

**LEGAL AID SOCIETY OF  
THE DISTRICT OF COLUMBIA  
DECEMBER 31, 2022 AND 2021**

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## **INDEPENDENT AUDITORS' REPORT**

To the Executive Committee  
Legal Aid Society of the District of Columbia  
Washington, D.C.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Legal Aid Society of the District of Columbia (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid Society of the District of Columbia as of December 31, 2022 and 2021, 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.

#### **Basis for Opinion**

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Legal Aid Society of the District of Columbia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid Society of the District of Columbia's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Society of the District of Columbia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid Society of the District of Columbia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities (without donated services) for the years ended December 31, 2022 and 2021, and the schedule of expenditures of District of Columbia and federal awards, as required by terms of the District of Columbia grants and by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 audits 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, except for the effects of the exclusion from donated services and the schedules of activities (without donated services), the schedules of activities (without donated services) for the years ended December 31, 2022 and 2021, and the schedule of expenditures of District of Columbia and federal awards are 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 June 30, 2023, on our consideration of Legal Aid Society of the District of Columbia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Legal Aid Society of the District of Columbia's 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 Legal Aid Society of the District of Columbia's internal control over financial reporting and compliance.

*Sapfino and Rhoades, LLP*

June 30, 2023

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**STATEMENTS OF FINANCIAL POSITION**

	DECEMBER 31,	
	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 883,598	\$ 913,861
Investments	5,041,338	6,490,386
Grants and contributions receivable	5,236,932	3,182,402
Interest receivable and prepaid expenses	104,025	109,257
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 11,265,893</b>	<b>\$ 10,695,906</b>
<b>PROPERTY AND EQUIPMENT</b>	350,030	390,696
<b>OTHER ASSETS:</b>		
Deposits	42,348	42,348
Right of use asset - operating	3,258,731	-
<b>TOTAL ASSETS</b>	<b>\$ 14,917,002</b>	<b>\$ 11,128,950</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 296,651	\$ 387,022
Operating lease liability - current portion	834,742	-
Deferred lease obligation - current portion	-	124,925
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 1,131,393</b>	<b>\$ 511,947</b>
<b>NON-CURRENT LIABILITIES:</b>		
Operating lease liability - non-current	3,405,535	-
Deferred lease obligation - non-current	-	976,029
<b>TOTAL LIABILITIES</b>	<b>\$ 4,536,928</b>	<b>\$ 1,487,976</b>
<b>NET ASSETS:</b>		
Without donor restrictions	\$ 4,445,541	\$ 5,481,153
With donor restrictions	5,934,533	4,159,821
<b>TOTAL NET ASSETS</b>	<b>\$ 10,380,074</b>	<b>\$ 9,640,974</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,917,002</b>	<b>\$ 11,128,950</b>

The accompanying notes are an integral part of these financial statements.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**STATEMENTS OF ACTIVITIES**

	FOR THE YEARS ENDED DECEMBER 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS:</b>						
In-kind contributions	\$ 17,882,522	\$ -	\$ 17,882,522	\$ 20,078,930	\$ -	\$ 20,078,930
Grants and contributions	3,978,197	6,853,286	10,831,483	4,231,319	3,535,433	7,766,752
Special events	1,564,534	-	1,564,534	1,378,107	-	1,378,107
Less: direct benefits to donors	(155,903)	-	(155,903)	-	-	-
Event ticket revenue	66,011	-	66,011	-	-	-
Legal fees	32,307	-	32,307	141,839	-	141,839
PPP loan forgiveness	-	-	-	1,159,700	-	1,159,700
Investment income (loss), net	(488,941)	(148,883)	(637,824)	400,921	108,875	509,796
Net assets released from restrictions	4,929,691	(4,929,691)	-	3,241,673	(3,241,673)	-
<b>TOTAL REVENUE, SUPPORT AND GAINS</b>	<u>\$ 27,808,418</u>	<u>\$ 1,774,712</u>	<u>\$ 29,583,130</u>	<u>\$ 30,632,489</u>	<u>\$ 402,635</u>	<u>\$ 31,035,124</u>
<b>EXPENSES:</b>						
Program service	\$ 26,530,535	\$ -	\$ 26,530,535	\$ 27,986,503	\$ -	\$ 27,986,503
Management and general	1,483,302	-	1,483,302	1,147,479	-	1,147,479
Fundraising	830,193	-	830,193	828,090	-	828,090
<b>TOTAL EXPENSES</b>	<u>\$ 28,844,030</u>	<u>\$ -</u>	<u>\$ 28,844,030</u>	<u>\$ 29,962,072</u>	<u>\$ -</u>	<u>\$ 29,962,072</u>
<b>CHANGES IN NET ASSETS</b>	\$ (1,035,612)	\$ 1,774,712	\$ 739,100	\$ 670,417	\$ 402,635	\$ 1,073,052
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,481,153</u>	<u>4,159,821</u>	<u>9,640,974</u>	<u>4,810,736</u>	<u>3,757,186</u>	<u>8,567,922</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,445,541</u>	<u>\$ 5,934,533</u>	<u>\$ 10,380,074</u>	<u>\$ 5,481,153</u>	<u>\$ 4,159,821</u>	<u>\$ 9,640,974</u>

The accompanying notes are an integral part of these financial statements.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

FOR THE YEARS ENDED DECEMBER 31,

	2022				2021				
	Supporting Services				Supporting Services				
	Program Service	Management and General	Fundraising	Direct Benefits to Donors	Total	Program Service	Management and General	Fundraising	Total
Donated services	\$ 17,882,522	\$ -	\$ -	\$ -	\$ 17,882,522	\$ 20,078,930	\$ -	\$ -	\$ 20,078,930
Salaries	6,122,368	1,055,727	548,919	-	7,727,014	5,772,646	677,034	479,847	6,929,527
Employee benefits	787,561	89,293	42,488	-	919,342	732,890	85,445	60,921	879,256
Occupancy	674,026	36,127	17,190	-	727,343	580,019	67,301	47,986	695,306
Payroll taxes	523,567	59,362	28,246	-	611,175	442,707	51,613	36,800	531,120
Professional services	144,980	160,708	-	-	305,688	28,186	169,759	-	197,945
Special events	-	-	61,340	155,903	217,243	-	-	57,884	57,884
Depreciation and amortization	108,987	12,357	5,880	-	127,224	96,158	11,211	7,993	115,362
Technology and internet	74,717	22,966	12,237	-	109,920	77,772	49,773	12,466	140,011
Office supplies and expenses	84,707	9,517	4,596	-	98,820	64,017	7,464	5,462	76,943
Bank and credit card fees	-	3,400	72,059	-	75,459	-	3,371	72,338	75,709
Insurance	34,787	8,373	-	-	43,160	29,844	6,378	-	36,222
Telephone	33,153	3,611	1,717	-	38,481	31,007	3,377	2,408	36,792
Bad debt	-	-	33,449	-	33,449	-	-	41,646	41,646
Dues and subscriptions	27,119	3,924	1,415	-	32,458	30,456	2,199	951	33,606
Training	23,051	-	-	-	23,051	10,812	-	450	11,262
Miscellaneous expenses	8,377	13,702	-	-	22,079	8,309	4,156	-	12,465
Postage and shipping	613	2,901	-	-	3,514	192	7,114	-	7,306
Taxes - other	-	1,035	-	-	1,035	-	1,055	-	1,055
Printing and publications	-	299	657	-	956	2,558	229	938	3,725
<b>TOTAL EXPENSES</b>	<b>\$ 26,530,535</b>	<b>\$ 1,483,302</b>	<b>\$ 830,193</b>	<b>\$ 155,903</b>	<b>\$ 28,999,933</b>	<b>\$ 27,986,503</b>	<b>\$ 1,147,479</b>	<b>\$ 828,090</b>	<b>\$ 29,962,072</b>
Less, Direct Benefits to Donors	-	-	-	(155,903)	(155,903)	-	-	-	-
<b>TOTAL EXPENSES PER</b>									
<b>STATEMENTS OF ACTIVITIES</b>	<b>\$ 26,530,535</b>	<b>\$ 1,483,302</b>	<b>\$ 830,193</b>	<b>\$ -</b>	<b>\$ 28,844,030</b>	<b>\$ 27,986,503</b>	<b>\$ 1,147,479</b>	<b>\$ 828,090</b>	<b>\$ 29,962,072</b>

The accompanying notes are an integral part of these financial statements.



**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED	
	DECEMBER 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 739,100	\$ 1,073,052
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Forgiveness of paycheck protection program loan	-	(1,159,700)
Lease liability reduction through rent expense	119,409	-
Amortization of right-of-use assets	673,934	-
Depreciation and amortization	127,224	115,362
Net realized and unrealized losses (gains) on investments	767,104	(394,316)
Donated securities recorded as revenue	(176,022)	(108,339)
Bad debts	33,449	41,646
Change in operating assets and liabilities:		
Increase in grants and contributions receivable	(2,087,979)	(420,079)
Decrease (increase) in interest receivable and prepaid expenses	5,232	(22,433)
Increase (decrease) in accounts payable and accrued expenses	(90,372)	135,282
Decrease in deferred revenue	-	(20,500)
Decrease in operating lease liability	(793,343)	-
Decrease in deferred lease obligation	-	(78,570)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (682,264)</b>	<b>\$ (838,595)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	\$ 2,029,071	\$ 1,243,744
Purchases of investments	(1,290,512)	(457,753)
Payments for purchases of property and equipment	(86,558)	(97,045)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 652,001</b>	<b>\$ 688,946</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (30,263)</b>	<b>\$ (149,649)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>913,861</b>	<b>1,063,510</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 883,598</b>	<b>\$ 913,861</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Right of use assets obtained with lease liabilities	\$ 3,932,665	\$ -
Derecognition of lease liabilities	\$ 5,033,620	\$ -

The accompanying notes are an integral part of these financial statements.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 1. **Organization and Summary of Significant Accounting Policies,**

**Organization** - The Legal Aid Society of the District of Columbia (the “Organization”) was founded in 1932 as a non-profit public interest law firm. The and Organization provides representation and other assistance to low-income individuals who are either District of Columbia (the “District”) residents or have a civil legal problem in the District’s courts or before a District administrative tribunal. The Organization’s staff and volunteers assist clients with civil legal problems on a range of matters including domestic violence, custody, child support, eviction, immigration, public housing, preservation of affordable housing, health care, public benefits and consumer law.

**Program Service** - The Organization works to ensure that families, individuals and communities living in poverty have equal and meaningful access to justice by providing advice, brief assistance, representation and referrals. In addition to direct client services, the Organization advocates for systemic change on matters that grow directly from individual cases. The core priorities of the Organization include keeping people housed, securing access to health care and public benefits, protecting limited assets and income, protecting immigrants’ rights, securing safety from domestic violence and finding family stability. The Organization also has a nationally-recognized appellate practice, the Barbara McDowell Appellate Advocacy Project.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting.

**Basis of Presentation** - The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions:* Net assets without donor restrictions represent funds which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its program or supporting services.
- *With donor restrictions:* Net assets with donor restrictions are comprised of funds which are restricted by donors for a specific purpose, for a specific time period, or in perpetuity.

**Income Tax Status** - The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). Income from certain activities not directly related to the Organization’s tax-exempt purpose are subject to taxation as unrelated business income.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Organization considers highly liquid debt instruments purchased with original maturities of less than three months to be cash equivalents. Money market funds held with investment brokers are considered cash equivalents.

**Investments** - Investments are measured at fair value at the statements of financial position date. Investments include exchange-traded funds, mutual funds, common stocks and fixed income securities held with investment brokers. Money market funds held with investment brokers are reported as cash equivalents. Investment income is presented net of investment fees and is comprised of interest, dividends, fees and realized and unrealized gains and losses on investments and is reported in the statements of activities.

**Grants and Contributions Receivable** - Grants and contributions receivable represent amounts pledged but not yet collected at year-end. These receivables, which are generally uncollateralized, are stated at the amount management expects to collect from balances outstanding at year-end. Based on its assessment of the payment history and current relationships with contributors and grantors having outstanding balances management has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. Therefore, there was no allowance for doubtful accounts as of December 31, 2022 and 2021. Management expects the amounts to be received in full within the coming year.

**Property and Equipment** - Property and equipment are stated at cost, if purchased, or fair value on the date of donation, if contributed. Leasehold improvements are amortized on the straight-line basis over the lease term. Depreciation is computed using the straight-line method based on useful lives of three to five years. All purchases of equipment over \$1,000 and with expected lives of greater than one year are capitalized. Maintenance and repairs are expensed in the year incurred.

**Revenue Recognition** - In accordance with Financial Accounting Standards Board's Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Organization recognizes revenues from contracts with customers when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred, in the amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods and services. Special events revenue is classified as exchange transactions and follow ASU 2014-09, *Revenue from Contracts With Customers*, accordingly revenue is recorded at a point in time when the performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The transaction price is based on an agreed upon price ticket price for the event. Performance obligations are satisfied at the point in time when the event occurs.

Amounts received in advance for future events are recorded as deferred revenue in the statements of financial position. There was no deferred revenue at December 31, 2022.

Grants and contributions are recognized as support at the earlier of when the donor makes a promise to give to the Organization that is, in substance, unconditional or when they are received. Grants that are considered conditional contributions are recorded in the statements of activities as grants and contributions when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization records contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the statements of activities.

Reimbursable grants that are considered to be conditional are recorded as support in the statements of activities under reimbursable grants and are recognized as qualifying expenses are incurred under the terms of the grant or agreements. Donor restricted conditional grants which are recognized and used in the same reporting period, are reported as without donor restrictions.

**In-kind Contributions** - Donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation, are recognized as in-kind contributions revenue in the statements of activities at their estimated fair values in the period received. Donated services have been recorded by the organization as program services revenue and expenses. There were no donor-imposed restrictions associated with the donated services.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

**Leases** - The Organization determines if an arrangement is a lease at the transition date. Operating lease right of use (ROU) assets and operating lease liabilities are recognized based on the present value of the remaining future minimum lease payments over the lease terms. The office lease does not provide an implicit rate, management has decided to use the risk-free rate of return based on the three and five-year treasury average rate available at the transition date in determining the present value of future lease payments. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease terms. The office lease does not include any non-lease components.

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less, but greater than one month at lease commencement. The Organization's policy is to recognize lease cost associated with its short-term leases on a straight-line basis over the lease term.

Management has elected the package of three practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. Management has also elected the practical expedient to not separate lease and non-lease components by class of underlying asset and is choosing to apply this expedient to all relevant asset classes.

**Functional Expense Allocation** - The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and presented in the statements of functional expenses by their natural categories. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. Salaries, benefits and payroll taxes are reported across program and supporting services based on a time and effort basis. General operating costs not attributable to a specific functional activity are reported as management and general expenses. Other costs that benefit multiple functional areas have been allocated across program and other supporting services based on a time and effort basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, technology and internet, postage and shipping, telephone and office supplies and expenses.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 2. **Change in Accounting Principle** - The Organization adopted Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. Under ASC 842, the Organization is required to recognize right-of-use assets and lease liabilities on the statements of financial position for most leases and provide disclosures regarding those leases. The Organization adopted this change with the date of initial application of January 1, 2022, by applying the modified retrospective transition approach. Accordingly, management evaluated whether a cumulative-effect adjustment to net assets as of January 1, 2022, was necessary, and comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period. The most significant effects were the recognition of operating lease right-of-use (ROU) asset of \$3,932,665 and operating lease liability of \$5,033,620 on the statements of financial position as of January 1, 2022. No cumulative-effect adjustment to net assets as of January 1, 2022 was necessary. This change did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

The Organization also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The ASU was applied on a retrospective basis and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Note 3. **Liquidity and Availability** -The following represents the Organization’s financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 883,598	\$ 913,861
Investments	5,041,338	6,490,386
Grants and contributions receivable	5,236,932	3,182,402
Interest receivable	<u>4,793</u>	<u>4,857</u>
Total financial assets	\$ 11,166,661	\$ 10,591,506
Less, amounts with restrictions:		
Restricted by donors for purposes	(5,050,240)	(3,104,927)
Investments restricted by donors for endowments in perpetuity	<u>(884,293)</u>	<u>(1,054,894)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,232,128</u>	<u>\$ 6,431,685</u>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 3. **Liquidity and Availability** - (Continued)

The Organization receives a majority of its funding from grants and private contributions. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In order to ensure that the Organization meets the obligations of all grant funding as well as to meet the expectations of its funders and contributors, cash and cash equivalent funds are allocated to four specific fund categories that are monitored by management:

- Operating Fund, which is intended to cover the Organization’s anticipated expenditures on a monthly basis;
- Pre-Paid Program Fund, which is used to manage any restricted grant or other donor-designated funding to be spent on a specific program in the subsequent budget year than when received;
- Operating Reserve Fund, which is intended to provide a reserve in the event of an unanticipated decline in revenues or unanticipated increase in expenses; it is set by formula as 25% of all budgeted unrestricted expenses and 12.5% of all budgeted restricted expenses for the coming budget year; and
- Uncommitted Reserve Fund, which is the remaining balance of funds not allocated into other funds and that can be designated for special projects or needs as warranted.

In addition, the Organization invests cash in excess of its immediate needs in short-term investments.

Legal Aid also has an investment policy to provide for the regular and continuous management of funds and invests funds not immediately needed to meet expenses in two primary types of investment funds: short term cash and highly liquid short-term instruments for current operating expenditures (Operating Fund) and longer-term instruments (the Pre-Paid Program Fund, Operating Reserve Fund, and Uncommitted Reserve Fund).

Note 4. **Investments** - The aggregate fair values of investments as of December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Exchange-traded funds	\$ 3,918,619	\$ 5,182,366
Municipal bonds	639,565	582,050
Mutual funds	483,154	676,018
Common stocks	-	49,952
Totals	\$ 5,041,338	\$ 6,490,386

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 4. **Investments** - (Continued)

The following summarizes investment income for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 133,990	\$ 121,553
Investment fees	(4,710)	(6,073)
Realized losses on investments	(39,090)	(63,461)
Unrealized gains (losses) on investments	<u>(728,014)</u>	<u>457,777</u>
Totals	<u>\$ (637,824)</u>	<u>\$ 509,796</u>

Note 5. **Fair Value Measurements** - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 5. **Fair Value Measurements** - (Continued)

Following is a description of the valuation methodologies used for investments measured at fair value:

*Money market funds* - These funds are valued by the institutional fund management at the stated price of the fund which generally approximates the original cost and the fair value of the underlying assets.

Mutual funds - Valued at the net asset value on the last business day of the year.

*Municipal Bonds* - Municipal bonds are valued using outside pricing services and computerized pricing models.

*Common stock and certain exchange-traded funds* - These funds are traded on a national securities exchange are valued at the closing price reported on the last business day of the year.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds	\$ 3,918,619	\$ -	\$ -	\$ 3,918,619
Municipal bonds	-	639,565	-	639,565
Mutual funds	483,154	-	-	483,154
Money market funds	-	128,572	-	128,572
Totals	<u>\$ 4,401,773</u>	<u>\$ 768,137</u>	<u>\$ -</u>	\$ 5,169,910
Less: Amount included in cash				<u>(128,572)</u>
Total investments				<u>\$ 5,041,338</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds	\$ 5,182,366	\$ -	\$ -	\$ 5,182,366
Municipal bonds	-	676,018	-	676,018
Mutual funds	582,050	-	-	582,050
Money market funds	-	107,465	-	107,465
Common stock	49,952	-	-	49,952
Totals	<u>\$ 5,814,368</u>	<u>\$ 783,483</u>	<u>\$ -</u>	\$ 6,597,851
Less: Amount included in cash				<u>(107,465)</u>
Total investments				<u>\$ 6,490,386</u>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 6. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	2022	2021
Leasehold improvements	\$ 443,857	\$ 443,857
Computer equipment	413,708	408,722
Website	91,229	11,289
Office furniture and equipment	69,795	68,163
Total property and equipment	\$ 1,018,589	\$ 932,031
Less, accumulated depreciation and amortization	668,559	541,335
Net property and equipment	\$ 350,030	\$ 390,696

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$127,224 and \$115,362, respectively.

Note 7. **Revenue Recognition**

Disaggregation of Revenue

The Organization's contract services revenue is local in nature and uncertainty of payment is mitigated through payment terms agreed upon during contract signing.

The following shows the Organization's revenue disaggregated according to the timing of transfer of goods and services for the years ended December 31:

	2022	2021
Recognized at a point in time	\$ 66,011	\$ -
Recognized over time	-	-
Total	\$ 66,011	\$ -

Performance Obligations

Performance obligations for contract services revenue are satisfied at the point in time in which the services are provided. Contracts with customers are based on event revenue and ticket sales. Since payments are generally paid in full before the event date, the uncertainty of payment is generally low.

Significant Judgments

There are no significant judgments pertaining to contract services revenue that are significant to the financial statements.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

Note 8. **Paycheck Protection Program Loan** - On May 8, 2020, the Organization (the “Borrower”), received a loan (the “Loan”) from Truist Bank in the amount of \$1,159,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the loan could be forgiven if the proceeds were used for qualifying expenses as described in the CARES Act, while maintaining payroll levels. Qualifying expenses included payroll, benefits, rent and utilities. The Organization received forgiveness for the loan during the year ended December 31, 2021.

Note 9. **Leases** - The Organization has several operating leases for office space and equipment operating leases expiring at various times through 2027. The lease agreements do not contain material residual value guarantees or impose restrictions or covenants. As of December 31, 2022, the Organization has not entered into any new lease agreements for the subsequent year-end. The Organization has elected not to recognize right of use assets and lease liabilities arising from short-term leases, leases with initial terms of twelve months or less, or equipment leases (deemed immaterial) on the statements of financial position. The office lease contains options to extend at the discretion of the Organization that has not been included the measurement of the lease assets and liabilities due to the uncertainty of exercising the option. As of December 31, 2022, the Organization reported \$3,258,731 of operating lease right-of-use assets and \$4,240,277 of operating lease liabilities on the statements of financial position.

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease cost - Office	\$ 726,342
Operating lease cost - Copiers	18,183
Variable lease costs	<u>1,132</u>
Total lease cost	<u>\$ 745,657</u>
Weighted Average Remaining lease Term	56 months
Weighted Average Discount Rate	1.50%

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows for operating leases	<u>\$ 862,960</u>
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**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 9. **Leases** - (Continued)

Future minimum lease payments on the operating leases at December 31, 2022 are as follows:

Years Ending December 31,	Office Leases	Equipment	Total
2023	\$ 873,452	\$ 18,932	\$ 892,384
2024	903,886	3,155	907,041
2025	933,066	-	933,066
2026	939,954	-	939,954
2027	725,436	-	725,436
Future minimum lease payments	\$ 4,375,794	\$ 22,087	\$ 4,397,881
Less imputed interest	(157,497)	(107)	(157,604)
Total lease obligations	\$ 4,218,297	\$ 21,980	\$ 4,240,277
Less current obligations	(815,915)	(18,827)	(834,742)
Long term lease obligations	<u>\$ 3,402,382</u>	<u>\$ 3,153</u>	<u>\$ 3,405,535</u>

Note 10. **Commitments and Contingencies** - The Organization has entered into an agreement with a hotel relating to the annual Legal Aid Society Servant of Justice Dinner. This agreement obligates the Organization to spend certain minimums on food and beverages. The Organization also receives passthrough grants from agencies of the U.S. Government, which are subject to audit. There is the possibility that, upon audit, certain costs could be disallowed and result in liability. Management believes there no material liability will result from such audits.

Note 11. **Retirement Plan** - The Organization maintains a contributory 401(k) retirement plan (the "Plan") for employees meeting certain eligibility requirements, as outlined in the Plan. Participants are eligible to make voluntary contributions to the Plan upon their initial day of employment. The Organization provides for a discretionary match based on each participant's compensation. The Organization's contributions to the Plan for the years ended December 31, 2022 and 2021 were \$164,936 and \$165,230, respectively.

Note 12. **Donated Services** - For the years ended December 31, 2022 and 2021, the Organization received \$17,882,522 and \$20,078,930, respectively, of donated services that consisted of legal and consulting services to support its program services. Donated services are valued at the estimated fair value of services provided by the contributing organization and are typically based on that organization's standard hourly billing rates. Donated services were allocated one hundred percent to programs.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 13. **Net Assets with Donor Restrictions** - Net assets with donor restrictions were for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Civil Legal Counsel Projects	\$ 2,254,803	\$ 1,177,000
Neighborhood Access Project	676,537	485,000
Eviction Diversion Pilot Project	461,174	-
Family Law Assistance Network	322,426	200,000
Child Support Court-Based Legal Services	267,731	172,000
Domestic Violence Victims Project	233,299	140,000
Immigration Rights Legal Services Project	165,924	173,392
Housing Justice Advocacy	201,779	176,500
Consumer Law	131,250	75,000
Foreclosure Prevention Project	131,250	75,000
Sidley Austin Fellow	62,117	62,114
Horton Endowment	59,918	-
McDowell Endowment	29,608	29,887
Appellate Advocacy Project	25,000	20,000
Skadden Fellow	14,943	30,682
Equal Justice Works Fellowship	9,926	-
Klepper Endowment	2,555	3,269
Amazon Foreclosure Prevention	-	250,000
Yale Fellowship	-	<u>35,083</u>
Total	<u>\$ 5,050,240</u>	<u>\$ 3,104,927</u>
In perpetuity for endowments:		
McDowell Endowment	\$ 502,879	\$ 617,130
Making Justice Real	326,815	369,584
Klepper Endowment	48,537	62,118
Da Costa V. Mason	<u>6,062</u>	<u>6,062</u>
Total	<u>\$ 884,293</u>	<u>\$ 1,054,894</u>
Total net assets with donor restrictions	<u><u>\$ 5,934,533</u></u>	<u><u>\$ 4,159,821</u></u>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 14. **Endowments** - The Organization’s endowments consist of three donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization follows the State Prudent Management of Institutional Funds Act (SPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the organization; and (7) the investment policies of the organization.

*Investment Return Objectives and Spending Policies:* The Organization’s Board of Directors has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Organization complies with all donor agreements with respect to the distribution of income and principal of endowment funds which are based on investment earnings and a percentage of endowment assets.

Endowment net assets as of December 31, 2022 are as follows:

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions In perpetuity</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	<u>\$ 92,081</u>	<u>\$ 884,293</u>	<u>\$ 976,374</u>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

Note 14. **Endowments** - (Continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 33,156	\$ 1,054,894	\$ 1,088,050
Contributions	59,863	10,500	70,363
Investment income (loss)	55	(148,938)	(148,883)
Endowment funds disbursed	(33,156)	-	(33,156)
Appropriated for expenditure	<u>32,163</u>	<u>(32,163)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 92,081</u>	<u>\$ 884,293</u>	<u>\$ 976,374</u>

Endowment net assets as of December 31, 2021 are as follows:

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 33,156</u>	<u>\$ 1,054,894</u>	<u>\$ 1,088,050</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 30,238	\$ 916,334	\$ 946,572
Contributions	-	62,841	62,841
Investment income	-	108,875	108,875
Endowment funds disbursed	(30,238)	-	(30,238)
Appropriated for expenditure	<u>33,156</u>	<u>(33,156)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 33,156</u>	<u>\$ 1,054,894</u>	<u>\$ 1,088,050</u>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

- Note 15. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with investment advisors, as well as deposits with financial institutions which, at times during the year, may exceed the limit of insurance coverage by the Federal Deposit Insurance Corporation (FDIC). The Organization attempts to minimize this risk by maintaining deposits at institutions it assesses as high quality. At December 31, 2022, the Organization's uninsured cash balances total \$582,885.
- Note 16. **Risks and Uncertainties** - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.
- Note 17. **Reclassifications** – Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation.
- Note 18. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 30, 2023, which is the date the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**SCHEDULES OF ACTIVITIES**  
**(WITHOUT DONATED SERVICES)**

	FOR THE YEARS ENDED DECEMBER 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS:</b>						
Grants and contributions	\$ 3,978,197	\$ 6,853,286	\$ 10,831,483	\$ 4,231,319	\$ 3,535,433	\$ 7,766,752
Special events	1,564,534	-	1,564,534	1,378,107	-	1,378,107
Less: direct benefits to donors	(155,903)	-	(155,903)	-	-	-
Event ticket reeue	66,011	-	66,011	-	-	-
Legal fees	32,307	-	32,307	141,839	-	141,839
PPP loan forgiveness	-	-	-	1,159,700	-	1,159,700
Investment income, net	(488,941)	(148,883)	(637,824)	400,921	108,875	509,796
Net assets released from restrictions	<u>4,929,691</u>	<u>(4,929,691)</u>	<u>-</u>	<u>3,241,673</u>	<u>(3,241,673)</u>	<u>-</u>
<b>TOTAL REVENUE, SUPPORT AND GAINS</b>	<b><u>\$ 9,925,896</u></b>	<b><u>\$ 1,774,712</u></b>	<b><u>\$ 11,700,608</u></b>	<b><u>\$ 10,553,559</u></b>	<b><u>\$ 402,635</u></b>	<b><u>\$ 10,956,194</u></b>
<b>EXPENSES:</b>						
Program service	\$ 8,648,013	\$ -	\$ 8,648,013	\$ 7,907,573	\$ -	\$ 7,907,573
Management and general	1,483,302	-	1,483,302	1,147,479	-	1,147,479
Fundraising	830,193	-	830,193	828,090	-	828,090
<b>TOTAL EXPENSES</b>	<b><u>\$ 10,961,508</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,961,508</u></b>	<b><u>\$ 9,883,142</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,883,142</u></b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ (1,035,612)</b>	<b>\$ 1,774,712</b>	<b>\$ 739,100</b>	<b>\$ 670,417</b>	<b>\$ 402,635</b>	<b>\$ 1,073,052</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>5,481,153</u></b>	<b><u>4,159,821</u></b>	<b><u>9,640,974</u></b>	<b><u>4,810,736</u></b>	<b><u>3,757,186</u></b>	<b><u>8,567,922</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 4,445,541</u></b>	<b><u>\$ 5,934,533</u></b>	<b><u>\$ 10,380,074</u></b>	<b><u>\$ 5,481,153</u></b>	<b><u>\$ 4,159,821</u></b>	<b><u>\$ 9,640,974</u></b>

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**SCHEDULE OF EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>DISTRICT OF COLUMBIA/FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>DISTRICT OF COLUMBIA/ FEDERAL CFDA/ ASSISTANCE LISTING NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>TOTAL DISTRICT OF COLUMBIA/ FEDERAL EXPENDITURES</b>
<b><u>Non-Federal Awards</u></b>			
<b><u>Office of Victim Services and Justice Grants of the District of Columbia:</u></b>			
<i>Direct Programs:</i>			
Domestic Violence Victims Representation Project	2022-LAS-01	N/A	\$ 373,822
Domestic Violence Victims Representation Project	2023-LAS-01	N/A	121,452
Total Domestic Violence Victims Representation Project			<u>\$ 495,274</u>
<i>Pass-through programs from District of Columbia Bar Foundation:</i>			
Civil Legal Counsel Projects Program	N/A	22-CLCPP-2021- 2021-1107	<u>\$ 905,000</u>
<i>Access to Justice Initiative:</i>			
Economic Security for Underserved Communities Project	N/A	22-ATJ-2021-1128	\$ 271,600
Justice Eviction Diversion Pilot Project	N/A	22-ATJ-2021-1132	100,592
Family Law Assistance Network	N/A	22-ATJ-2021-2857	112,000
Affordable Housing Preservation Project	N/A	22-ATJ-2021-1127	98,840
Child Support Community Legal Services Project	N/A	22-ATJ-2021-1130	96,320
Domestic Violence Underserved Holistic Representation Project	N/A	22-ATJ-2021-1129	78,400
Consumer Law Court-Based Legal Services Project	N/A	22-ATJ-2021-1080	42,000
Foreclosure Prevention Project	N/A	22-ATJ-2021-1108	42,000
Total Access to Justice Initiative			<u>\$ 841,752</u>
<i>General Support:</i>			
Barbara McDowell Appellate Advocacy Project	N/A	21-GS-2021-1126	<u>\$ 20,000</u>
<b>Total Office of Victim Services and Justice Grants of the District of Columbia</b>			<u>\$ 2,262,026</u>
<b><u>Executive Office of the Mayor - Immigrant Justice Legal Services:</u></b>			
<i>Direct Programs:</i>			
FY 2022 Immigration Justice Legal Services Grant Program	FY22-018	N/A	\$ 147,239
FY 2023 Immigration Justice Legal Services Grant Program	FY23-409956	N/A	54,076
<b>Total Office of the Mayor - Immigrant Justice Legal Services</b>			<u>\$ 201,315</u>
<b>Total Non-Federal Awards</b>			<u>\$ 2,463,341</u>

See accompanying notes to Schedule of Expenditures of District of Columbia and Federal Awards

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**SCHEDULE OF EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>DISTRICT OF COLUMBIA/FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>DISTRICT OF COLUMBIA/ FEDERAL CFDA/ ASSISTANCE LISTING NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>TOTAL DISTRICT OF COLUMBIA/ FEDERAL EXPENDITURES</b>
<b><u>Federal Awards:</u></b>			
<b><u>Department of Treasury:</u></b>			
<i>Pass-through programs from District of Columbia Bar Foundation:</i>			
Coronavirus State and Local Fiscal Recovery Funds:			
COVID-19 Civil Legal Counsel Projects Program	21.027	22-CLCPP-2021- 2021-1107	\$ <u>905,001</u>
COVID-19 Access to Justice Initiative:			
Economic Security for Underserved Communities Project	21.027	22-ATJ-2021-1128	\$ 213,400
Justice Eviction Diversion Pilot Project	21.027	22-ATJ-2021-1132	301,777
Family Law Assistance Network	21.027	22-ATJ-2021-2857	88,000
Affordable Housing Preservation Project	21.027	22-ATJ-2021-1127	77,660
Child Support Community Legal Services Project	21.027	22-ATJ-2021-1130	75,680
Domestic Violence Underserved Holistic Representation Project	21.027	22-ATJ-2021-1129	61,600
Consumer Law Court-Based Legal Services Project	21.027	22-ATJ-2021-1080	33,000
Foreclosure Prevention Project	21.027	22-ATJ-2021-1108	<u>33,000</u>
Total COVID-19 Access to Justice Initiative			\$ <u>884,117</u>
<b>Total Federal Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Awards</b>			<b>\$ <u>1,789,118</u></b>
<b>TOTAL EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL AWARDS</b>			<b>\$ <u><u>4,252,459</u></u></b>

See accompanying notes to Schedule of Expenditures of District of Columbia and Federal Awards

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL**  
**AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of District of Columbia and federal awards (the Schedule) includes the District of Columbia and federal award activity of Legal Aid Society of the District of Columbia under programs of the District of Columbia and federal government for the year ended December 31, 2022. The information in this 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). Because the Schedule presents only a selected portion of the operations of Legal Aid Society of the District of Columbia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Legal Aid Society of the District of Columbia.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - SUBRECIPIENTS**

Legal Aid Society of the District of Columbia did not provide District of Columbia or federal awards to any subrecipients during the year ended December 31, 2022.

**NOTE D - INDIRECT COST RATE**

Legal Aid Society of the District of Columbia has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE E - CFDA AND GRANT AWARD NUMBERS**

Some of Legal Aid Society of the District of Columbia's awards are not related to, or passed-through from, federal programs. Therefore, Catalog of Federal Domestic Assistance (CFDA) numbers are not applicable to District of Columbia awards because they are not federal programs.

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2022**

**Office of Victim Services and Access to Justice Grants of the District of Columbia:**

Finding 2021-001: Timesheets

*Condition:* Timesheets were not used during the period of January 1, 2021 through June 30, 2021. For the first half of the year, salaries were allocated based on an estimated percentage of time spent. Timesheets were used beginning July 1, 2021.

*Recommendation:* We recommended Legal Aid Society of the District of Columbia continue to follow the timesheet procedures which were established July 1, 2021 to allocate salaries and related personnel costs to programs.

*Current Status:* Legal Aid Society of the District of Columbia has and will continue to follow the timesheet procedures for allocating salaries and related costs to programs.

Finding 2021-002: Accounting Records for Grants

*Condition:* Expenses attributable to individual grants were recorded and allocated outside of the accounting software in a supplementary system of spreadsheets.

*Recommendation:* We recommended Legal Aid Society of the District of Columbia record expenses for individual projects within the accounting software.

*Current Status:* Legal Aid Society of the District of Columbia agrees with the recommendation and has begun recording expenses to individual grants in the accounting system effective January 1, 2022.

**Independent Auditors' 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 Executive Committee  
Legal Aid Society of the District of Columbia

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 Legal Aid Society of the District of Columbia (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Legal Aid Society of the District of Columbia's internal control over financial reporting (internal control) as a basis for designing 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 Legal Aid Society of the District of Columbia's internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Society of the District of Columbia'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 the entity'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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Legal Aid Society of the District of Columbia'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 financial statements. 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*.

### **Purpose of This Report**

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 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Legal Aid Society of the District of Columbia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 30, 2023



## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Executive Committee  
Legal Aid Society of the District of Columbia

### **Report on Compliance for Each Major Federal and District of Columbia Program**

#### **Opinion on Each Major Federal and District of Columbia Program**

We have audited Legal Aid Society of the District of Columbia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Legal Aid Society of the District of Columbia's major federal and District of Columbia programs for the year ended December 31, 2022. Legal Aid Society of the District of Columbia's major federal and District of Columbia programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid Society of the District of Columbia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and District of Columbia programs for the year ended December 31, 2022.

#### **Basis for Opinion on Each Major Federal and District of Columbia Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Society of the District of Columbia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and District of Columbia program. Our audit does not provide a legal determination of Legal Aid Society of the District of Columbia's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid Society of the District of Columbia's District of Columbia and federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid Society of the District of Columbia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid Society of the District of Columbia's compliance with the requirements of each major federal and District of Columbia program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Legal Aid Society of the District of Columbia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid Society of the District of Columbia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Legal Aid Society of the District of Columbia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 of Columbia or federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 of Columbia or federal 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 of Columbia or federal 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Sarquis and Rhodes, LLP*

June 30, 2023

**LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2022**

**Section I - Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Legal Aid Society of the District of Columbia were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of Legal Aid Society of the District of Columbia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal and District of Columbia award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal and District of Columbia programs for Legal Aid Society of the District of Columbia expresses an unmodified opinion on all major federal and District of Columbia programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program included:

<u>CFDA/Assistance</u> <u>Listing Number</u>	<u>Name of Federal or District of Columbia Programs or Contract</u>
N/A	Domestic Violence Victims Representation Project
21.027	Coronavirus State and Local Fiscal Recovery Funds

8. The threshold used for distinguishing between Types A and B programs was \$750,000.
9. Legal Aid Society of the District of Columbia was determined not to be a low-risk auditee.

**Findings - Financial Statement Audit**

No matters were reported.

**Findings and Questioned Costs - Major Federal Award and District of Columbia Programs Audit**

No matters were reported.