

ALLEGHENY COUNTY BAR FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

ALLEGHENY COUNTY BAR FOUNDATION

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Allegheny County Bar Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the Allegheny County Bar Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 above present fairly, in all material respects, the financial position of the Allegheny County Bar Foundation as of June 30, 2020 and 2019, 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.



Certified Public Accountants
Carnegie, Pennsylvania

September 30, 2020

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENTS OF FINANCIAL POSITION****ASSETS**

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$1,004,646	\$ 979,522
Investments at fair value	4,142,862	4,301,334
Grants and contract receivable	198,680	216,939
Contributions receivable	188,500	149,800
Notes receivable	10,200	14,200
Due from affiliated organization	175,527	-
Prepaid expenses	<u>12,789</u>	<u>17,126</u>
TOTAL CURRENT ASSETS	5,733,204	5,678,921
NON-CURRENT ASSETS:		
Contributions receivable - less current portion	107,211	142,777
Notes receivable - less current portion	<u>69,417</u>	<u>48,201</u>
TOTAL NON-CURRENT ASSETS	<u>176,628</u>	<u>190,978</u>
TOTAL ASSETS	<u>\$5,909,832</u>	<u>\$5,869,899</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 37,058	\$ 6,020
Accrued expenses	112,813	200,765
Due to affiliated organization	-	24,382
Deferred revenue	3,751	37,922
Paycheck Protection Program loan	<u>326,300</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>479,922</u>	<u>269,089</u>
LONG-TERM LIABILITIES:		
Deferred compensation liability	<u>36,774</u>	<u>30,299</u>
TOTAL LIABILITIES	<u>516,696</u>	<u>299,388</u>
NET ASSETS:		
Without donor restrictions	665,350	755,430
With donor restrictions	<u>4,727,786</u>	<u>4,815,081</u>
TOTAL NET ASSETS	<u>5,393,136</u>	<u>5,570,511</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,909,832</u>	<u>\$5,869,899</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT:			
Grants and contract services	\$ -	\$1,850,138	\$1,850,138
Contributions	307,676	368,035	675,711
Programs, events, and fees	66,957	-	66,957
Net investment return (net of investment fees of \$21,468)	10,567	92,443	103,010
Net realized and unrealized investment losses	-	(127,833)	(127,833)
Net assets released from restrictions	<u>2,270,078</u>	<u>(2,270,078)</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>2,655,278</u>	<u>(87,295)</u>	<u>2,567,983</u>
EXPENSES:			
Program expenses	2,152,685	-	2,152,685
Administrative expenses	398,853	-	398,853
Fundraising expenses	<u>193,820</u>	<u>-</u>	<u>193,820</u>
TOTAL EXPENSES	<u>2,745,358</u>	<u>-</u>	<u>2,745,358</u>
TOTAL CHANGE IN NET ASSETS	(90,080)	(87,295)	(177,375)
NET ASSETS – Beginning of Year	<u>755,430</u>	<u>4,815,081</u>	<u>5,570,511</u>
NET ASSETS – End of Year	<u>\$ 665,350</u>	<u>\$4,727,786</u>	<u>\$5,393,136</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT:			
Grants and contract services	\$ -	\$1,731,838	\$1,731,838
Contributions	349,885	291,698	641,583
Programs, events, and fees	84,947	-	84,947
Net investment return (net of investment fees of \$21,726)	82	162,134	162,216
Net realized and unrealized investment gains	-	99,416	99,416
Net assets released from restrictions	<u>2,200,527</u>	<u>(2,200,527)</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>2,635,441</u>	<u>84,559</u>	<u>2,720,000</u>
EXPENSES:			
Program expenses	2,095,846	-	2,095,846
Administrative expenses	472,978	-	472,978
Fundraising expenses	<u>75,404</u>	<u>-</u>	<u>75,404</u>
TOTAL EXPENSES	<u>2,644,228</u>	<u>-</u>	<u>2,644,228</u>
TOTAL CHANGE IN NET ASSETS	(8,787)	84,559	75,772
NET ASSETS – Beginning of Year	<u>764,217</u>	<u>4,730,522</u>	<u>5,494,739</u>
NET ASSETS – End of Year	<u>\$ 755,430</u>	<u>\$4,815,081</u>	<u>\$5,570,511</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENTS OF CASH FLOWS****INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>Year Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 177,375)	\$ 75,772
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for bad debts	6,000	2,500
Realized (gains) losses on sales of investments	120,777	(307,031)
Unrealized losses on investments	7,056	207,615
Contributions restricted to long-term purposes - endowment	(160,219)	(16,542)
Decrease (increase) in:		
Grants and contract receivable	18,259	(15,273)
Contributions receivable	(3,134)	(3,997)
Notes receivable	(23,216)	698
Due from affiliated organization	(175,527)	20,958
Prepaid expenses	4,337	2,183
Increase (decrease) in:		
Accounts payable and accrued expenses	(56,914)	(43,123)
Due to affiliated organization	(24,382)	24,382
Deferred revenue	(34,171)	(8,473)
Deferred compensation liability	<u>6,475</u>	<u>6,184</u>
Total adjustments	(<u>314,659</u>)	(<u>129,919</u>)
Net cash used in operating activities	(<u>492,034</u>)	(<u>54,147</u>)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,524,836	3,101,125
Purchases of investments	(<u>1,494,197</u>)	(<u>3,262,327</u>)
Net cash provided by (used in) investing activities	<u>30,639</u>	(<u>161,202</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Paycheck Protection Program loan proceeds	326,300	-
Restricted contributions - endowment	<u>160,219</u>	<u>16,542</u>
Net cash provided by financing activities	<u>486,519</u>	<u>16,542</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,124	(198,807)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>979,522</u>	<u>1,178,329</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,004,646</u>	<u>\$ 979,522</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2020**Program Expenses

	<u>Juvenile Court Project</u>	<u>ProBono/ Divorce Law</u>	<u>Other Programs and Events</u>	<u>Total Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Totals</u>
Salaries and wages	\$1,094,930	\$129,900	\$ -	\$1,224,830	\$290,931	\$ 59,480	\$1,575,241
Rent expense	174,280	-	-	174,280	12,695	2,839	189,814
Grants and donations	-	-	183,070	183,070	-	-	183,070
Employee benefits	124,444	4,421	-	128,865	23,400	9,447	161,712
Payroll taxes	84,504	10,435	-	94,939	21,010	4,990	120,939
Professional fees	13,498	657	102	14,257	7,347	46,000	67,604
Student fellowship internship expenses	-	-	61,800	61,800	-	-	61,800
Employer contribution 401(k)	32,792	3,620	-	36,412	8,568	1,754	46,734
Office expense	37,238	2,362	-	39,600	1,360	-	40,960
Scholarship expenses	-	-	40,153	40,153	-	-	40,153
Administrative fee with affiliate	62,800	-	(22,800)	40,000	-	-	40,000
Attorney assistance	-	-	37,747	37,747	-	-	37,747
Mailing and printing	3,693	-	61	3,754	9,771	22,055	35,580
Advertising and marketing	-	-	-	-	-	30,827	30,827
Software licenses and maintenance	20,900	-	-	20,900	5,022	-	25,922
Insurance	13,807	7,539	-	21,346	1,181	-	22,527
Food and beverage	1,789	-	-	1,789	1,496	12,669	15,954
Miscellaneous	2,253	457	3,285	5,995	3,461	3,759	13,215
Member events and projects	-	-	10,335	10,335	-	-	10,335
Conferences and seminars	-	-	-	-	8,172	-	8,172
Bad debt	-	-	6,000	6,000	-	-	6,000
Professional memberships and subscriptions	2,439	405	-	2,844	1,518	-	4,362
Credit card and bank fees	-	-	376	376	2,180	-	2,556
Telephone and internet	823	164	-	987	327	-	1,314
Asset usage charge	-	774	-	774	383	-	1,157
Repairs and maintenance	1,096	-	-	1,096	-	-	1,096
Travel expenses	<u>295</u>	<u>241</u>	<u>-</u>	<u>536</u>	<u>31</u>	<u>-</u>	<u>567</u>
Total expenses	<u>\$1,671,581</u>	<u>\$160,975</u>	<u>\$320,129</u>	<u>\$2,152,685</u>	<u>\$398,853</u>	<u>\$193,820</u>	<u>\$2,745,358</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2019**Program Expenses

	<u>Juvenile Court Project</u>	<u>ProBono/ Divorce Law</u>	<u>Other Programs and Events</u>	<u>Total Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Totals</u>
Salaries and wages	\$1,087,270	\$122,760	\$ 177	\$1,210,207	\$343,480	\$ 23,799	\$1,577,486
Rent expense	153,768	-	-	153,768	12,608	850	167,226
Grants and donations	-	-	166,602	166,602	-	-	166,602
Employee benefits	117,814	388	-	118,202	25,495	1,536	145,233
Payroll taxes	85,933	10,200	-	96,133	25,353	2,380	123,866
Member events and projects	-	-	71,592	71,592	-	-	71,592
Employer contribution 401(k)	35,322	6,006	-	41,328	17,712	1,225	60,265
Student fellowship internship expenses	-	-	57,019	57,019	-	-	57,019
Administrative fee with affiliate	62,800	-	(22,800)	40,000	-	-	40,000
Professional fees	18,377	585	190	19,152	7,252	12,500	38,904
Mailing and printing	1,198	-	25	1,223	10,604	21,076	32,903
Scholarship expenses	-	-	26,590	26,590	-	-	26,590
Insurance	15,860	8,232	-	24,092	1,159	-	25,251
Miscellaneous	1,288	710	10,413	12,411	4,102	2,449	18,962
Food and beverage	1,653	286	-	1,939	6,054	9,589	17,582
Software licenses and maintenance	12,732	-	-	12,732	4,444	-	17,176
Attorney assistance	-	-	16,550	16,550	-	-	16,550
Conferences and seminars	4,849	2,751	-	7,600	8,487	-	16,087
Office expense	9,345	838	-	10,183	2,585	-	12,768
Professional memberships and subscriptions	2,233	390	-	2,623	935	-	3,558
Bad debt	-	-	2,500	2,500	-	-	2,500
Credit card and bank fees	-	-	413	413	1,513	-	1,926
Travel expenses	460	838	-	1,298	568	-	1,866
Telephone and internet	801	353	-	1,154	627	-	1,781
Repairs and maintenance	<u>535</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>-</u>	<u>-</u>	<u>535</u>
Total expenses	<u>\$1,612,238</u>	<u>\$154,337</u>	<u>\$329,271</u>	<u>\$2,095,846</u>	<u>\$472,978</u>	<u>\$ 75,404</u>	<u>\$2,644,228</u>

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

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

The Allegheny County Bar Foundation (the Foundation) was established by the Allegheny County Bar Association (the Association) in 1980 to conduct a broad range of educational and charitable activities related to the law. The Foundation was determined to be exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation is governed by a Board of Trustees who are appointed by the Association's Board of Governors. The mission of the Foundation is to be a driving force in promoting justice for all and to improve the community through public service law-related programs as the charitable arm of the Allegheny County Bar Association. To fulfill this mission, the Foundation raises, manages, and distributes funds, encourages and assists lawyers to provide pro bono legal services, and develops and supports public information initiatives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

- A. **Basis of Accounting** - The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- B. Adoption of New Revenue Recognition Standard - Effective July 1, 2019, the Foundation adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method of transition. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Foundation's financial statements reflect the application of this guidance for the year ended June 30, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Foundation's previously reported revenue.

Effective July 1, 2019, the Foundation adopted the accounting guidance in FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified prospective method of transition. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of this guidance for the year ended June 30, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Foundation's previously reported contributions.

- C. Revenue Recognition - Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Foundation expects to be entitled to receive in exchange for those goods and services. The Foundation applies the five-step revenue model under Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

Contributions are recognized as revenue in the earlier of the period promised or received. Conditional pledges or promises to give, with a measurable performance or another barrier, and the right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation had no conditional promises during the years ending June 30, 2020 and 2019.

Grants and contract services revenue, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions.

Revenue from programs, events, and fees is recognized as revenue when the events or programs are held. Deferred program, events, and fees revenue represent advance payments received that are applicable to future periods.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- D. Revenue With and Without Donor Restrictions - Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.
- E. Receivables - Receivables are stated at the amount the Foundation's management expects to collect from balances outstanding at year-end. The Foundation's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Foundation's management has used reasonable collection efforts are written off through a charge to the valuation allowance.
- F. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- G. Investments - Investments, which primarily consist of mutual funds, equities and bonds, are stated at their fair value based on readily determinable market quotations. Realized gains and losses are computed on the FIFO cost method. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment revenue is presented net of investment fees.
- H. Donated Services - A portion of the Foundation's functions, including certain charitable programs, are conducted by non-compensated volunteers. The value of this contributed time is not reflected in the accompanying financial statements as the volunteers' time does not meet the criteria for recognition. In addition, the Foundation received contributed management and accounting services from the Association. The value of the services received was determined by the management of the Association based on actual personnel expenses allocated based on time and effort.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- I. Promises to Give - Unconditional promises to give are recognized as contribution revenue in the period received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- J. Grants - Grants are recorded as expenses when they are approved by the Board of Trustees for payment.
- K. Fair Value of Financial Instruments - The Foundation follows the Fair Value Measurement and Disclosures topic of the FASB codification. The topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level I - Quoted prices are readily available for identical assets or liabilities in active markets that the Foundation has the ability to access and are most observable. Management has concluded that its investments in mutual funds, bonds and equities qualify for a Level I valuation.

Level II - Inputs include quoted market prices for similar assets or liabilities and observable inputs such as interest rates, currency exchange rates, commodity rates and yield curves. The Foundation's financial statements do not include any Level II investments at June 30, 2020 and 2019.

Level III - Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable. The Foundation's financial statements do not include any Level III investments at June 30, 2020 and 2019.

The carrying amounts of other financial instruments including receivables, accounts payable, and accrued expenses approximated fair value as of June 30, 2020 and 2019 because of the relatively short maturity of these instruments.

- L. Cash and Cash Equivalents - Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. In addition, the Foundation may at times have deposits at individual financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.
- M. Advertising and Marketing - The Foundation expenses advertising and marketing costs as they are incurred. Advertising and marketing costs totaled approximately \$31,000 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- N. Functional Expense Allocation - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs or supporting functions. Such allocations are determined by management on an equitable basis, and are based on management's estimate of usage of expenses or estimates of time and effort.

- O. Reclassifications - Certain reclassifications have been made to the 2019 presentation to conform to the format used in 2020. Total net assets and changes in net assets are unchanged due to these reclassifications.

- P. Date of Management's Review and Subsequent Event - Management has evaluated subsequent events through September 30, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 Coronavirus and the resulting stay-at-home orders issued by the State of Pennsylvania in which the Foundation operates, the Foundation is experiencing reduced revenues. The duration of the reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 3 - INVESTMENTS:

Investments are reported on the statements of financial position at fair value and consist of the following:

	<u>June 30, 2020</u>			<u>June 30, 2019</u>		
	<u>Average</u> <u>Cost</u>	<u>Fair Value</u> <u>(Level 1)</u>	<u>Unrealized</u> <u>Gain (Loss)</u>	<u>Average</u> <u>Cost</u>	<u>Fair Value</u> <u>(Level 1)</u>	<u>Unrealized</u> <u>Gain (Loss)</u>
Investments With Donor Restrictions:						
Mutual Funds	\$2,087,758	\$2,273,482	\$ 185,724	\$2,228,161	\$2,419,542	\$ 191,381
Bonds	737,823	775,166	37,343	787,073	810,056	22,983
Equities	<u>1,009,717</u>	<u>1,094,214</u>	<u>84,497</u>	<u>971,480</u>	<u>1,071,736</u>	<u>100,256</u>
Total Investments	<u>\$3,835,298</u>	<u>\$4,142,862</u>	<u>\$ 307,564</u>	<u>\$3,986,714</u>	<u>\$4,301,334</u>	<u>\$ 314,620</u>

In addition, the Foundation, through the Lawyers Fund, receives distributions from the F.C. Grote Trust Fund. Under the Last Will and Testament of Frederick C. Grote, the F.C. Grote Trust Fund designates a portion of its earnings to the Lawyers Fund, which is paid in monthly installments. Distributions received from this Fund are included as contributions with donor restrictions in the statement of activities and changes in net assets, and amounted to \$38,748 and \$36,665 for the years ended June 30, 2020 and 2019, respectively. The portion of the F.C. Grote Trust Fund, from which the Lawyers Fund receives distributions, has an approximate fair value of \$1,255,000 and \$1,301,000 for the years ended June 30, 2020 and 2019, respectively.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 4 - GRANTS AND CONTRACT RECEIVABLE:

Grants and contract receivable consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Allegheny County - Parent Advocacy (Juvenile Court Project)	<u>\$198,680</u>	<u>\$216,939</u>

All amounts are due in less than one year.

NOTE 5 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Contributions Without Donor Restrictions:		
Law Firm Leadership Campaign	\$125,300	\$232,000
Fellows Program	-	24,134
Less allowance for uncollectible contributions	(600)	(600)
	<u>124,700</u>	<u>255,534</u>
Contributions With Donor Restrictions:		
Endowment Campaign	122,500	-
Fellows Program for Foundation Endowment	49,111	37,643
Less allowance for uncollectible contributions	(600)	(600)
	<u>171,011</u>	<u>37,043</u>
	295,711	292,577
Less current portion	(188,500)	(149,800)
Contributions receivable - less current portion (one to five years)	<u>\$107,211</u>	<u>\$142,777</u>

The Foundation routinely conducts various fundraising campaigns, including the Law Firm Leadership and Fellows Program, to raise funds for operations and various program functions. During the year ended June 30, 2020, the Foundation initiated a new fundraising campaign for the benefit of the Endowment Fund.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 6 - NOTES RECEIVABLE:

Notes receivable consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Louis Little Fund	\$ 66,371	\$ 63,901
Lawyers Fund	24,246	3,500
Less allowance for doubtful accounts	(11,000)	(5,000)
	79,617	62,401
Less current portion	(10,200)	(14,200)
Notes receivable - less current portion (one to five years)	<u>\$ 69,417</u>	<u>\$ 48,201</u>

The Foundation provides interest bearing loans to law students through the Louis Little Fund. The loans are receivable in varying installments plus interest at 4.5% commencing six months after the student's graduation from law school, and require no collateral.

The Foundation periodically provides loans to needy members of the Association through the Lawyers Fund. The loans are receivable in varying installments with minimal or no interest, and require no collateral.

NOTE 7 - PREPAID EXPENSES:

Prepaid expenses consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Prepaid insurance	\$ 8,635	\$ 8,684
Other prepaid expenses	<u>4,154</u>	<u>8,442</u>
	<u>\$ 12,789</u>	<u>\$ 17,126</u>

NOTE 8 - ACCRUED EXPENSES:

Accrued expenses consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Accrued 401(k) contribution	\$ 47,245	\$ 54,215
Accrued compensation	39,896	119,855
Accrued expenses - other	<u>25,672</u>	<u>26,695</u>
	<u>\$112,813</u>	<u>\$200,765</u>

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 9 - DEFERRED REVENUE:

Deferred revenue consists of amounts collected during the current year for the events or services to be recognized in the subsequent year:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Strike out hunger	\$ 2,000	\$ -
Equal justice America	1,751	-
Golf outing	<u>-</u>	<u>37,922</u>
	<u>\$ 3,751</u>	<u>\$ 37,922</u>

NOTE 10 - PAYCHECK PROTECTION PROGRAM LOAN:

On April 28, 2020, the Foundation (the Borrower) was granted a loan (the Loan) from Dollar Bank in the aggregate amount of \$326,300, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which is dated April 28, 2020, will bear interest at 1% per annum and will mature on April 28, 2022. Based on current guidelines provided by the Small Business Administration, any loan proceeds in excess of the forgiven balance will be payable in monthly installments commencing on February 2021. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before February 15, 2020. The Foundation intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, amounts borrowed through this Loan program may be forgiven if they are used for qualifying expenses as described in the CARES act.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 11 - NET ASSETS:

Net assets consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Operating	\$ 665,350	\$ 626,348
Board designated	<u>-</u>	<u>129,082</u>
	<u>665,350</u>	<u>755,430</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Lawyers Fund	1,776,558	1,906,682
Pro Bono Center	215,301	163,193
Zittrain Fund	132,064	132,672
John P. Gismondi Fund	124,173	138,706
Louis Little Fund	106,256	111,878
Notre Dame Fund	99,388	106,549
John A. Meehan Fund	71,944	73,429
John Sorg Fund	45,172	43,887
Los Mansmann Fund	38,618	40,962
Environmental Law Fund	24,034	25,290
Other	<u>61,593</u>	<u>68,009</u>
	2,695,101	2,811,257
Subject to passage of time:		
Law Firm Leadership - deferred contributions	125,300	232,000
Subject to spending policy appropriation:		
The Foundation Endowment Fund	<u>1,907,385</u>	<u>1,771,824</u>
	<u>4,727,786</u>	<u>4,815,081</u>
TOTAL NET ASSETS	<u>\$5,393,136</u>	<u>\$5,570,511</u>

During the year ended June 30, 2020, the Foundation's Board of Trustees elected to dissolve the Board Designated Fund and transferred the entire fund balance, which amounted to approximately \$94,000, into the Endowment Fund. As part of the transfer, the Endowment Fund absorbed the assets previously designated to the Board Designated fund balance.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 12 - ENDOWMENT:

The endowment fund net assets, which include a portion of the Fellows Program, consist of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,977	\$ 24,466
Contributions receivable	171,011	37,043
Investments at fair value	1,768,588	1,848,909
Due to net assets without donor restrictions	(48,191)	(138,594)
	<u>\$1,907,385</u>	<u>\$1,771,824</u>

The Foundation's endowment fund was established by the Board of Trustees in order to aid the Foundation in carrying out its philanthropic mission. The majority of the investments included in the endowment fund were donated by law firms and individual attorneys in response to various fundraising campaigns conducted by the Foundation. As required by generally accepted accounting principles, endowment fund net assets are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation's Board of Trustees has adopted investment and spending policies for the endowment assets, as provided under Pennsylvania law that attempt to provide a predictable stream of funding to programs supported by its endowment fund.

The Board of Trustees' spending policy, which is in accordance with Pennsylvania law, provides for an appropriation from the endowment fund ranging from 2% to 7% of the trailing three-year average market value of the endowment fund, but not more than the result of a stress test using Monte Carlo simulations. The policy of the Foundation requires that appropriations will not reduce the value of the endowment fund below a minimum level of \$1,000,000. The appropriation percentage will be determined annually by the Board of Trustees in compliance with the policy. The Board of Trustees approved an appropriation of 6.0% and 5.0% for the years ended June 30, 2020 and 2019, respectively, which encompasses the annual administration fee as follows:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Administrative fees	\$ 36,844	\$35,885
Additional appropriation of endowment assets for expenditure:		
Without donor restrictions	\$56,500	\$33,604
With donor restrictions	<u>10,000</u>	<u>13,500</u>
	<u>66,500</u>	<u>47,104</u>
Total appropriation from endowment fund	<u>\$103,344</u>	<u>\$82,989</u>

All of the activity in the endowment fund is reflected in the statements of activities and changes in net assets for the years ended June 30, 2020 and 2019.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2020 AND 2019**

(Continued)

NOTE 13 - SUPPORT FROM GRANTS AND CONTRACT SERVICES:

Support from grants and contract services with donor restrictions consist of the following:

	<u>Year Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Grants With Donor Restrictions:		
IOLTA - Pro Bono Coordinator Position	\$ 164,400	\$ 104,600
Other sources	<u>15,000</u>	<u>15,000</u>
	179,400	119,600
Contract Services With Donor Restrictions:		
Allegheny County - Parent Advocacy (Juvenile Court Project Contract)	<u>1,670,738</u>	<u>1,612,238</u>
	<u>\$1,850,138</u>	<u>\$1,731,838</u>

The Foundation provides parent advocacy services under the terms of an annual contract with the Allegheny County Department of Human Services (Juvenile Court Project). The contract, which was renewed effective July 1, 2020, requires that the Foundation provide legal representation to indigent parents in all phases of Juvenile Court dependency proceedings. Revenues under the contract, which amounted to \$1,670,738 and \$1,612,238 for the years ended June 30, 2020 and 2019, respectively, are recognized as net assets with donor restrictions until the period in which the related expenses are incurred, in compliance with the specific restrictions of the contract. All office furniture and equipment purchased with proceeds from the contract are the property of the Allegheny County Department of Human Services.

NOTE 14 - INCOME TAXES:

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code but would be subject to tax on net income not related to the exempt purpose of the Foundation. The Foundation does not have any material unrelated business income (UBI) and, accordingly, no provision for income taxes is recorded in the financial statements for the years ended June 30, 2020 and 2019.

The Foundation follows the Accounting for Uncertainty in Income Taxes topic of the Codification. This topic clarifies the accounting and reporting of uncertainties in income tax positions to be taken on the Foundation's tax returns, applying minimum recognition and measurement thresholds. Management does not believe there are any material uncertain tax positions requiring recording or disclosure in the financial statements.

With few exceptions, the Foundation is no longer subject to income tax examinations by tax authorities for its fiscal years ended before June 30, 2017.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 15 - EMPLOYEE BENEFIT PLAN:

The Foundation is a co-sponsor with the Association of a 401(k) Deferred Compensation and Retirement Plan covering substantially all salaried employees. Contributions to the Plan are determined annually at the discretion of the Board of Trustees. In addition, the Plan allows eligible employees to defer a portion of their annual compensation, pursuant to section 401(k) of the Internal Revenue Code. The Foundation contributed approximately \$42,000 and \$59,000 to the Plan for the years ended June 30, 2020 and 2019, respectively.

The Foundation has a nonqualified deferred compensation plan for a key employee. The plan provides for payments to a key employee conditioned upon their retirement and separation from service on or after attaining age 65. Investment earnings accrue to the benefit of the Plan participant. The total amount expensed under the plan amounted to approximately \$5,000 for the years ended June 30, 2020 and 2019.

NOTE 16 - RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2020 and 2019, the Foundation recognized \$35,000 in contributions without donor restrictions from the Association.

The Foundation leases its operating facilities under the terms of an annual lease agreement with the Association, with rental expense amounting to approximately \$190,000 and \$167,000 for the years ended June 30, 2020 and 2019, respectively.

The Foundation was charged a \$40,000 administrative fee from the Association for the years ended June 30, 2020 and 2019. The Foundation also received contributed management and administrative services from the Association which amounted to approximately \$175,300 and \$185,400 for the years ended June 30, 2020 and 2019, respectively.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

(Continued)

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>Year Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$1,004,646	\$ 979,522
Investments at fair value	4,142,862	4,301,334
Grants and contract receivable	198,680	216,939
Contributions receivable	188,500	149,800
Notes receivable	10,200	14,200
Due from affiliated organization	175,527	-
Less: restricted by donors with purpose and time restrictions	(4,727,786)	(4,815,081)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 992,629</u>	<u>\$ 846,714</u>

As part of the Foundation's liquidity management plan, it invests excess cash in money market funds and other short-term investments.