

FINANCIAL STATEMENTS

**DISTRICT OF COLUMBIA LAW STUDENTS
IN COURT PROGRAM, INC.**

**FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007**

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
District of Columbia Law Students in Court Program, Inc.
Washington, D.C.

We have audited the accompanying statements of financial position of the District of Columbia Law Students in Court Program, Inc. as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the District of Columbia Law Students in Court Program, Inc.'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 District of Columbia Law Students in Court Program, Inc. as of June 30, 2008 and 2007, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

April 24, 2009

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DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 109,990	\$ 86,454
Investments (Note 2)	2,466,184	2,789,884
Accounts receivable	72,903	7,219
Grants receivable	-	70,000
Prepaid expenses	30,282	26,995
Net furniture and equipment (Note 6)	55,671	74,441
Deposits	<u>10,417</u>	<u>10,417</u>
TOTAL ASSETS	<u>\$ 2,745,447</u>	<u>\$ 3,065,410</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 13,476	\$ 13,047
Accrued expenses	47,263	37,804
Deferred income	2,500	10,500
Deferred rent (Note 7)	<u>9,837</u>	<u>27,266</u>
Total liabilities	<u>73,076</u>	<u>88,617</u>

NET ASSETS

Unrestricted	135,085	439,317
Temporarily restricted (Note 3)	141,667	141,857
Permanently restricted (Note 8)	<u>2,395,619</u>	<u>2,395,619</u>
Total net assets	<u>2,672,371</u>	<u>2,976,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,745,447</u>	<u>\$ 3,065,410</u>

See accompanying notes to financial statements.

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
University fees	\$ 415,329	\$ -	\$ -	\$ 415,329
Contributions and grants	152,384	156,000	-	308,384
In-kind contributions	1,219,254	-	-	1,219,254
Investment income (loss)	(178,798)	-	-	(178,798)
Annual event	97,310	-	-	97,310
Other income	32,622	-	-	32,622
Net assets released from donor imposed restrictions (Note 4)	<u>156,190</u>	<u>(156,190)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,894,291</u>	<u>(190)</u>	<u>-</u>	<u>1,894,101</u>
EXPENSES				
Legal Services	1,933,061	-	-	1,933,061
Management and General	139,884	-	-	139,884
Fundraising	<u>125,578</u>	<u>-</u>	<u>-</u>	<u>125,578</u>
Total expenses	<u>2,198,523</u>	<u>-</u>	<u>-</u>	<u>2,198,523</u>
Changes in net assets	(304,232)	(190)	-	(304,422)
Net assets at beginning of year	<u>439,317</u>	<u>141,857</u>	<u>2,395,619</u>	<u>2,976,793</u>
NET ASSETS AT END OF YEAR	<u>\$ 135,085</u>	<u>\$ 141,667</u>	<u>\$ 2,395,619</u>	<u>\$ 2,672,371</u>

See accompanying notes to financial statements.

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 436,395	\$ -	\$ -	\$ 436,395
80,516	240,165	-	320,681
1,454,751	-	-	1,454,751
402,016	-	-	402,016
98,776	-	-	98,776
11,463	-	-	11,463
<u>145,808</u>	<u>(145,808)</u>	<u>-</u>	<u>-</u>
<u>2,629,725</u>	<u>94,357</u>	<u>-</u>	<u>2,724,082</u>
2,209,283	-	-	2,209,283
26,323	-	-	26,323
<u>65,314</u>	<u>-</u>	<u>-</u>	<u>65,314</u>
<u>2,300,920</u>	<u>-</u>	<u>-</u>	<u>2,300,920</u>
328,805	94,357	-	423,162
<u>110,512</u>	<u>47,500</u>	<u>2,395,619</u>	<u>2,553,631</u>
<u>\$ 439,317</u>	<u>\$ 141,857</u>	<u>\$ 2,395,619</u>	<u>\$ 2,976,793</u>

See accompanying notes to financial statements.

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (304,422)	\$ 423,162
Adjustments to reconcile changes in net assets to net cash provided(used) by operating activities:		
Depreciation expense	18,770	21,776
Net depreciation(appreciation) of investments	248,420	(315,241)
Loss on disposal of fixed assets	-	2,656
(Increase) decrease in:		
Accounts receivable	(65,684)	(2,081)
Grants receivable	70,000	(37,500)
Prepaid expenses	(3,287)	(10,506)
Increase (decrease) in:		
Accounts payable	429	(7,177)
Accrued expenses	9,459	(10,577)
Deferred income	(8,000)	3,750
Deferred rent	(17,429)	(12,749)
Taxes payable	<u>-</u>	<u>(3,435)</u>
Net cash provided(used) by operating activities	<u>(51,744)</u>	<u>52,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	-	(45,700)
Net proceeds from sales of investments	<u>75,280</u>	<u>38,013</u>
Net cash provided(used) by investing activities	<u>75,280</u>	<u>(7,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on capital lease obligation	<u>-</u>	<u>(26,786)</u>
Net cash used by financing activities	<u>-</u>	<u>(26,786)</u>
Net increase in cash and cash equivalents	23,536	17,605
Cash and cash equivalents at beginning of year	<u>86,454</u>	<u>68,849</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 109,990</u>	<u>\$ 86,454</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ -</u>	<u>\$ 862</u>

See accompanying notes to financial statements.

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The District of Columbia Law Students in Court Program, Inc. provides legal representation, assistance, and counseling to those who cannot afford legal counsel, while providing supervised clinical experience for third year law students. The Program was incorporated as a not-for-profit organization in 1980, under the laws of the District of Columbia.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

The District of Columbia Law Students in Court Program, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the District of Columbia Law Students in Court Program, Inc. maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income on the Statements of Activities and Changes in Net Assets.

Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The costs of maintenance and repairs are recorded as expenses as incurred. Items purchased with a cost in excess of \$500 are capitalized.

Income taxes -

The District of Columbia Law Students in Court Program, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The District of Columbia Law Students in Court Program, Inc. is not a private foundation.

Net asset classification -

The net assets of the District of Columbia Law Students in Court Program, Inc. are reported in three self-balancing groups.

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification (continued) -

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the District of Columbia Law Students in Court Program, Inc.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by actions of the District of Columbia Law Students in Court Program, Inc. and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the District of Columbia Law Students in Court Program, Inc..

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated services -

Donated services that would have been purchased were valued at their fair market value. Legal services donated were valued at rates of \$75 per hour. Services donated to the District of Columbia Law Students in Court Program, Inc. at June 30, 2008 and 2007 were valued at \$1,219,254 and \$1,454,751, respectively, and are reflected as in-kind contributions in the Statements of Activities and Changes in Net Assets.

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

2. INVESTMENTS

Investments consisted of the following at June 30, 2008 and 2007:

	Market Value	
	2008	2007
Marketable Securities	\$ 67,798	\$ 33,514
Endowment Funds	<u>2,398,386</u>	<u>2,756,370</u>
MARKETABLE SECURITIES	<u>\$2,466,184</u>	<u>\$2,789,884</u>

Included in investment income are the following:

	2008	2007
Net appreciation(depreciation) of investments	\$ (248,421)	\$ 315,241
Interest and dividend income	<u>69,623</u>	<u>86,775</u>
REALIZED GAIN (LOSS)	<u>\$ (178,798)</u>	<u>\$ 402,016</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2008 and 2007:

	2008	2007
Restricted for time	\$ 70,000	\$ 70,000
D.C. Bar Foundation Public Grant	<u>71,667</u>	<u>71,857</u>
	<u>\$ 141,667</u>	<u>\$ 141,857</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by passage of time or incurring expenses which satisfied the restricted purposes specified by the donors:

	2008	2007
Homeless Prevention Program	\$ -	\$ 22,880
Escheated Estates Fund	-	10,000
Restricted for time	70,000	65,000
General operations	-	10,000
D.C. Bar Foundation Public Grant	86,190	13,943
Rent control	-	8,985
Case management system	<u>-</u>	<u>15,000</u>
	<u>\$ 156,190</u>	<u>\$ 145,808</u>

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

5. LEASE COMMITMENT

Operating lease -

The District of Columbia Law Students in Court Program, Inc. entered into a ten-year office lease agreement that commenced on December 1, 1999 and will terminate on October 31, 2008. The lease contains a fixed escalation clause for increases in the annual minimum rent at the rate of three percent per year.

On September 5, 2008, the District of Columbia Law Students in Court Program, Inc. moved to a new office and entered into a five-year office lease agreement that will expire on January 31, 2014. The rent is abated for the first five months of the lease.

Future minimum payments required under the above operating lease are as follows:

Year Ended June 30,

2009	\$ 161,194
2010	264,935
2011	275,533
2012	286,552
2013	298,016
2009 and Thereafter	<u>179,963</u>
	<u>\$1,466,193</u>

Rent expense totaled \$154,835 and \$150,593, respectively, as of June 30, 2008 and 2007.

Equipment operating lease -

During 2007, the District of Columbia Law Students in Court Program, Inc. entered into a five-year non-cancelable lease for a copier, with monthly payments of \$1,421. The following is a schedule of future minimum payments under this lease:

Year Ended June 30,

2009	\$ 17,052
2010	17,052
2011	17,052
2012	<u>12,789</u>
	<u>\$ 63,945</u>

DISTRICT OF COLUMBIA LAW STUDENTS IN COURT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

6. FURNITURE AND EQUIPMENT

Furniture and equipment were comprised of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 5,542	\$ 5,542
Office equipment	26,747	97,674
Equipment under capital lease	-	-
Case management system	31,419	31,419
Computer equipment	<u>33,976</u>	<u>33,976</u>
	97,684	168,612
Less: Accumulated depreciation	<u>(42,013)</u>	<u>(94,171)</u>
	<u>\$ 55,671</u>	<u>\$ 74,441</u>

Depreciation and amortization expense for the years ended June 30, 2008 and 2007 was \$18,770 and \$21,776, respectively.

7. DEFERRED RENT

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes a rent abatement period and scheduled rent increases, be recorded on a straight-line basis over the term of the lease. Accordingly, \$9,837 and \$27,266 for June 30, 2008 and 2007, respectively, of future rent expense has been recorded as a current liability to adjust the actual rent paid to conform to the straight-line basis.

8. PERMANENTLY RESTRICTED NET ASSETS

During 2005, the District of Columbia Law Students in Court Program, Inc. was the beneficiary of a Cy Pres Award in the amount of \$2,395,619 from a class action lawsuit in the District of Columbia. The amount is recognized as a permanently restricted net asset. Each year, the anticipated return of \$80,000 will be used to support general operations of the organization. Amounts received in excess of the anticipated return will be added to the endowment principal balance.