

ALLEGHENY COUNTY BAR FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Allegheny County Bar Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Mock Bosco & Associates, P.C.

Certified Public Accountants
Carnegie, Pennsylvania

October 6, 2021

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

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$1,030,295	\$1,004,646
Investments at fair value	5,142,638	4,142,862
Grants and contract receivable	528,820	198,680
Contributions receivable	362,200	188,500
Notes receivable	17,800	10,200
Due from affiliated organization	3,073	175,527
Prepaid expenses	<u>12,038</u>	<u>12,789</u>
TOTAL CURRENT ASSETS	7,096,864	5,733,204
NON-CURRENT ASSETS:		
Contributions receivable - less current portion	198,931	107,211
Notes receivable - less current portion	<u>57,425</u>	<u>69,417</u>
TOTAL NON-CURRENT ASSETS	<u>256,356</u>	<u>176,628</u>
TOTAL ASSETS	<u>\$7,353,220</u>	<u>\$5,909,832</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 4,918	\$ 37,058
Accrued expenses	428,971	112,813
Deferred rent expense	9,697	-
Deferred revenue	500	3,751
Paycheck Protection Program loan	<u>-</u>	<u>326,300</u>
TOTAL CURRENT LIABILITIES	<u>444,086</u>	<u>479,922</u>
LONG-TERM LIABILITIES:		
Deferred compensation liability	<u>44,062</u>	<u>36,774</u>
TOTAL LIABILITIES	<u>488,148</u>	<u>516,696</u>
NET ASSETS:		
Without donor restrictions	869,510	665,350
With donor restrictions	<u>5,995,562</u>	<u>4,727,786</u>
TOTAL NET ASSETS	<u>6,865,072</u>	<u>5,393,136</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,353,220</u>	<u>\$5,909,832</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, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT:			
Grants and contract services	\$ -	\$2,610,555	\$2,610,555
Contributions	313,737	739,081	1,052,818
PPP loan forgiveness	-	326,300	326,300
Programs, events, and fees	7,825	-	7,825
Net investment return (net of investment fees of \$23,756)	5,024	97,833	102,857
Net realized and unrealized investment gains	-	1,022,004	1,022,004
Net assets released from restrictions	<u>3,527,997</u>	<u>(3,527,997)</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>3,854,583</u>	<u>1,267,776</u>	<u>5,122,359</u>
EXPENSES:			
Program expenses	3,084,254	-	3,084,254
Administrative expenses	416,186	-	416,186
Fundraising expenses	<u>149,983</u>	<u>-</u>	<u>149,983</u>
TOTAL EXPENSES	<u>3,650,423</u>	<u>-</u>	<u>3,650,423</u>
TOTAL CHANGE IN NET ASSETS	204,160	1,267,776	1,471,936
NET ASSETS – Beginning of Year	<u>665,350</u>	<u>4,727,786</u>	<u>5,393,136</u>
NET ASSETS – End of Year	<u>\$ 869,510</u>	<u>\$5,995,562</u>	<u>\$6,865,072</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**STATEMENTS OF CASH FLOWS****INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>Year Ended June 30</u>	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$1,471,936</u>	<u>(\$ 177,375)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for bad debts	7,000	6,000
Realized (gains) losses on sales of investments	(247,726)	120,777
Unrealized (gains) losses on investments	(774,277)	7,056
PPP loan forgiveness	(326,300)	-
Contributions restricted to long-term purposes - endowment	(421,400)	(160,219)
Decrease (increase) in:		
Grants and contract receivable	(330,140)	18,259
Contributions receivable	(265,420)	(3,134)
Notes receivable	(2,608)	(23,216)
Due from affiliated organization	172,454	(175,527)
Prepaid expenses	751	4,337
Increase (decrease) in:		
Accounts payable and accrued expenses	284,018	(56,914)
Due to affiliated organization	-	(24,382)
Deferred rent expense	9,697	-
Deferred revenue	(3,251)	(34,171)
Deferred compensation liability	<u>7,288</u>	<u>6,475</u>
Total adjustments	<u>(1,889,914)</u>	<u>(314,659)</u>
Net cash used in operating activities	<u>(417,978)</u>	<u>(492,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,798,532	1,524,836
Purchases of investments	<u>(1,776,305)</u>	<u>(1,494,197)</u>
Net cash provided by investing activities	<u>22,227</u>	<u>30,639</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Paycheck Protection Program loan proceeds	-	326,300
Restricted contributions - endowment	<u>421,400</u>	<u>160,219</u>
Net cash provided by financing activities	<u>421,400</u>	<u>486,519</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,649	25,124
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,004,646</u>	<u>979,522</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,030,295</u>	<u>\$1,004,646</u>

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

ALLEGHENY COUNTY BAR FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2021**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	\$1,403,200	\$140,633	\$118,720	\$1,662,553	\$300,864	\$ 71,278	\$2,034,695
Employee benefits	171,342	17,685	-	189,027	25,839	5,914	220,780
Rent expense	179,747	9,616	-	189,363	14,699	4,802	208,864
Grants and donations	-	-	207,308	207,308	-	-	207,308
Employer contribution 401(k)	110,830	10,378	-	121,208	26,008	6,262	153,478
Payroll taxes	109,054	11,052	-	120,106	22,818	5,587	148,511
Office expense	143,039	2,285	-	145,324	1,033	-	146,357
Software licenses and maintenance	124,724	-	-	124,724	4,126	-	128,850
Professional fees	24,211	842	-	25,053	7,593	35,248	67,894
Administrative fee with affiliate	88,909	-	(22,800)	66,109	-	-	66,109
Student fellowship internship expenses	-	-	61,000	61,000	-	-	61,000
Attorney assistance	-	-	59,022	59,022	-	-	59,022
Scholarship expenses	-	-	34,307	34,307	-	-	34,307
Mailing and printing	6,614	-	37	6,651	7,059	19,423	33,133
Insurance	14,597	6,069	-	20,666	1,140	-	21,806
Professional memberships and subscriptions	13,135	495	-	13,630	785	-	14,415
Repairs and maintenance	10,789	-	-	10,789	-	-	10,789
Conferences and seminars	8,282	-	-	8,282	873	-	9,155
Miscellaneous	598	733	4,233	5,564	656	1,469	7,689
Bad debt	-	-	7,000	7,000	-	-	7,000
Member events and projects	-	-	4,500	4,500	-	-	4,500
Credit card and bank fees	-	-	-	-	2,182	-	2,182
Asset usage charge	-	1,324	-	1,324	511	-	1,835
Telephone and internet	666	-	-	666	-	-	666
Food and beverage	-	50	-	50	-	-	50
Travel expenses	-	28	-	28	-	-	28
Advertising and marketing	-	-	-	-	-	-	-
Total expenses	<u>\$2,409,737</u>	<u>\$201,190</u>	<u>\$473,327</u>	<u>\$3,084,254</u>	<u>\$416,186</u>	<u>\$149,983</u>	<u>\$3,650,423</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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

(Continued)

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

- B. 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.

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.

Contributions are recognized as revenue at fair value 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, 2021 and 2020.

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.

- C. 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.
- D. 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.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Continued)

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

- E. 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.
- F. 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.
- G. 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.
- H. 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.
- I. Grants - Grants are recorded as expenses when they are approved by the Board of Trustees for payment.
- J. 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.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Continued)

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

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, 2021 and 2020.

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, 2021 and 2020.

The carrying amounts of other financial instruments including receivables, accounts payable, and accrued expenses approximated fair value as of June 30, 2021 and 2020 because of the relatively short maturity of these instruments.

- K. 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.
- L. Advertising and Marketing - The Foundation expenses advertising and marketing costs as they are incurred. Advertising and marketing costs totaled approximately \$-0- and \$31,000 for the years ended June 30, 2021 and 2020, respectively.
- M. 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.
- N. Date of Management's Review and Subsequent Event - Management has evaluated subsequent events through October 6, 2021, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 Coronavirus and the resulting negative impact on the United States and specifically the state of Pennsylvania in which the Foundation operates, the Foundation has experienced fluctuations in revenues and expenses. The duration of the fluctuations in revenues and expenses 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, 2021 AND 2020**

(Continued)

NOTE 3 - INVESTMENTS:

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

	<u>June 30, 2021</u>			<u>June 30, 2020</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	\$2,616,149	\$3,304,548	\$ 688,399	\$2,087,758	\$2,273,482	\$ 185,724
Bonds	409,350	435,001	25,651	737,823	775,166	37,343
Equities	<u>1,035,298</u>	<u>1,403,089</u>	<u>367,791</u>	<u>1,009,717</u>	<u>1,094,214</u>	<u>84,497</u>
Total Investments	<u>\$4,060,797</u>	<u>\$5,142,638</u>	<u>\$1,081,841</u>	<u>\$3,835,298</u>	<u>\$4,142,862</u>	<u>\$ 307,564</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 \$36,264 and \$38,748 for the years ended June 30, 2021 and 2020, respectively. The portion of the F.C. Grote Trust Fund, from which the Lawyers Fund receives distributions, has an approximate fair value of \$1,485,000 and \$1,255,000 for the years ended June 30, 2021 and 2020, respectively.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2021 AND 2020**

(Continued)

NOTE 4 - GRANTS AND CONTRACT RECEIVABLE:

Grants and contract receivable consist of the following:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Allegheny County - Parent Advocacy (Juvenile Court Project)	\$523,512	\$198,680
Other grants	<u>5,308</u>	<u>-</u>
	<u>\$528,820</u>	<u>\$198,680</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>2021</u>	<u>2020</u>
Contributions Without Donor Restrictions:		
Law Firm Leadership Campaign	\$ 53,500	\$125,300
Less allowance for uncollectible contributions	(600)	(600)
	<u>52,900</u>	<u>124,700</u>
Contributions With Donor Restrictions:		
Endowment Campaign	479,295	122,500
Fellows Program for Foundation Endowment	29,536	49,111
Less allowance for uncollectible contributions	(600)	(600)
	<u>508,231</u>	<u>171,011</u>
	561,131	295,711
Less current portion	(362,200)	(188,500)
Contributions receivable - less current portion (one to five years)	<u>\$198,931</u>	<u>\$107,211</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, 2021 AND 2020**

(Continued)

NOTE 6 - NOTES RECEIVABLE:

Notes receivable consist of the following:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Louis Little Fund	\$ 62,521	\$ 66,371
Lawyers Fund	30,704	24,246
Less allowance for doubtful accounts	(18,000)	(11,000)
	75,225	79,617
Less current portion	(17,800)	(10,200)
Notes receivable - less current portion (one to five years)	<u>\$ 57,425</u>	<u>\$ 69,417</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>2021</u>	<u>2020</u>
Prepaid insurance	\$ 8,905	\$ 8,635
Other prepaid expenses	<u>3,133</u>	<u>4,154</u>
	<u>\$ 12,038</u>	<u>\$ 12,789</u>

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Continued)

NOTE 8 - ACCRUED EXPENSES:

Accrued expenses consist of the following:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Accrued Juvenile Court Project expenses	\$373,740	\$ -
Accrued 401(k) contribution	29,688	47,245
Accrued compensation	-	39,896
Accrued expenses - other	<u>25,543</u>	<u>25,672</u>
	<u>\$428,971</u>	<u>\$112,813</u>

Accrued expenses under the Juvenile Court Project represent approved expenditures that are related to the contract period for the year ending June 30, 2021.

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>2021</u>	<u>2020</u>
Equal justice America	\$ 500	\$ 2,000
Strike out hunger	<u>-</u>	<u>1,751</u>
	<u>\$ 500</u>	<u>\$ 3,751</u>

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Continued)

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 was in the form of a Note issued by the Borrower, matures two years after issuance and bears interest at a rate of 1% per annum, accruing monthly commencing ten months after the last day of the covered period. 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 used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year-end the Foundation calculated, applied, and received full forgiveness of this loan. As such, these proceeds have been included in revenues in these financial statements.

NOTE 11 - EMPLOYEE RETENTION CREDIT:

In addition to the Paycheck Protection Program, the CARES Act provides qualifying employers with an Employee Retention Credit (ERC). To be eligible an employer must meet certain criteria, primarily a decrease in quarterly revenues as compared to its 2019 pre COVID-19 levels. The Foundation has calculated and applied for an ERC but will recognize the credit when approved and funded by the Internal Revenue Service.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2021 AND 2020**

(Continued)

NOTE 12 - NET ASSETS:

Net assets consist of the following:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Operating	<u>\$ 869,510</u>	<u>\$ 665,350</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Lawyers Fund	2,169,667	1,776,558
Pro Bono Center	230,944	215,301
Zittrain Fund	229,123	132,064
Notre Dame Fund	124,401	99,388
John P. Gismondi Fund	108,412	124,173
Louis Little Fund	97,661	106,256
John A. Meehan Fund	70,705	71,944
John Sorg Fund	55,207	45,172
Los Mansmann Fund	40,914	38,618
Environmental Law Fund	26,783	24,034
Other	<u>51,890</u>	<u>61,593</u>
	3,205,707	2,695,101
Subject to passage of time:		
Law Firm Leadership - deferred contributions	53,500	125,300
Subject to spending policy appropriation:		
The Foundation Endowment Fund	<u>2,736,355</u>	<u>1,907,385</u>
	<u>5,995,562</u>	<u>4,727,786</u>
TOTAL NET ASSETS	<u>\$6,865,072</u>	<u>\$5,393,136</u>

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2021 AND 2020**

(Continued)

NOTE 13 - ENDOWMENT:

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

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 20,161	\$ 15,977
Contributions receivable	508,231	171,011
Investments at fair value	2,341,464	1,768,588
Due to net assets without donor restrictions	(133,501)	(48,191)
	<u>\$2,736,355</u>	<u>\$1,907,385</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 6.75% and 6.00% for the years ended June 30, 2021 and 2020, respectively, which encompasses the annual administration fee as follows:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Administrative fees	\$ 36,744	\$ 36,844
Additional appropriation of endowment assets for expenditure:		
Without donor restrictions	\$66,500	\$56,500
With donor restrictions	<u>10,000</u>	<u>10,000</u>
	<u>76,500</u>	<u>66,500</u>
Total appropriation from endowment fund	<u>\$113,244</u>	<u>\$103,344</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, 2021 and 2020.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2021 AND 2020**

(Continued)

NOTE 14 - 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>2021</u>	<u>2020</u>
Grants With Donor Restrictions:		
IOLTA - Pro Bono Coordinator Position	\$ 178,055	\$ 164,400
Other sources	<u>30,719</u>	<u>15,000</u>
	208,774	179,400
Contract Services With Donor Restrictions:		
Allegheny County - Parent Advocacy (Juvenile Court Project Contract)	<u>2,401,781</u>	<u>1,670,738</u>
	<u>\$2,610,555</u>	<u>\$1,850,138</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 requires that the Foundation provide legal representation to indigent parents in all phases of Juvenile Court dependency proceedings. The current contract, which was renewed effective July 1, 2020 included an increase of approximately \$792,000 to expand the contract operations. Revenues under the contract, which amounted to \$2,401,781 and \$1,670,738 for the years ended June 30, 2021 and 2020, 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. During the contract period for the year ending June 30, 2021, the Foundation did not utilize the entire contract awarded, which amounted to \$2,462,359. Through approval with the Allegheny County Department of Human Services, the excess funds are to be applied to the subsequent contract period. All office furniture and equipment purchased with proceeds from the contract are the property of the Allegheny County Department of Human Services.

NOTE 15 - 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, 2021 and 2020.

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, 2018.

ALLEGHENY COUNTY BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Continued)

NOTE 16 - 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 \$140,000 and \$42,000 to the Plan for the years ended June 30, 2021 and 2020, 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 \$-0- and \$5,000 for the years ended June 30, 2021 and 2020.

NOTE 17 - RELATED PARTY TRANSACTIONS:

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

During the year ended June 30, 2021, the Association pledged \$250,000 to the Foundation's endowment campaign.

The Foundation leases its operating facilities under the terms of an annual lease agreement with the Association, with rent expense amounting to approximately \$209,000 and \$190,000 for the years ended June 30, 2021 and 2020, respectively. Within the provisions of the lease agreement there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent expense. Total deferred rent expense as of the year ended June 30, 2021 amounted to \$9,697.

The Foundation was charged a \$66,109 and \$40,000 administrative fee from the Association for the years ended June 30, 2021 and 2020, respectively. The Foundation also received contributed management and administrative services from the Association which amounted to approximately \$186,700 and \$175,300 for the years ended June 30, 2021 and 2020, respectively.

ALLEGHENY COUNTY BAR FOUNDATION**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JUNE 30, 2021 AND 2020**

(Continued)

NOTE 18 - 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>June 30</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$1,030,295	\$1,004,646
Investments at fair value	5,142,638	4,142,862
Grants and contract receivable	528,820	198,680
Contributions receivable	362,200	188,500
Notes receivable	17,800	10,200
Due from affiliated organization	3,073	175,527
Less: restricted by donors with purpose and time restrictions	(5,995,562)	(4,727,786)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,089,264</u>	<u>\$ 992,629</u>

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