

**LEGAL AID SOCIETY OF
THE DISTRICT OF COLUMBIA
DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 May 23, 2024, 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.

Darwin and Rhodes, LLP

May 23, 2024

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

	DECEMBER 31,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,906,829	\$ 883,598
Investments	5,752,005	5,041,338
Grants and contributions receivable	6,294,911	5,236,932
Interest receivable and prepaid expenses	104,474	104,025
TOTAL CURRENT ASSETS	\$ 15,058,219	\$ 11,265,893
PROPERTY AND EQUIPMENT	288,135	350,030
OTHER ASSETS:		
Deposits	42,348	42,348
Right of use asset - operating	2,571,394	3,258,731
TOTAL ASSETS	\$ 17,960,096	\$ 14,917,002
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 365,323	\$ 296,651
Deferred revenue	41,000	-
Operating lease liability - current portion	860,531	834,742
TOTAL CURRENT LIABILITIES	\$ 1,266,854	\$ 1,131,393
NON-CURRENT LIABILITIES:		
Operating lease liability - non-current	2,543,577	3,405,535
TOTAL LIABILITIES	\$ 3,810,431	\$ 4,536,928
NET ASSETS:		
Without donor restrictions		
Undesignated	\$ 5,028,536	\$ 4,445,541
Designated	2,637,219	386,733
Total net assets without donor restrictions	\$ 7,665,755	\$ 4,832,274
With donor restrictions	6,483,910	5,547,800
TOTAL NET ASSETS	\$ 14,149,665	\$ 10,380,074
TOTAL LIABILITIES AND NET ASSETS	\$ 17,960,096	\$ 14,917,002

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,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS:						
In-kind contributions	\$ 19,360,932	\$ -	\$ 19,360,932	\$ 17,882,522	\$ -	\$ 17,882,522
Grants and contributions	6,451,431	6,519,007	12,970,438	4,038,060	6,793,423	10,831,483
Special events	1,352,896	-	1,352,896	1,564,534	-	1,564,534
Less: direct benefits to donors	(173,855)	-	(173,855)	(155,903)	-	(155,903)
Event ticket revenue	91,695	-	91,695	66,011	-	66,011
Legal fees	94,617	-	94,617	32,307	-	32,307
Investment income (loss), net	770,537	80,774	851,311	(531,655)	(106,169)	(637,824)
Net assets released from restrictions	5,663,671	(5,663,671)	-	4,929,691	(4,929,691)	-
TOTAL REVENUE, SUPPORT AND GAINS	<u>\$ 33,611,924</u>	<u>\$ 936,110</u>	<u>\$ 34,548,034</u>	<u>\$ 27,825,567</u>	<u>\$ 1,757,563</u>	<u>\$ 29,583,130</u>
EXPENSES:						
Program service	\$ 28,684,165	\$ -	\$ 28,684,165	\$ 26,530,535	\$ -	\$ 26,530,535
Management and general	1,370,609	-	1,370,609	1,483,302	-	1,483,302
Fundraising	723,669	-	723,669	830,193	-	830,193
TOTAL EXPENSES	<u>\$ 30,778,443</u>	<u>\$ -</u>	<u>\$ 30,778,443</u>	<u>\$ 28,844,030</u>	<u>\$ -</u>	<u>\$ 28,844,030</u>
CHANGES IN NET ASSETS	\$ 2,833,481	\$ 936,110	\$ 3,769,591	\$ (1,018,463)	\$ 1,757,563	\$ 739,100
NET ASSETS, BEGINNING OF YEAR	<u>4,832,274</u>	<u>5,547,800</u>	<u>10,380,074</u>	<u>5,850,737</u>	<u>3,790,237</u>	<u>9,640,974</u>
NET ASSETS, END OF YEAR	<u>\$ 7,665,755</u>	<u>\$ 6,483,910</u>	<u>\$ 14,149,665</u>	<u>\$ 4,832,274</u>	<u>\$ 5,547,800</u>	<u>\$ 10,380,074</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,

	2023					2022				
	Program Service	Supporting Services		Direct Benefits to Donors	Total	Program Service	Supporting Services		Direct Benefits to Donors	Total
		Management and General	Fundraising				Management and General	Fundraising		
Donated services	\$ 19,360,932	\$ -	\$ -	\$ -	\$ 19,360,932	\$ 17,882,522	\$ -	\$ -	\$ -	\$ 17,882,522
Salaries	6,784,494	816,649	395,410	-	7,996,553	6,122,368	1,055,727	548,919	-	7,727,014
Employee benefits	884,644	106,485	51,558	-	1,042,687	816,648	92,590	44,058	-	953,296
Occupancy	622,084	74,880	36,256	-	733,220	674,026	36,127	17,190	-	727,343
Payroll taxes	516,197	62,135	30,085	-	608,417	494,480	56,065	26,676	-	577,221
Professional services	60,289	216,488	86	-	276,863	144,980	160,708	-	-	305,688
Special events	-	-	83,049	173,855	256,904	-	-	61,340	155,903	217,243
Technology and internet	92,572	7,123	22,905	-	122,600	74,717	22,966	12,237	-	109,920
Depreciation and amortization	94,109	11,328	5,485	-	110,922	108,987	12,357	5,880	-	127,224
Office supplies and expenses	86,271	10,384	5,028	-	101,683	84,707	9,517	4,596	-	98,820
Bank and credit card fees	-	5,525	78,973	-	84,498	-	3,400	72,059	-	75,459
Training	42,854	13,385	1,278	-	57,517	23,051	-	-	-	23,051
Insurance	38,319	9,698	-	-	48,017	34,787	8,373	-	-	43,160
Miscellaneous expenses	40,686	3,012	-	-	43,698	8,377	13,702	-	-	22,079
Telephone	35,518	4,275	2,070	-	41,863	33,153	3,611	1,717	-	38,481
Dues and subscriptions	25,115	8,513	1,486	-	35,114	27,119	3,924	1,415	-	32,458
Printing and publications	-	10,047	-	-	10,047	-	299	657	-	956
Bad debt	-	-	10,000	-	10,000	-	-	33,449	-	33,449
Postage and shipping	81	9,522	-	-	9,603	613	2,901	-	-	3,514
Taxes - other	-	1,160	-	-	1,160	-	1,035	-	-	1,035
TOTAL EXPENSES	\$ 28,684,165	\$ 1,370,609	\$ 723,669	\$ 173,855	\$ 30,952,298	\$ 26,530,535	\$ 1,483,302	\$ 830,193	\$ 155,903	\$ 28,999,933
Less, Direct Benefits to Donors	-	-	-	(173,855)	(173,855)	-	-	-	(155,903)	(155,903)
TOTAL EXPENSES PER										
STATEMENTS OF ACTIVITIES	\$ 28,684,165	\$ 1,370,609	\$ 723,669	\$ -	\$ 30,778,443	\$ 26,530,535	\$ 1,483,302	\$ 830,193	\$ -	\$ 28,844,030

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,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,769,591	\$ 739,100
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Lease liability reduction through rent expense	-	119,409
Amortization of right-of-use assets	687,337	673,934
Depreciation and amortization	110,922	127,224
Net realized and unrealized losses (gains) on investments	(589,221)	767,104
Donated securities recorded as revenue	(106,413)	(176,022)
Bad debts	10,000	33,449
Change in operating assets and liabilities:		
Increase in grants and contributions receivable	(1,067,979)	(2,087,979)
Decrease (increase) in interest receivable and prepaid expenses	(449)	5,232
Increase (decrease) in accounts payable and accrued expenses	68,672	(90,372)
Increase in deferred revenue	41,000	-
Decrease in operating lease liability	(836,169)	(793,343)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,087,291	\$ (682,264)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 1,100,826	\$ 2,029,071
Purchases of investments	(1,115,859)	(1,290,512)
Payments for purchases of property and equipment	(49,027)	(86,558)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ (64,060)	\$ 652,001
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 2,023,231	\$ (30,263)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	883,598	913,861
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,906,829	\$ 883,598

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

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, 2023

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, 2023. 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, 2023.

NOTE D - INDIRECT COST RATE

Legal Aid Society of the District of Columbia has elected 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, Assistance Listing Numbers (ALN) are not applicable to District of Columbia awards because they are not federal programs.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 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, 2023 AND 2022

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, municipal bonds and U.S. treasury obligations 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, 2023 and 2022. 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, 2023 AND 2022

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

Revenue Recognition - (Continued)

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 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.

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 is satisfied or time 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.

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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

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.

Note 2. **Liquidity and Availability** -The following represents the Organization’s financial assets at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,906,829	\$ 883,598
Investments	5,752,005	5,041,338
Grants and contributions receivable	6,294,911	5,236,932
Interest receivable	<u>2,755</u>	<u>4,793</u>
Total financial assets	\$ 14,956,500	\$ 11,166,661
Less, amounts with restrictions:		
Restricted by donors for purposes	(5,873,174)	(4,990,322)
Investments restricted by donors for endowments in perpetuity	<u>(610,736)</u>	<u>(557,478)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,472,590</u>	<u>\$ 5,618,861</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 2. **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.

The Organization 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 3. **Investments** - The aggregate fair values of investments as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Exchange-traded funds	\$ 4,364,567	\$ 3,918,619
Municipal bonds	159,486	639,565
Mutual funds	525,369	483,154
U.S. Treasury Obligations	702,583	-
Totals	\$ 5,752,005	\$ 5,041,338

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 3. **Investments** - (Continued)

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 274,623	\$ 133,990
Investment fees	(12,533)	(4,710)
Realized gains (losses) on investments	21,216	(39,090)
Unrealized gains (losses) on investments	<u>568,005</u>	<u>(728,014)</u>
Totals	<u>\$ 851,311</u>	<u>\$ (637,824)</u>

Note 4. **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, 2023 AND 2022

Note 4. **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.

Government and Municipal Bonds - U.S. government and municipal bonds are valued using outside pricing services and computerized pricing models.

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds	\$ 4,364,567	\$ -	\$ -	\$ 4,364,567
Municipal bonds	-	159,486	-	159,486
Mutual funds	525,369	-	-	525,369
Money market funds	-	2,048,891	-	2,048,891
U.S. Treasury Obligations	-	702,583	-	702,583
Totals	<u>\$ 4,889,936</u>	<u>\$ 2,910,960</u>	<u>\$ -</u>	<u>\$ 7,800,896</u>
Less: Amount included in cash				<u>(2,048,891)</u>
Total investments				<u>\$ 5,752,005</u>

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>	<u>\$ 5,169,910</u>
Less: Amount included in cash				<u>(128,572)</u>
Total investments				<u>\$ 5,041,338</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 5. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	2023	2022
Leasehold improvements	\$ 443,857	\$ 443,857
Computer equipment	324,241	413,708
Website	91,229	91,229
Office furniture and equipment	86,609	69,795
Total property and equipment	\$ 945,936	\$ 1,018,589
Less, accumulated depreciation and amortization	657,801	668,559
Net property and equipment	\$ 288,135	\$ 350,030

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$110,922 and \$127,224, respectively.

Note 6. **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:

	2023	2022
Recognized at a point in time	\$ 91,695	\$ 66,011
Recognized over time	-	-
Total	\$ 91,695	\$ 66,011

Contract Balance

Contract liabilities represent amounts received in advance for the 2024 events. The Organization's balances on contracts at December 31, 2023 was \$41,000 which is reported on the Statement of Financial Position as deferred revenue. There were no contract balances at December 31, 2022.

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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 6. **Revenue Recognition** - (Continued)

Significant Judgments

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

Note 7. **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, 2023, 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. The Organization reported \$2,571,394 and \$3,258,731 of operating lease right-of-use assets and \$3,404,108 and \$4,240,277 of operating lease liabilities on the statements of financial position on December 31, 2023 and 2022, respectively.

The components of lease expense for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost - Office	\$ 730,470	\$ 726,342
Operating lease cost - Copiers	4,801	18,183
Variable lease costs	<u>230</u>	<u>1,132</u>
Total lease cost	<u>\$ 735,501</u>	<u>\$ 745,657</u>

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

Cash paid for amounts included in measurement of lease liabilities:

	<u>2023</u>	<u>2022</u>
Operating cash flows for operating leases	<u>\$ 892,384</u>	<u>\$ 862,660</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 7. **Leases** - (Continued)

Future minimum lease payments on the operating leases at December 31, 2023 are as follows:

Years Ending December 31,	Office Leases	Equipment	Total
2024	\$ 903,886	\$ 3,155	\$ 907,041
2025	933,066	-	933,066
2026	939,954	-	939,954
2027	724,010	-	724,010
Future minimum lease payments	\$ 3,500,916	\$ 3,155	\$ 3,504,071
Less imputed interest	(99,960)	(3)	(99,963)
Total lease obligations	\$ 3,400,956	\$ 3,152	\$ 3,404,108
Less current obligations	(857,379)	(3,152)	(860,531)
Long term lease obligations	<u>\$ 2,543,577</u>	<u>\$ -</u>	<u>\$ 2,543,577</u>

Note 8. **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 and the District of Columbia, 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 9. **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, 2023 and 2022 were \$165,040 and \$164,936, respectively.

Note 10. **Donated Services** - For the years ended December 31, 2023 and 2022, the Organization received \$19,360,932 and \$17,882,522, 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, 2023 AND 2022

Note 11. **Net Assets with Donor Restrictions** - Net assets with donor restrictions were for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Civil Legal Counsel Projects	\$ 2,647,564	\$ 2,254,803
Neighborhood Access Project	735,833	676,537
Eviction Diversion Pilot Project	530,350	461,174
Family Law Assistance Network	354,669	322,426
Child Support Court-Based Legal Services	307,891	267,731
Domestic Violence Victims Project	256,629	233,299
Housing Justice Advocacy	219,642	201,779
Immigration Rights Legal Services Project	169,265	165,924
Rossotti Foundation - Community Lawyering Project	146,474	-
Consumer Law	144,375	131,250
Foreclosure Prevention Project	144,375	131,250
Gallagly Family Foundation Fellow	74,185	-
Sidley Austin Fellow	59,406	62,117
Appellate Advocacy Project	50,000	25,000
McDowell Endowment	29,530	29,608
Klepper Endowment	2,986	2,555
Skadden Fellow	-	14,943
Equal Justice Works Fellowship	-	9,926
Total	<u>\$ 5,873,174</u>	<u>\$ 4,990,322</u>
In perpetuity for endowments:		
McDowell Endowment	\$ 550,493	\$ 502,879
Klepper Endowment	54,181	48,537
Da Costa V. Mason	6,062	6,062
Total	<u>\$ 610,736</u>	<u>\$ 557,478</u>
Total net assets with donor restrictions	<u>\$ 6,483,910</u>	<u>\$ 5,547,800</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 12. **Designated Funds** - During the year ended December 31, 2023, certain amounts were reclassified from restricted net assets to board designated net assets to align with the original intent of the donor. Board designated funds are designated by the board to support the Organization’s budget shortfalls and scholarships and consisted of the following at December 31:

	2023	2022
Making Justice Real Endowment	\$ 2,572,309	\$ 326,815
Lee Horton Scholarship Fund	64,910	59,918
	\$ 2,637,219	\$ 386,733

Note 13. **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 District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions or until the Board of Directors appropriates such amounts for expenditure and other purpose restrictions have been met. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of initial and subsequent gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 13. **Endowments** - (Continued)

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, 2023 are as follows:

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 32,516</u>	<u>\$ 610,736</u>	<u>\$ 643,252</u>

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 32,163	\$ 557,478	\$ 589,641
Contributions	-	5,000	5,000
Investment income	-	80,774	80,774
Endowment funds disbursed	(32,163)	-	(32,163)
Appropriated for expenditure	<u>32,516</u>	<u>(32,516)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 32,516</u>	<u>\$ 610,736</u>	<u>\$ 643,252</u>

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

	With Donor Restrictions	With Donor Restrictions In perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 32,163</u>	<u>\$ 557,478</u>	<u>\$ 589,641</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 13. **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	\$ 685,310	\$ 718,466
Contributions	-	10,500	10,500
Investment income (loss)	-	(106,169)	(106,169)
Endowment funds disbursed	(33,156)	-	(33,156)
Appropriated for expenditure	32,163	(32,163)	-
Endowment net assets, end of year	<u>\$ 32,163</u>	<u>\$ 557,478</u>	<u>\$ 589,641</u>

Note 14. **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, 2023, the Organization's uninsured cash balances total \$460,851.

Note 15. **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 16. **Reclassifications** - Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation.

Note 17. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 23, 2024, 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,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS:						
Grants and contributions	\$ 6,451,431	\$ 6,519,007	\$ 12,970,438	\$ 4,038,060	\$ 6,793,423	\$ 10,831,483
Special events	1,352,896	-	1,352,896	1,564,534	-	1,564,534
Less: direct benefits to donors	(173,855)	-	(173,855)	(155,903)	-	(155,903)
Event ticket revenue	91,695	-	91,695	66,011	-	66,011
Legal fees	94,617	-	94,617	32,307	-	32,307
Investment income, net	770,537	80,774	851,311	(531,655)	(106,169)	(637,824)
Net assets released from restrictions	5,663,671	(5,663,671)	-	4,929,691	(4,929,691)	-
TOTAL REVENUE, SUPPORT AND GAINS	<u>\$ 14,250,992</u>	<u>\$ 936,110</u>	<u>\$ 15,187,102</u>	<u>\$ 9,943,045</u>	<u>\$ 1,757,563</u>	<u>\$ 11,700,608</u>
EXPENSES:						
Program service	\$ 9,323,233	\$ -	\$ 9,323,233	\$ 8,648,013	\$ -	\$ 8,648,013
Management and general	1,370,609	-	1,370,609	1,483,302	-	1,483,302
Fundraising	723,669	-	723,669	830,193	-	830,193
TOTAL EXPENSES	<u>\$ 11,417,511</u>	<u>\$ -</u>	<u>\$ 11,417,511</u>	<u>\$ 10,961,508</u>	<u>\$ -</u>	<u>\$ 10,961,508</u>
CHANGES IN NET ASSETS	\$ 2,833,481	\$ 936,110	\$ 3,769,591	\$ (1,018,463)	\$ 1,757,563	\$ 739,100
NET ASSETS, BEGINNING OF YEAR	<u>4,832,274</u>	<u>5,547,800</u>	<u>10,380,074</u>	<u>5,850,737</u>	<u>3,790,237</u>	<u>9,640,974</u>
NET ASSETS, END OF YEAR	<u>\$ 7,665,755</u>	<u>\$ 6,483,910</u>	<u>\$ 14,149,665</u>	<u>\$ 4,832,274</u>	<u>\$ 5,547,800</u>	<u>\$ 10,380,074</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
SCHEDULE OF EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>DISTRICT OF COLUMBIA/FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>DISTRICT OF COLUMBIA/ FEDERAL CFDA/ ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>TOTAL DISTRICT OF COLUMBIA/ FEDERAL EXPENDITURES</u>
<u>Non-Federal Awards</u>			
<u>Office of Victim Services and Justice Grants of the District of Columbia:</u>			
<i>Direct Programs:</i>			
Domestic Violence Victims Representation Project	2023-LAS-01	N/A	\$ 375,548
Reentry Justice Project	N/A	N/A	33,478
Total Domestic Violence Victims Representation Project			<u>\$ 409,026</u>
<i>Pass-through programs from District of Columbia Bar Foundation:</i>			
Civil Legal Counsel Projects Program	N/A	23-CLCPP-2022-1344	<u>\$ 744,087</u>
Access to Justice Initiative:			
Economic Security for Underserved Communities Project	N/A	23-ATJ-2022-1382	\$ 338,268
Justice Eviction Diversion Pilot Project	N/A	23-ATJ-2022-1417	230,587
Family Law Assistance Network	N/A	23-ATJ-2022-1374	161,213
Affordable Housing Preservation Project	N/A	23-ATJ-2022-1372	100,889
Child Support Community Legal Services Project	N/A	23-ATJ-2022-1392	133,865
Domestic Violence Underserved Holistic Representation Project	N/A	23-ATJ2022-1400	116,649
Consumer Law Court-Based Legal Services Project	N/A	23-ATJ-2022-1339	65,625
Foreclosure Prevention Project	N/A	23-ATJ-2022-1371	65,625
Total Access to Justice Initiative			<u>\$ 1,212,721</u>
General Support:			
Barbara McDowell Appellate Advocacy Project	N/A	23-GS-2022-1366	<u>\$ 25,000</u>
Total Office of Victim Services and Justice Grants of the District of Columbia			<u>\$ 2,390,834</u>
<u>Executive Office of the Mayor - Immigrant Justice Legal Services:</u>			
<i>Direct Programs:</i>			
FY 2023 Immigration Justice Legal Services Grant Program	FY23-409956	N/A	\$ 165,924
FY 2024 Immigration Justice Legal Services Grant Program	FY24-443846	N/A	50,735
Total Executive Office of the Mayor - Immigrant Justice Legal Services			<u>\$ 216,659</u>
Total Non-Federal Awards			<u>\$ 2,607,493</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, 2023

<u>DISTRICT OF COLUMBIA/FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>DISTRICT OF COLUMBIA/ FEDERAL CFDA/ ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>TOTAL DISTRICT OF COLUMBIA/ FEDERAL EXPENDITURES</u>
<u>Federal Awards:</u>			
<u>Department of Treasury:</u>			
<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	23-CLCPP-2022-1344	\$ <u>1,510,716</u>
COVID-19 Access to Justice Initiative:			
Economic Security for Underserved Communities Project	21.027	23-ATJ-2022-1382	\$ 338,269
Justice Eviction Diversion Pilot Project	21.027	23-ATJ-2022-1417	230,587
Family Law Assistance Network	21.027	23-ATJ-2022-1374	161,213
Affordable Housing Preservation Project	21.027	23-ATJ-2022-1372	100,890
Child Support Community Legal Services Project	21.027	23-ATJ-2022-1392	133,866
Domestic Violence Underserved Holistic Representation Project	21.027	23-ATJ2022-1400	116,650
Consumer Law Court-Based Legal Services Project	21.027	23-ATJ-2022-1339	65,625
Foreclosure Prevention Project	21.027	23-ATJ-2022-1371	<u>65,625</u>
Total COVID-19 Access to Justice Initiative			<u>\$ 1,212,725</u>
Total Federal Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Awards			<u>\$ 2,723,441</u>
<u>Department of Justice - Office for Victims of Crime:</u>			
<i>Pass-through programs from the Office of Victim Services and Justice Grants of the District of Columbia:</i>			
Victims of Crime Act (VOCA)			
Crime Assistance Program	16.575	2024-VOCA-08	<u>\$ 118,914</u>
Total Federal Awards			<u>\$ 2,842,355</u>
TOTAL EXPENDITURES OF DISTRICT OF COLUMBIA AND FEDERAL AWARDS			<u><u>\$ 5,449,848</u></u>

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, 2023

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, 2023. 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, 2023.

NOTE D - INDIRECT COST RATE

Legal Aid Society of the District of Columbia has elected 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, Assistance Listing Numbers (ALN) are not applicable to District of Columbia awards because they are not federal programs.

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, 2023, 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 May 23, 2024.

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 the Legal Aid Society of the District of Columbia's 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.

Sarpino and Rhodes, LLP

May 23, 2024

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 Program

Opinion on Each Major Federal 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, 2023. Legal Aid Society of the District of Columbia's major federal program is 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 programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal 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 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 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.

Sanford and Rhoades, LLP

May 23, 2024

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 the major federal program were disclosed during the audit.
5. The auditors' report on compliance for the major federal award program for Legal Aid Society of the District of Columbia expresses an unmodified opinion on the major federal program.
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 was:

<u>CFDA/Assistance</u> <u>Listing Number</u>	<u>Name of Federal or District of Columbia Programs or Contract</u>
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 to be a low-risk auditee.

Findings - Financial Statement Audit

No matters were reported.

Findings and Questioned Costs - Major Federal Award Program Audit

No matters were reported.