

**LEGAL AID SOCIETY OF
THE DISTRICT OF COLUMBIA
DECEMBER 31, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Legal Aid Society of the District of Columbia
Washington, D.C.

We have audited the accompanying statements of financial position of the Legal Aid Society of the District of Columbia as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legal Aid Society of the District of Columbia as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of activities (without donated services) is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sarfino and Rhoades, LLP

June 22, 2011

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

	DECEMBER 31,	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 214,087	\$ 674,581
Investments (Notes 1 and 2)	2,277,500	1,767,737
Grants and contributions receivable (Notes 1 and 3)	114,980	143,368
Interest receivable and prepaid expenses	50,358	30,654
TOTAL CURRENT ASSETS	\$ 2,656,925	\$ 2,616,340
PROPERTY AND EQUIPMENT (Notes 1 and 4)	\$ 45,363	\$ 63,273
OTHER ASSETS:		
Capitalized website development costs (Note 1)	\$ 295	\$ 2,121
Deposit	55,273	54,273
TOTAL OTHER ASSETS	\$ 55,568	\$ 56,394
TOTAL ASSETS	\$ 2,757,856	\$ 2,736,007
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 61,320	\$ 63,408
Capital lease obligation, current portion (Note 5)	9,333	8,664
TOTAL CURRENT LIABILITIES	\$ 70,653	\$ 72,072
OTHER LIABILITIES:		
Capital lease obligations, net of current portion (Note 5)	\$ 18,818	\$ 28,150
Deferred lease obligation (Note 6)	230,177	202,674
TOTAL OTHER LIABILITIES	\$ 248,995	\$ 230,824
TOTAL LIABILITIES	\$ 319,648	\$ 302,896
COMMITMENTS (Note 6)		
NET ASSETS (Notes 1, 9 and 10):		
Unrestricted	\$ 1,879,417	\$ 1,798,806
Temporarily restricted	312,297	409,415
Permanently restricted	246,494	224,890
TOTAL NET ASSETS	\$ 2,438,208	\$ 2,433,111
TOTAL LIABILITIES AND NET ASSETS	\$ 2,757,856	\$ 2,736,007

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,

2010

2009

	2010		2009				
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:							
Contributed services (Notes 1 and 8)	\$ 8,825,499	\$ -	\$ -	\$ 8,825,499	\$ 6,979,111	\$ -	\$ 6,979,111
Grants and contributions	1,350,709	996,473	34,237	2,381,419	1,427,150	1,073,844	2,669,822
Special events	745,850	-	-	745,850	640,910	-	640,910
Investment income (Note 1)	53,746	2,527	-	56,273	28,568	2,488	31,056
Miscellaneous income	180	-	-	180	4,204	-	4,204
Refunded grant (Note 1)	-	(50,000)	-	(50,000)	-	-	-
Net assets released from restrictions	1,058,751	(1,046,118)	(12,633)	-	1,048,208	(1,048,208)	-
TOTAL REVENUE	\$ 12,034,735	\$ (97,118)	\$ 21,604	\$ 11,959,221	\$ 10,128,151	\$ 28,124	\$ 10,325,103
EXPENSES:							
Program services	\$ 11,294,732	\$ -	\$ -	\$ 11,294,732	\$ 9,313,855	\$ -	\$ 9,313,855
Fundraising	432,581	-	-	432,581	419,911	-	419,911
Management and general	226,811	-	-	226,811	208,547	-	208,547
TOTAL EXPENSES	\$ 11,954,124	\$ -	\$ -	\$ 11,954,124	\$ 9,942,313	\$ -	\$ 9,942,313
CHANGE IN NET ASSETS	\$ 80,611	\$ (97,118)	\$ 21,604	\$ 5,097	\$ 185,838	\$ 28,124	\$ 382,790
NET ASSETS, BEGINNING OF YEAR	1,798,806	409,415	224,890	2,433,111	1,612,968	381,291	2,050,321
NET ASSETS, END OF YEAR	\$ 1,879,417	\$ 312,297	\$ 246,494	\$ 2,438,208	\$ 1,798,806	\$ 409,415	\$ 2,433,111

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

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

	2010			2009				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donated services	\$ 8,825,499	\$ -	\$ -	\$ 8,825,499	\$ 6,979,111	\$ -	\$ -	\$ 6,979,111
Salaries	1,614,178	148,269	194,310	1,956,757	1,563,096	139,620	200,379	1,903,095
Occupancy	335,230	30,792	40,354	406,376	332,146	29,668	42,579	404,393
Employee benefits	161,442	14,829	19,434	195,705	121,274	10,833	15,547	147,654
Payroll taxes	124,978	11,480	15,044	151,502	119,791	10,700	15,356	145,847
Professional services	75,581	6,943	9,098	91,622	59,880	5,349	7,676	72,905
Special events	-	-	89,940	89,940	-	-	77,262	77,262
Office supplies and expenses	39,950	3,670	4,809	48,429	33,894	3,027	4,345	41,266
Printing and publications	8,541	785	32,186	41,512	7,250	644	32,069	39,963
Telephone	33,205	3,050	3,997	40,252	28,466	2,543	3,649	34,658
Miscellaneous	30,620	2,813	3,686	37,119	20,853	1,867	2,668	25,388
Depreciation and amortization	22,798	2,094	2,745	27,637	25,554	2,282	3,276	31,112
Postage and shipping	6,221	571	14,993	21,785	6,916	618	13,102	20,636
Insurance	14,192	1,304	1,708	17,204	12,402	1,108	1,590	15,100
Interest	2,297	211	277	2,785	3,222	288	413	3,923
	<u>\$ 11,294,732</u>	<u>\$ 226,811</u>	<u>\$ 432,581</u>	<u>\$ 11,954,124</u>	<u>\$ 9,313,855</u>	<u>\$ 208,547</u>	<u>\$ 419,911</u>	<u>\$ 9,942,313</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,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,097	\$ 382,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,637	31,112
Donated investments	(4,365)	(9,451)
Refunded grant	50,000	-
Change in current assets and liabilities:		
Grants and contributions receivable	(21,612)	(61,426)
Interest receivable and prepaid expenses	(19,704)	4,129
Accounts payable and accrued expenses	(2,088)	11,594
Deferred revenue	-	(10,000)
Deferred lease obligation	27,503	47,541
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 62,468	\$ 396,289
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (1,711,514)	\$ (2,776,450)
Proceeds on maturities and sales of investments	1,206,117	2,298,000
Payments for purchases of property and equipment	(7,901)	(4,628)
Refunds (payments) of security deposits	(1,000)	26,231
NET CASH USED IN INVESTING ACTIVITIES	\$ (514,298)	\$ (456,847)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	\$ (8,664)	\$ (17,057)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (460,494)	\$ (77,615)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	674,581	752,196
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 214,087	\$ 674,581
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 2,785	\$ 3,923
Equipment acquired through lease-purchase	\$ -	\$ 23,800

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, 2010 AND 2009

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 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.

Basis of Presentation - 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. 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.

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.

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.

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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

Cash and Cash Equivalents - For the purposes of the statement 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 and fixed income securities held with investment brokers. Investment income is comprised of interest 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. 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.

Capitalized Website Development Costs - Capitalized website development costs are recorded at cost. Amortization is computed using the straight-line method over three years.

Capitalized website development costs consisted of the following as of December 31:

	2010	2009
Website development costs	\$ 11,289	\$ 11,289
Less, Accumulated amortization	10,994	9,168
Net	\$ 295	\$ 2,121

Donated Goods and Services - Contributions of donated non-cash assets are recorded at their estimated fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those 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.

Refunded Grant - In 2009 the Meyer Foundation awarded Legal Aid's Executive Director with its Exponent Award of \$100,000 to be spent for leadership development over a two year period. When the Executive Director left Legal Aid to join the United States Department of Justice, \$50,000 of the award money which had previously been recognized was refunded. The refund was recorded when the amount became known.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

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.

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.

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 Measurement** - 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.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

Certificates of deposit - Certificates of deposit are valued using appraisals from independent quotation services based on closing prices or other factors.

Fixed income securities - Fixed income securities are valued using appraisals from independent quotation services based on closing prices or other factors.

Exchange-Traded Funds - Securities which are traded on a national securities exchange are valued at the last reported sales price 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:

	Assets at fair value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 79,351	\$ -	\$ 79,351
Exchange-traded funds	148,482	-	-	148,482
Certificates of deposit	-	1,381,943	-	1,381,943
Fixed income securities	-	747,075	-	747,075
	<u>\$ 148,482</u>	<u>\$ 2,208,369</u>	<u>\$ -</u>	<u>\$ 2,356,851</u>

	Assets at fair value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 311,440	\$ -	\$ 311,440
Certificates of deposit	-	1,554,807	-	1,554,807
Fixed income securities	-	212,930	-	212,930
	<u>\$ -</u>	<u>\$ 2,079,177</u>	<u>\$ -</u>	<u>\$ 2,079,177</u>

Note 3. **Grants and Contributions Receivable** - Grants and contributions receivable represent amounts pledged but not collected. These items, 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

	2010	2009
Office furniture and equipment	\$ 79,421	\$ 78,691
Computer equipment	69,898	71,310
Total property and equipment	\$ 149,319	\$ 150,001
Less, accumulated depreciation	103,956	86,728
Net property and equipment	\$ 45,363	\$ 63,273

Depreciation expense for the years ended December 31, 2010 and 2009 was \$25,811 and \$27,349, respectively.

Note 5. **Capital Leases** - The Organization has entered into two capital lease agreements for copiers. The obligations are payable through 2014. The net book value of the copiers is \$26,495.

Future minimum payments under these obligations are as follows:

Years Ending December 31,	Amounts
2011	\$ 11,448
2012	9,660
2013	6,084
2014	5,577
Total minimum lease payments	\$ 32,769
Less, amounts representing interest	4,618
Present value of minimum lease payment	\$ 28,151
Less, current maturities	9,333
Capital lease obligation, net of current portion	\$ 18,818

Note 6. **Commitments** - The Organization entered into a twelve-year noncancelable 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 commitment. The defined escalation clauses and abatement in the lease give rise to a deferred lease obligation, which is being amortized on a straight-line basis over the term of the lease. Total rent expense for the years ended December 31, 2010 and 2009, was \$406,376 and \$404,393, respectively.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6. **Commitment** - (Continued)

The Organization has an operating lease for a copier. The monthly lease payments are \$177.

Future minimum lease commitments are as follows:

Years Ending December 31,	Office Lease	Copier Lease	Total
2011	\$ 378,975	\$ 2,124	\$ 381,099
2012	386,302	2,124	388,426
2013	395,621	2,124	397,745
2014	405,510	2,124	407,634
2015	415,651	1,062	416,713
Thereafter	1,575,224	-	1,575,224
Total	<u>\$ 3,557,283</u>	<u>\$ 9,558</u>	<u>\$ 3,566,841</u>

The Organization has entered into an agreement with a hotel relating to the annual Legal Aid Society 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 within in the Plan. Participants are eligible to make voluntary contributions to the Plan upon employment. According to the plan document, the Organization has provided for a discretionary percentage match of each participant's compensation. Employees may also defer a portion of their compensation. The Organization's contribution expense to the Plan for the year ended December 31, 2010 was \$46,088. There was no discretionary contribution to the Plan for the year ended December 31, 2009.

Note 8. **Donated Services** - For the years ended December 31, 2010 and 2009, the Organization received \$8,825,499 and \$6,979,111, respectively, of in-kind donations that consisted of legal and consulting services.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

	<u>2010</u>	<u>2009</u>
Neighborhood Access Project	\$ 118,573	\$ 131,948
Landlord and Tenant Court	89,070	81,080
Liman Fellowship	32,714	-
Neighbors in Need (foreclosure prevention)	20,627	14,575
Public Benefits/Consumer Health Rights	20,232	20,501
Appellate Advocacy Project	17,125	20,001
McDowell Endowment	8,965	1,447
Klepper Endowment	4,991	1,041
Exponent Award	-	100,000
Skadden Fellowship	-	38,822
Total	<u>\$ 312,297</u>	<u>\$ 409,415</u>

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

	<u>2010</u>	<u>2009</u>
McDowell Endowment	\$ 194,100	\$ 168,828
Klepper Endowment	46,332	50,000
Da Costa V. Mason	6,062	6,062
Total	<u>\$ 246,494</u>	<u>\$ 224,890</u>

Note 10. **Endowment** - 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.

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

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 Asset Composition by Type of Fund as of December 31, 2010 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 13,956</u>	<u>\$ 246,494</u>	<u>\$ 260,450</u>

LEGAL AID SOCIETY OF THE DISTRICT OF COLUMBIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

Changes in endowment net assets for the year ended December 31, 2010 are as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 2,488	\$ 224,890
Contributions	-	34,237
Investment Income	2,527	-
Additional required disbursements	8,941	(12,633)
Endowment net assets, end of year	<u>\$ 13,956</u>	<u>\$ 246,494</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2009 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	<u>\$ 2,488</u>	<u>\$ 224,890</u>	<u>\$ 227,378</u>

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ 56,062
Contributions	-	168,828
Investment Income	2,488	-
Endowment net assets, end of year	<u>\$ 2,488</u>	<u>\$ 224,890</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 6, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

FOR THE YEARS ENDED DECEMBER 31,

2010

2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:								
Grants and contributions	\$ 1,350,709	\$ 996,473	\$ 34,237	\$ 2,381,419	\$ 1,427,150	\$ 1,073,844	\$ 168,828	\$ 2,669,822
Special events	745,850	-	-	745,850	640,910	-	-	640,910
Investment income	53,746	2,527	-	56,273	28,568	2,488	-	31,056
Miscellaneous income	180	-	-	180	4,204	-	-	4,204
Refunded grant (Note 1)	-	(50,000)	-	(50,000)	-	-	-	-
Net assets released from restrictions	1,058,751	(1,046,118)	(12,633)	-	1,048,208	(1,048,208)	-	-
TOTAL REVENUE	<u>\$ 3,209,236</u>	<u>\$ (97,118)</u>	<u>\$ 21,604</u>	<u>\$ 3,133,722</u>	<u>\$ 3,149,040</u>	<u>\$ 28,124</u>	<u>\$ 168,828</u>	<u>\$ 3,345,992</u>
EXPENSES:								
Program services	\$ 2,469,233	\$ -	\$ -	\$ 2,469,233	\$ 2,334,744	\$ -	\$ -	\$ 2,334,744
Fundraising	432,581	-	-	432,581	419,911	-	-	419,911
Management and general	226,811	-	-	226,811	208,547	-	-	208,547
TOTAL EXPENSES	<u>\$ 3,128,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,128,625</u>	<u>\$ 2,963,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,963,202</u>
CHANGE IN NET ASSETS	\$ 80,611	\$ (97,118)	\$ 21,604	\$ 5,097	\$ 185,838	\$ 28,124	\$ 168,828	\$ 382,790
NET ASSETS, BEGINNING OF YEAR	1,798,806	409,415	224,890	2,433,111	1,612,968	381,291	56,062	2,050,321
NET ASSETS, END OF YEAR	<u>\$ 1,879,417</u>	<u>\$ 312,297</u>	<u>\$ 246,494</u>	<u>\$ 2,438,208</u>	<u>\$ 1,798,806</u>	<u>\$ 409,415</u>	<u>\$ 224,890</u>	<u>\$ 2,433,111</u>