

**LEGAL AID SOCIETY OF
THE DISTRICT OF COLUMBIA
DECEMBER 31, 2014 AND 2013**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15
Supplementary Information:	
Schedules of Activities (Without Donated Services)	16

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Legal Aid Society of the District of Columbia (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Legal Aid Society of the District of Columbia as of December 31, 2014 and 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Activities (Without Donated Services) for the years ended December 31, 2014 and 2013 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sarpino and Rhodes, LLP

May 20, 2015

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

	DECEMBER 31,	
ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 414,085	\$ 414,154
Investments (Notes 1 and 2)	2,017,364	1,935,905
Grants and contributions receivable (Notes 1 and 3)	242,397	189,354
Interest receivable and prepaid expenses	49,513	53,569
TOTAL CURRENT ASSETS	\$ 2,723,359	\$ 2,592,982
PROPERTY AND EQUIPMENT (Notes 1 and 4)	\$ 147,025	\$ 95,506
OTHER ASSETS:		
Deposit	\$ 23,273	\$ 23,273
TOTAL ASSETS	\$ 2,893,657	\$ 2,711,761
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 135,155	\$ 103,695
Capital lease obligation, current portion (Note 5)	-	5,305
Deferred lease obligation, current portion (Note 6)	46,724	27,738
TOTAL CURRENT LIABILITIES	\$ 181,879	\$ 136,738
OTHER LIABILITIES:		
Deferred lease obligation (Note 6)	\$ 290,732	\$ 314,905
TOTAL LIABILITIES	\$ 472,611	\$ 451,643
COMMITMENTS (Note 6)		
NET ASSETS (Notes 1 and 9):		
Unrestricted	\$ 1,419,577	\$ 1,519,644
Temporarily restricted	557,162	363,335
Permanently restricted	444,307	377,139
TOTAL NET ASSETS	\$ 2,421,046	\$ 2,260,118
TOTAL LIABILITIES AND NET ASSETS	\$ 2,893,657	\$ 2,711,761

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,

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE (Notes 1 and 8):								
Contributed services	\$ 17,476,122	\$ -	\$ -	\$ 17,476,122	\$ 16,798,489	\$ -	\$ -	\$ 16,798,489
Grants and contributions	1,991,540	1,592,926	68,750	3,653,216	1,838,686	1,452,413	26,250	3,317,349
Special events	1,080,875	-	-	1,080,875	891,981	-	-	891,981
Investment income	37,360	-	18,137	55,497	1,152	-	41,059	42,211
In-kind contributions	44,960	-	-	44,960	28,387	-	-	28,387
Sublease income	24,000	-	-	24,000	46,446	-	-	46,446
Net assets released from restrictions	<u>1,418,818</u>	<u>(1,399,099)</u>	<u>(19,719)</u>	<u>-</u>	<u>1,479,057</u>	<u>(1,462,130)</u>	<u>(16,927)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 22,073,675</u>	<u>\$ 193,827</u>	<u>\$ 67,168</u>	<u>\$ 22,334,670</u>	<u>\$ 21,084,198</u>	<u>\$ (9,717)</u>	<u>\$ 50,382</u>	<u>\$ 21,124,863</u>
EXPENSES:								
Program services	\$ 21,143,587	\$ -	\$ -	\$ 21,143,587	\$ 20,222,511	\$ -	\$ -	\$ 20,222,511
Fundraising	561,025	-	-	561,025	532,522	-	-	532,522
Management and general	<u>469,130</u>	<u>-</u>	<u>-</u>	<u>469,130</u>	<u>452,264</u>	<u>-</u>	<u>-</u>	<u>452,264</u>
TOTAL EXPENSES	<u>\$ 22,173,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,173,742</u>	<u>\$ 21,207,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,207,297</u>
CHANGES IN NET ASSETS	\$ (100,067)	\$ 193,827	\$ 67,168	\$ 160,928	\$ (123,099)	\$ (9,717)	\$ 50,382	\$ (82,434)
NET ASSETS, BEGINNING OF YEAR	<u>1,519,644</u>	<u>363,335</u>	<u>377,139</u>	<u>2,260,118</u>	<u>1,642,743</u>	<u>373,052</u>	<u>326,757</u>	<u>2,342,552</u>
NET ASSETS, END OF YEAR	<u>\$ 1,419,577</u>	<u>\$ 557,162</u>	<u>\$ 444,307</u>	<u>\$ 2,421,046</u>	<u>\$ 1,519,644</u>	<u>\$ 363,335</u>	<u>\$ 377,139</u>	<u>\$ 2,260,118</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,

	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donated services	\$ 17,476,122	\$ -	\$ -	\$ 17,476,122	\$ 16,798,489	\$ -	\$ -	\$ 16,798,489
Salaries	2,528,025	324,090	258,177	3,110,292	2,344,820	309,740	254,338	2,908,898
Occupancy	442,818	56,366	45,223	544,407	435,182	57,486	47,203	539,871
Employee benefits	271,763	34,593	27,754	334,110	245,638	32,448	26,644	304,730
Payroll taxes	192,800	24,542	19,689	237,031	175,621	23,199	19,049	217,869
Special events	-	-	136,462	136,462	-	-	104,560	104,560
Office supplies and expenses	64,089	8,158	6,545	78,792	49,095	6,478	5,319	60,892
Professional services	56,685	7,215	5,790	69,690	48,591	6,411	5,265	60,267
Printing and publications	6,043	769	39,896	46,708	8,196	1,081	45,249	54,526
Depreciation and amortization (Note 4)	30,473	3,879	3,112	37,464	31,147	4,110	3,374	38,631
Miscellaneous	25,366	3,229	2,594	31,189	34,571	4,561	3,745	42,877
Postage and shipping	11,380	1,449	11,900	24,729	8,760	1,156	13,181	23,097
Telephone	19,957	2,540	2,038	24,535	25,237	3,330	2,734	31,301
Insurance	17,842	2,271	1,822	21,935	16,496	2,176	1,788	20,460
Interest	224	29	23	276	668	88	73	829
	<u>\$ 21,143,587</u>	<u>\$ 469,130</u>	<u>\$ 561,025</u>	<u>\$ 22,173,742</u>	<u>\$ 20,222,511</u>	<u>\$ 452,264</u>	<u>\$ 532,522</u>	<u>\$ 21,207,297</u>

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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 160,928	\$ (82,434)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,464	38,631
Net realized and unrealized loss on investments	24,367	34,050
Donated securities	(15,926)	(20,958)
Donated leasehold improvements	(37,125)	-
Donated furniture and equipment	(7,835)	(28,387)
Uncollectible pledge receivable	2,606	7,150
Change in assets and liabilities:		
Increase in grants and contributions receivable	(55,649)	(16,630)
Decrease (increase) in interest receivable and prepaid expenses	4,055	(6,117)
Increase in accounts payable and accrued expenses	31,460	12,467
Decrease in deferred lease obligation	(5,187)	(14,036)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 139,158	\$ (76,264)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 1,580,203	\$ 1,621,607
Purchases of investments	(1,675,113)	(1,508,409)
Payments for purchases of property and equipment	(39,012)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ (133,922)	\$ 113,198
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	\$ (5,305)	\$ (5,256)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (69)	\$ 31,678
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	414,154	382,476
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 414,085	\$ 414,154
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 276	\$ 829

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, 2014 AND 2013

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 persons who are either District of Columbia (“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, public housing, preservation of affordable housing, health care, public benefits and consumer law.

Program Services - 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, securing safety from domestic violence and finding family stability. The Organization also has a nationally-recognized appellate program, The Barbara McDowell Appellate Advocacy Project.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

Basis of Presentation - The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- *Unrestricted net assets*: Unrestricted net assets 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.
- *Temporarily restricted net assets*: Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- *Permanently restricted net assets*: Permanently restricted net assets include resources with permanent donor-imposed restrictions.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

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). The Organization is considered a public charity under Section 509(a)(1) of the IRC. There was no unrelated business income for the years ended December 31, 2014 and 2013. The Organization's federal information returns (Form 990, Return of Organization Exempt from Income Tax) are not subject to examination by the IRS for the years ended December 31, 2011 and prior.

Use of Estimates - The presentation of financial statements in conformity with 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.

Investments - Investments are measured at fair value at the statement of financial position date. Investments include exchange-traded funds, certificates of deposit, mutual funds, common stocks and fixed income securities held with investment brokers. Investment income is comprised of interest, dividends and realized and unrealized gains and losses on investments and is reported in the statements of activities.

Property and Equipment - Furniture 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.

Contributions - Contributions are recognized 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. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

Donated Goods and Services - Donated non-cash assets are recorded at their estimated fair market values in the period received. 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 recorded as revenue and expense at their estimated fair values in the period received. Such amounts are reflected as a part of contributed services revenue and program activities expenses in the accompanying statements of activities. In-kind contributions, such as donated property and equipment and donated photography services, are included in the statements of activities at their estimated fair value on the date of donation and either capitalized on the statements of financial position, as it relates to equipment, or shown in the representative functional expense account the contribution relates to.

Functional Allocation of Expenses - The Organization allocates salaries, benefits, rent and other overhead expenses to the various programs and supporting services based on the estimated amount of time staff worked in each functional area.

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.

Note 2. **Fair Value Measurements** - The Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes 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 as follows: level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. The asset'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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 2. **Fair Value Measurements** - (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds - The 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.

Certificates of deposit and fixed income securities - Certificates of deposit and fixed income mutual funds are valued using appraisals from independent quotation services based on closing prices or other factors.

Equity mutual funds, fixed-income mutual funds, common stock, and exchange-traded funds - Securities which 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:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed-income securities	\$ -	\$ 1,364,436	\$ -	\$ 1,364,436
Exchange-traded funds	631,541	-	-	631,541
Common stock	21,387	-	-	21,387
Money market funds	-	9,594	-	9,594
	<u>\$ 652,928</u>	<u>\$ 1,374,030</u>	<u>\$ -</u>	<u>\$ 2,026,958</u>
	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed-income securities	\$ -	\$ 1,082,036	\$ -	\$ 1,082,036
Exchange-traded funds	327,038	-	-	327,038
Equity mutual funds	253,586	-	-	253,586
Certificates of deposit	-	205,128	-	205,128
Fixed income mutual funds	66,618	-	-	66,618
Money market funds	-	60,548	-	60,548
Common stock	1,499	-	-	1,499
	<u>\$ 648,741</u>	<u>\$ 1,347,712</u>	<u>\$ -</u>	<u>\$ 1,996,453</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 2. **Fair Value Measurements** - (Continued)

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

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 79,864	\$ 93,186
Realized losses on investments	(7,633)	(16,925)
Unrealized losses on investments	<u>(16,734)</u>	<u>(34,050)</u>
	<u>\$ 55,497</u>	<u>\$ 42,211</u>

Note 3. **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. Management expects the amounts to be received within the coming year.

Note 4. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 139,236	\$ 139,236
Leasehold improvements	136,440	55,292
Office furniture and equipment	71,208	63,373
Website	<u>11,289</u>	<u>11,289</u>
Total property and equipment	\$ 358,173	\$ 269,190
Less, accumulated depreciation and amortization	<u>211,148</u>	<u>173,684</u>
Net property and equipment	<u>\$ 147,025</u>	<u>\$ 95,506</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$37,464 and \$38,631, respectively.

Note 5. **Capital Lease** - The Organization's capital lease for a copier expired in 2014. As of December 31, 2014 the copier has been fully depreciated. The net book value on December 31, 2013 was \$4,363. The cost and accumulated depreciation is included in property and equipment on the statements of financial position.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 6. **Commitments** - The Organization has entered into a twelve-year non-cancelable operating lease for office space that expires July 31, 2019. The lease agreement includes escalation clauses relating to increases in the consumer price index, real estate taxes and operating costs, as well as clauses calling for the abatement of a portion of the lease agreement. In November 2011, the Organization amended the original lease and entered into a new lease agreement for additional office space. Modifications to the original lease agreement call for escalation clauses, the abatement of a portion of the lease commitment, and an allowance for leasehold improvements. The change in the rentable space resulted in an increase in the deferred lease obligation reported on the statements of financial position. The deferred lease obligation as of December 31, 2014 and 2013 was \$337,456 and \$342,643, respectively. Total rent expense for the years ended December 31, 2014 and 2013, was \$544,407 and \$539,871, respectively.

The Organization entered into an operating lease for additional space in Southeast D.C. that expires on July 31, 2015. Rent payments are \$1,060 per month.

The Organization had operating leases for two copiers that expired in 2014. Total rent expense for the copiers for the years ended December 31, 2014 and 2013 was \$10,775 and \$11,394, respectively.

Future minimum lease payments as of December 31, 2014 are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Office Leases</u>
2015	\$ 557,867
2016	564,881
2017	579,698
2018	594,906
2019	353,375
Total	<u>\$ 2,650,727</u>

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.

Note 7. **Retirement Plan** - The Organization maintains a contributory 401(k) retirement plan for employees meeting certain eligibility requirements, as outlined in the plan. Participants are eligible to make voluntary contributions to the plan after one year of employment. The Organization provides for a discretionary match of each participant's compensation. Employees may also defer a portion of their compensation. The Organization's contribution to the plan for the years ended December 31, 2014 and December 31, 2013 was \$79,592 and \$68,438, respectively.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 8. **Donated Goods and Services** - For the years ended December 31, 2014 and 2013, the Organization received \$17,476,122 and \$16,798,489, respectively, of in-kind contributions that consisted of legal and consulting services. Donated services are recorded at the amount reported by the contributing organization and are typically based on that organization's standard hourly billing rates.

During 2014, the Organization also received donated architectural services related to the renovation of leased space valued at \$37,125. The Organization also received donated furniture valued at \$7,835 and \$28,387 for the years ended December 31, 2014 and 2013, respectively.

Note 9. **Restricted Net Assets** - Temporarily restricted net assets were for the following purposes as of December 31:

	<u>2014</u>	<u>2013</u>
Neighborhood Access Project	\$ 131,628	\$ 118,936
Social Security and Housing	90,000	-
Housing and Consumer Law	82,500	-
Landlord and Tenant Court	86,810	85,737
Child Support Court-Based Legal Services	57,423	56,549
Domestic Violence Victims Project	38,879	30,912
Public Benefits/Consumer Health Rights	24,947	18,084
McDowell Endowment	17,118	14,355
Skadden Fellowship	9,369	20,531
Appellate Advocacy Project	9,053	12,244
Equal Justice Works Fellowship	6,834	3,415
Klepper Endowment	2,601	2,572
Total	<u>\$ 557,162</u>	<u>\$ 363,335</u>

Permanently restricted net assets consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
McDowell Endowment	\$ 388,816	\$ 322,214
Klepper Endowment	49,429	48,863
Da Costa V. Mason	6,062	6,062
Total	<u>\$ 444,307</u>	<u>\$ 377,139</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 10. **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 Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, unless the endowment requires or permits otherwise, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization's investment policies.

Investment Return Objectives and Spending Policies: The Organization has adopted investment policies, approved by the Board of Directors, 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.

Endowment net assets as of December 31, 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	<u>\$ 19,719</u>	<u>\$ 444,307</u>	<u>\$ 464,026</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 10. **Endowments** - (Continued)

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 16,927	\$ 377,139	\$ 394,066
Contributions	-	68,750	68,750
Investment income	-	18,137	18,137
Endowment funds disbursed	(16,927)	-	(16,927)
Additional required disbursements	19,719	(19,719)	-
Endowment net assets, end of year	<u>\$ 19,719</u>	<u>\$ 444,307</u>	<u>\$ 464,026</u>

Endowment net assets as of December 31, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 16,927</u>	<u>\$ 377,139</u>	<u>\$ 394,066</u>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 14,621	\$ 326,757	\$ 341,378
Contributions	-	26,250	26,250
Investment income	-	41,059	41,059
Endowment funds disbursed	(14,621)	-	(14,621)
Additional required disbursements	16,927	(16,927)	-
Endowment net assets, end of year	<u>\$ 16,927</u>	<u>\$ 377,139</u>	<u>\$ 394,066</u>

Note 11. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 20, 2015, 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,

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Grants and contributions	\$ 1,991,540	\$ 1,592,926	\$ 68,750	\$ 3,653,216	\$ 1,838,686	\$ 1,452,413	\$ 26,250	\$ 3,317,349
Special events	1,080,875	-	-	1,080,875	891,981	-	-	891,981
Investment income	37,360	-	18,137	55,497	1,152	-	41,059	42,211
In-kind contributions	44,960	-	-	44,960	28,387	-	-	28,387
Sublease income	24,000	-	-	24,000	46,446	-	-	46,446
Net assets released from restrictions	1,418,818	(1,399,099)	(19,719)	-	1,479,057	(1,462,130)	(16,927)	-
TOTAL SUPPORT AND REVENUE	\$ 4,597,553	\$ 193,827	\$ 67,168	\$ 4,858,548	\$ 4,285,709	\$ (9,717)	\$ 50,382	\$ 4,326,374
EXPENSES:								
Program services	\$ 3,667,465	\$ -	\$ -	\$ 3,667,465	\$ 3,424,022	\$ -	\$ -	\$ 3,424,022
Fundraising	561,025	-	-	561,025	532,522	-	-	532,522
Management and general	469,130	-	-	469,130	452,264	-	-	452,264
TOTAL EXPENSES	\$ 4,697,620	\$ -	\$ -	\$ 4,697,620	\$ 4,408,808	\$ -	\$ -	\$ 4,408,808
CHANGES IN NET ASSETS	\$ (100,067)	\$ 193,827	\$ 67,168	\$ 160,928	\$ (123,099)	\$ (9,717)	\$ 50,382	\$ (82,434)
NET ASSETS, BEGINNING OF YEAR	1,519,644	363,335	377,139	2,260,118	1,642,743	373,052	326,757	2,342,552
NET ASSETS, END OF YEAR	\$ 1,419,577	\$ 557,162	\$ 444,307	\$ 2,421,046	\$ 1,519,644	\$ 363,335	\$ 377,139	\$ 2,260,118