>
Subtotal	<u>378,102</u>
	<u>\$ 1,051,491</u>

District of Columbia Bar Foundation

Notes to the Financial Statements

C. 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 financial institutions which are members of the Certificate of Deposit Account Registry Services (CDARS) Network. The certificates of deposit are invested in increments below the standard FDIC insurance maximum of \$250,000 so that both principal and interest are eligible for FDIC insurance. By working directly with the CDARS Network, DCBF receives FDIC insurance coverage from several banks but is provided with one joint account statement. The certificates of deposit are typically held to maturity and, upon reaching maturity, are rolled into new certificates of deposit.

Furthermore, DCBF's investments have been designated for DCBF's reserves which are described in Note E. Investments totaled \$1,247,411 at September 30, 2017.

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, 2017:

Property and equipment	\$ 46,299
Less accumulated depreciation	<u>(41,048)</u>
	<u>\$ 5,251</u>

District of Columbia Bar Foundation

Notes to the Financial Statements

E. NET ASSETS

Unrestricted: Unrestricted net assets are those funds which have not been restricted by donors. However, DCBF's unrestricted net assets may be limited in other respects, such as by board designation.

Unrestricted net assets consisted of the following at September 30, 2017:

Undesignated (deficit)	\$ (32,715)
Board-designated	
Grant & LRAP reserve	652,722
DCBF operating reserve	536,565
Technical assistance	3,892
	<u>1,193,179</u>
	<u>\$ 1,160,464</u>

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by DCBF has been donor-restricted by specified time or purpose limitations. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the time restriction expires or when the purpose restriction is met.

Temporarily restricted net assets consisted of the following at September 30, 2017:

Housing program legal assistance	\$ 770,517
IOLTA program contributions	221,171
Public Civil Legal Services (administrative only)	18,777
	<u>1,010,465</u>
	<u>\$ 1,010,465</u>

Net assets released from restriction consisted of the following during the year ended September 30, 2017:

Public Civil Legal Services (grants only)	\$ 4,552,000
Housing program legal assistance	736,678
IOLTA program legal assistance	404,866
Public Civil Legal Services (administrative only)	257,913
Public LRAP (administrative only)	30,013
Scoutt endowment award	2,500
	<u>5,983,970</u>
	<u>\$ 5,983,970</u>

F. ENDOWMENT

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. DCBF's permanently restricted net assets must be maintained in perpetuity and consist of the Scoutt Endowment, which is an individual donor-restricted fund established in 1992 to provide an annual cash award to an attorney employed full-time by an organization which 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 from which the award is made and the balance of the annual gift is added to endowment principal after deduction of DCBF's expenses associated with the award. Under the terms of the gift, DCBF is 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 funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DCBF classifies as permanently restricted net assets (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 funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets 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.

District of Columbia Bar Foundation

Notes to the Financial Statements

F. 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, 2017.

Changes in endowment net assets consisted of the following as of and for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, October 1, 2016	\$ -	\$ -	\$ 77,698	\$ 77,698
Contributions		2,500	2,500	5,000
Interest income			7	7
	-	2,500	2,507	5,007
Appropriations		(2,500)		(2,500)
Endowment, September 30, 2017	\$ -	\$ -	\$ 80,205	\$ 80,205

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 valued at \$119,401 for the year ended September 30, 2017.

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.

District of Columbia Bar Foundation

Notes to the Financial Statements

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 \$4,458 for the year ended September 30, 2017.

I. COMMITMENTS

Office space: DCBF has an operating sublease for office space on New York Avenue, NW in Washington, DC which expires on February 28, 2018. Rent expense totaled \$71,511 for the year ended September 30, 2017. Future minimum cash basis rental payments through the expiration of the sublease approximate \$30,500 for the year ending 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 on the new office lease are as follows:

Year Ended September 30,	Amount
2018	\$ 96,600
2019	108,600
2020	<u>108,600</u>
	<u>\$ 313,800</u>

Conditional grants: DCBF has authorized conditional grants payable over future years that will be recorded in the financial statements when the conditions have been removed or otherwise satisfied. DCBF has stipulated in the grant agreements that the conditional grants may be reduced or terminated by DCBF under certain circumstances, such as the unsatisfactory financial condition of a grantee. Future conditional grant payments are as follows:

Year ended September 30,	Amount
2018	\$ 548,000
2019	<u>180,000</u>
	<u>\$ 728,000</u>

District of Columbia Bar Foundation

Schedule of Expenditures of District of Columbia Awards

Year Ended September 30, 2017

Grantor Program Title	Grant Award Number	Total Expenditures	Expenditures to Subrecipients
District of Columbia			
Access to Justice Initiative Civil Legal Services Program	2017-DCBF-01	\$ 4,809,058	\$ 4,552,000
DC Poverty Lawyer Loan Repayment Assistance Program	2017-LRAP-01	200,000	-
DC Poverty Lawyer Loan Repayment Assistance Program	2016-LRAP-01	16,664	-
Totals		\$ 5,025,722	\$ 4,552,000

District of Columbia Bar Foundation

Notes to the Schedule of Expenditures of District of Columbia Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of District of Columbia Awards (the schedule) reports the costs of DCBF's District of Columbia awards activity on the accrual basis of accounting. The schedule includes DCBF's activities related to District of Columbia Awards for the year ended September 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. EXPENDITURES

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the schedule follow the cost principles contained in the Uniform Guidance. In accordance with the Uniform Guidance, certain expenditures are either not allowable or reimbursements of allowable costs are limited. Expenditures have been recognized following the cost principles included in Uniform Grant Guidance, 2 *CFR Chapter 1, Chapter II, Part 200, et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

As described in Note A under the description *Amounts held on behalf of others*, DCBF records unexpended LRAP grant funds as a liability. In accordance with the grant agreements for the LRAP program, these funds are non-lapsing and available for disbursement by DCBF as long as DCBF remains the administrator of the LRAP. Accordingly, the schedule of expenditures of District of Columbia awards for the year ended September 30, 2017 includes the amounts DCBF expended from the liability.

3. INDIRECT COSTS

DCBF allocates indirect costs based on staff hours worked during the year of performance. At the end of each month, DCBF performs an analysis of each program's relative share of the indirect costs and then adjusts the allocation of indirect costs to actual. DCBF's contracts and funding agreements with the District of Columbia allow for the recovery of DCBF's actual indirect costs based on the relative share of indirect costs that are attributable to each program. Therefore, DCBF has elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

4. CFDA AND GRANT AWARD NUMBERS

DCBF's District of Columbia Awards are not related to, or passed-through from, federal programs. Therefore, Catalog of Federal Domestic Assistance (CFDA) numbers are not applicable to DCBF's District of Columbia Awards because they are not federal programs. The grant award numbers provided on the schedule have been assigned by the District of Columbia.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
District of Columbia Bar Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of District of Columbia Bar Foundation (DCBF), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCBF’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCBF’s internal control. Accordingly, we do not express an opinion on the effectiveness of DCBF’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of DCBF’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCBF’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
February 14, 2018
Page 2 of 2

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DCBF's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the DCBF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tate & Tryon

Washington, DC
February 14, 2018

Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
District of Columbia Bar Foundation

Report on Compliance for the Major District Program

We have audited the District of Columbia Bar Foundation (DCBF)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major District program for the year ended September 30, 2017. DCBF’s major District program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its District awards applicable to each District program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for DCBF’s major District program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major District program occurred. An audit includes examining, on a test basis, evidence about DCBF’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major District program. However, our audit does not provide a legal determination of DCBF’s compliance.

Opinion on the Major Program

In our opinion, DCBF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major District program for the year ended September 30, 2017.

Report on Internal Control over Compliance

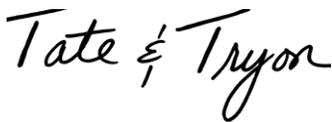
Management of DCBF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DCBF's internal control over compliance with types of compliance requirements that could have a direct and material effect on the major District program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major District program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DCBF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a District program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a District program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a District program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Washington, DC
February 14, 2018

District of Columbia Bar Foundation
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

District of Columbia Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major program:

Access to Justice Initiative
 Civil Legal Services Program 2017 – DCBF-01

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

District of Columbia Bar Foundation
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were required to be reported.

SECTION III – DISTRICT OF COLUMBIA AWARDS - FINDINGS AND QUESTIONED COSTS

No matters were required to be reported.