

**Judge David L. Bazelon
Center for Mental Health Law**

Financial Statements
Years Ended September 30, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Judge David L. Bazelon Center for Mental Health Law

Financial Statements
Years Ended September 30, 2024 and 2023

Judge David L. Bazelon Center for Mental Health Law

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-24



Tel: 410-843-3400
Fax: 410-443-0929
www.bdo.com

700 E Pratt Street, Suite #1100
Baltimore, MD 21202

Independent Auditor's Report

Board of Directors
Judge David L. Bazelon
Center for Mental Health Law
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Judge David L. Bazelon Center for Mental Health Law (the Bazelon Center) which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Judge David L. Bazelon Center for Mental Health Law as of September 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Bazelon Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Bazelon Center'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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 Bazelon Center'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 Bazelon Center'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.

BDO USA, P.C.

April 2, 2025

Financial Statements

Judge David L. Bazelon Center for Mental Health Law

Statements of Financial Position

September 30,	2024	2023
Assets		
Cash and cash equivalents	\$ 1,501,093	\$ 1,049,819
Grants and contributions receivable	784,035	364,170
Prepaid expenses	15,423	32,463
Total current assets	2,300,551	1,446,452
Property and equipment, net	4,006	3,175
Noncurrent assets		
Investments	6,425,195	3,704,105
Operating lease - right of use asset	735,307	542,948
Financing lease - right of use asset	20,133	25,342
Security deposit	24,003	24,003
Total noncurrent assets	7,204,638	4,296,398
Total Assets	9,509,195	5,746,025
Liabilities and Net Assets		
Current liabilities		
Accounts payable	73,609	26,817
Accrued expenses	33,977	48,055
Current portion of operating lease liability	71,098	76,464
Current portion of financing lease liability	5,382	5,208
Total current liabilities	184,066	156,544
Noncurrent liability		
Operating lease liability, net of current portion	664,209	494,341
Financing lease liability, net of current portion	14,751	20,134
Total liabilities	863,026	671,019
Net assets		
Without donor restrictions	6,196,727	3,191,953
With donor restrictions (see Note 5)	2,449,442	1,883,053
Total net assets	8,646,169	5,075,006
Total Liabilities and Net Assets	\$ 9,509,195	\$ 5,746,025

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Statement of Activities

<i>Year Ended September 30, 2024</i>	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Contributions	\$ 467,668	\$ -	\$ 467,668
Foundation grants	2,032,000	650,000	2,682,000
Contractual income	70,940	-	70,940
Attorney fees	860,049	-	860,049
Investment income	81,988	35,006	116,994
	3,512,645	685,006	4,197,651
Net assets released from restrictions:			
Satisfaction of program restrictions	628,000	(628,000)	-
	4,140,645	57,006	4,197,651
Expenses			
Program services			
Litigation	713,512	-	713,512
Policy Advocacy	690,243	-	690,243
Technical Assistance and Education	64,455	-	64,455
	1,468,210	-	1,468,210
Total program services	1,468,210	-	1,468,210
Supporting services			
Management and General	319,047	-	319,047
Fundraising	132,886	-	132,886
	451,933	-	451,933
Total support services	451,933	-	451,933
Total expenses	1,920,143	-	1,920,143
Change in net assets from operations	2,220,502	57,006	2,277,508
Other income			
Investment return	784,272	509,383	1,293,655
Change in net assets	3,004,774	566,389	3,571,163
Net assets, beginning of year	3,191,953	1,883,053	5,075,006
Net assets, end of year	\$ 6,196,727	\$ 2,449,442	\$ 8,646,169

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Statement of Activities

<i>Year Ended September 30, 2023</i>	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Contributions	\$ 339,559	\$ -	\$ 339,559
Foundation grants	95,808	850,000	945,808
Contractual income	206,168	-	206,168
Attorney fees	140,638	-	140,638
Investment income	114,631	26,682	141,313
	896,804	876,682	1,773,486
Net assets released from restrictions:			
Satisfaction of program restrictions	665,500	(665,500)	-
Total revenue and other support	1,562,304	211,182	1,773,486
Expenses			
Program services			
Litigation	448,174	-	448,174
Lobbying	1,423	-	1,423
Policy Advocacy	731,213	-	731,213
Technical Assistance and Education	85,207	-	85,207
Total program services	1,266,017	-	1,266,017
Supporting services			
Management and General	245,263	-	245,263
Fundraising	152,615	-	152,615
Total support services	397,878	-	397,878
Total expenses	1,663,895	-	1,663,895
Change in net assets from operations	(101,591)	211,182	109,591
Other income			
Investment return	237,548	195,117	432,665
Change in net assets	135,957	406,299	542,256
Net assets, beginning of year	3,055,996	1,476,754	4,532,750
Net assets, end of year	\$ 3,191,953	\$ 1,883,053	\$ 5,075,006

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Statement of Functional Expenses

Year Ended September 30, 2024	Program Services				Supporting Services			Total
	Litigation	Policy Advocacy	Technical Assistance and Education	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	
Personnel costs								
Salaries	\$ 385,334	\$ 372,768	\$ 34,809	\$ 792,911	\$ 172,248	\$ 71,765	\$ 244,013	\$ 1,036,924
Payroll taxes	30,511	29,516	2,756	62,783	13,639	5,682	19,321	82,104
Employee benefits	65,031	62,911	5,875	133,817	29,070	12,112	41,182	174,999
Total personnel costs	480,876	465,195	43,440	989,511	214,957	89,559	304,516	1,294,027
Accounting and audit fees	41,928	40,561	3,788	86,277	18,742	7,809	26,551	112,828
Attorney dues and insurance	511	494	46	1,051	228	95	323	1,374
Computer and technology	10,267	9,932	927	21,126	4,590	1,912	6,502	27,628
Depreciation and amortization	1,050	1,014	95	2,160	569	196	765	2,924
Dues, subscriptions, and fees	24,320	23,527	2,197	50,044	10,871	4,529	15,400	65,444
Event planning	75,109	72,660	6,785	154,554	33,575	13,989	47,564	202,118
Insurance	1,598	1,545	144	3,287	714	298	1,012	4,299
Occupancy	34,671	33,541	3,132	71,344	15,498	6,457	21,955	93,299
Postage and delivery	939	908	85	1,932	420	175	595	2,527
Printing and production	6,219	6,016	562	12,797	2,780	1,158	3,938	16,735
Professional consulting fees	22,474	21,741	2,030	46,245	10,046	4,186	14,232	60,477
Telephone and communications	2,233	2,160	202	4,595	998	416	1,414	6,009
Travel and entertainment	8,335	8,063	753	17,151	3,726	1,552	5,278	22,429
Miscellaneous	2,982	2,886	269	6,136	1,333	555	1,888	8,025
Total expenses	\$ 713,512	\$ 690,243	\$ 64,455	\$ 1,468,210	\$ 319,047	\$ 132,886	\$ 451,833	\$ 1,920,143

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Statement of Functional Expenses

<i>Year Ended September 30, 2023</i>	Program Services					Supporting Services			Total
	Litigation	Lobbying	Policy Advocacy	Technical Assistance and Education	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	
Personnel costs									
Salaries	\$ 254,593	\$ 809	\$ 415,379	\$ 48,403	\$ 719,184	\$ 139,326	\$ 86,695	\$ 226,021	\$ 945,205
Payroll taxes	21,608	69	32,555	4,108	58,340	11,825	7,358	19,183	77,523
Employee benefits	40,962	130	66,832	7,788	115,712	22,417	13,949	36,366	152,078
Total personnel costs	317,163	1,008	514,766	60,299	893,236	173,568	108,002	281,570	1,174,806
Accounting and audit fees	27,016	86	44,078	5,136	76,316	14,785	9,200	23,985	100,301
Attorney dues and insurance	17	-	29	3	49	9	6	15	64
Computer and technology	6,983	22	11,392	1,328	19,725	3,821	2,378	6,199	25,924
Depreciation and amortization	1,204	4	1,966	229	3,403	659	410	1,069	4,472
Dues, subscriptions, and fees	16,047	51	26,181	3,051	45,330	8,781	5,464	14,245	59,575
Event planning	20,832	66	33,988	3,961	58,847	11,400	7,094	18,494	77,341
Insurance	4,439	14	7,243	844	12,540	2,429	1,512	3,941	16,481
Occupancy	30,630	97	49,975	5,824	86,526	16,763	10,431	27,194	113,720
Office supplies	427	1	698	81	1,207	234	145	379	1,586
Postage and delivery	245	1	400	47	693	134	84	218	911
Printing and production	1,514	5	2,470	288	4,277	828	515	1,343	5,620
Professional consulting fees	10,094	32	16,470	1,919	28,515	5,524	3,437	8,961	37,476
Telephone and communications	1,591	5	2,596	303	4,495	871	541	1,412	5,907
Travel and entertainment	9,803	31	15,995	1,864	27,693	5,365	3,338	8,703	36,396
Miscellaneous	169	-	2,966	30	3,165	92	58	150	3,315
Total expenses	\$ 448,174	\$ 1,423	\$ 731,213	\$ 85,207	\$ 1,266,017	\$ 245,263	\$ 152,615	\$ 397,878	\$ 1,663,895

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Statements of Cash Flows

Years Ended September 30,	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 3,571,163	\$ 542,256
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	2,924	4,472
Net gain in fair value of investments	(1,293,655)	(525,092)
Noncash lease expense	629,646	75,799
(Increase) decrease in operating assets:		
Grants and contributions receivable	(419,865)	(52,541)
Prepaid expenses	17,040	(32,463)
Increase (decrease) in operating liabilities:		
Accounts payable	46,792	821
Accrued expenses	(14,078)	(19,804)
Operating lease liability	(652,294)	(71,417)
Net cash provided by (used in) operating activities	1,887,673	(77,969)
Cash flows from investing activities:		
Purchases of investments and reinvested earnings	(2,365,670)	(2,597,200)
Sales and/or maturities of investments	938,235	2,371,430
Purchases of property, and equipment	(3,755)	-
Net cash used in investing activities	(1,431,190)	(225,770)
Cash flows from financing activities		
Principal payments on finance lease	(5,209)	(1,933)
Net cash used in financing activities	(5,209)	(1,933)
Increase (decrease) in cash and cash equivalents	451,274	(305,672)
Cash and cash equivalents, beginning of year	1,049,819	1,355,491
Cash and cash equivalents, end of year	1,501,093	\$ 1,049,819
Supplemental disclosure of noncash financing activities:		
Operating right of use assets obtained in exchange for operating lease liability	\$ 735,307	\$ 618,747

See accompanying notes to financial statements.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Judge David L. Bazelon Center for Mental Health Law (the Bazelon Center) is a non-profit organization incorporated under the laws of the District of Columbia in 1972. The objectives of the Bazelon Center are to protect the legal rights of adults and children with mental disabilities and ensure their access to appropriate care, treatment, education, housing, and employment. Over 50 years, the Bazelon Center has won precedent-setting cases securing long-lasting change in the law and to public service systems.

Program Services

Litigation

The Bazelon Center's lawyers engage in cutting-edge litigation to protect and advance legal rights for people with mental disabilities. The litigation uses and is founded upon federal laws that protect and benefit people with disabilities, including the Americans with Disabilities Act (equality of opportunity), the Individuals with Disabilities Education Act (special education), and the Medicaid Act (health and mental health care). The Bazelon Center files class actions cases, amicus ("friend-of-the-court") briefs in important appellate cases and represents individual clients in cases with the potential for broad impact. The Bazelon Center partners with local advocates, large private law firms, and other public interest law groups.

Lobbying

Advocating for the Bazelon Center's program objectives through federal policy and strategic policy development. The Bazelon Center also provides newsletters and email alerts in addition to sections of "The Reporter" that urge people to contact their congressional delegates.

Policy Advocacy

The Bazelon Center pursues a comprehensive mental health policy agenda, particularly at the federal level, to reform systems and programs to protect the rights of children and adults with mental disabilities. The Bazelon Center's staff promote these goals in federal legislation and regulation, policy analysis and research and grassroots advocacy. Recently, the Bazelon Center's policy advocacy has focused on expanding community-based mental health services, diverting people with mental disabilities from the criminal justice system, increasing the supply of affordable housing, protecting unaccompanied minors, and technology and AI.

Technical Assistance and Education

The Bazelon Center provides technical assistance to state and local governments, attorneys and other advocates, and other organizations working to advance the law and improve public services systems. The Bazelon Center publishes materials on a wide range of issues, including health care, education, housing, employment, criminal justice, and foster care. The Bazelon Center has some contract work, usually from larger nonprofit organizations, to provide technical assistance on disability law.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Basis of Accounting

The Bazelon Center prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Bazelon Center are classified in the following two classes:

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources maintained in perpetuity, but permit the Bazelon Center to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions represents funds that are available for support of the operations of the Bazelon Center, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by board resolution. There were no board-designated net assets as of September 30, 2024 and 2023.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Bazelon Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

The Bazelon Center uses the allowance method to determine uncollectible grants receivable. The allowance is based on prior years' experience and management's analysis of specific grants and contributions. Management has determined an allowance for doubtful grants is not necessary as of September 30, 2024 and 2023.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Concentration of Credit Risk

The Bazelon Center maintains cash balances at one financial institution. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. At September 30, 2024 and 2023, cash balances exceeded federally insured limits by \$1,245,692 and \$321,061, respectively.

Other Concentrations

During the year ended September 30, 2024 and 2023, The Bazelon Center derived 48% of its revenue from one foundation grant.

As of September 30, 2024, 42% of grants and contributions receivable were derived of one grant. As of September 30, 2023, 96% of grants and contributions receivable were derived of grants from two donors.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, typically three years for office furniture and equipment and five years for the law library. Leasehold improvements are amortized over the lesser of the remaining years of the lease agreement or the useful life of the improvements. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Investments

The Bazelon Center records investments at fair value. Fair value is 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. See Note 4 for further information related to fair value measurements. Donated securities are recorded at fair value on the date an unconditional promise is made.

Realized and unrealized gains and losses are recorded in the statements of activities as changes in net assets without donor restrictions unless a donor or law restricts their use. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investment values in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

Income Taxes

The Bazelon Center is a nonprofit organization and is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended September 30, 2024 and 2023, as the Bazelon Center had no significant unrelated business income.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

The Bazelon Center recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Management has evaluated the Bazelon Center's tax positions and has concluded that the Bazelon Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Bazelon Center is generally no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for the years September 30, 2020 and prior.

Revenue Recognition

Contributions and Foundation Grants

Contributions and grants are recognized as revenues in the period received or an unconditional promise to give is made. Unconditional promises to give are recognized as revenue in the year made, not in the year in which the cash is received. Promises to give that are scheduled to be received after the statement of financial position date are reported at fair value as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions when the purpose or time restrictions are met, except for promises to give subject to donor-imposed stipulations that the principal be maintained in perpetuity, which are recognized as increases in, and will remain as, net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, which is when the conditions are substantially met.

There were no conditional promises for the years ended September 30, 2024 and 2023. Contributions of assets other than cash, which are primarily contributions in the form of direct stock donation, are recorded at their estimated fair value at the date of the contribution. Contributions of stock are typically sold immediately after receipt by the donor.

Contractual Income

The Bazelon Center receives funding under contracts from other non-profit organizations for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants and contracts are considered exchange transactions and are recorded as revenue as the performance obligations of the contract are met.

Attorney Fees

The Bazelon Center participates as co-counsel in several pending cases across the United States and is awarded settlement proceeds when a case has been settled. The Bazelon Center determined that performance obligations of a specific case are not met, and settlement proceeds cannot be reasonably estimated until the case has been settled. Accordingly, attorney fees are reported as revenue when the case has been settled and the amount of proceeds has been determined.

Disaggregation of Revenue

The Bazelon Center's attorney fees and contractual income are recognized at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. Collection of revenue from each source varies depending on the length of a particular case.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Expenses and Prepaid Expenses

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period and recognized as prepaid expenses.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The Bazelon Center allocates directly identifiable expenses based on which function is being pursued. Any costs relating to staff who serve in multiple functions are split by the average amount of time spent per function. Management and general expenses include those expenses that are not directly identifiable with any specific program function but provide overall support and direction of the Bazelon Center.

Compensated Absences

Employees of the Bazelon Center are entitled to compensated absences depending on job classification, length of service, and other factors. The Bazelon Center has accrued \$14,436 and \$21,397 for compensated absences as of September 30, 2024 and 2023, respectively, which are included in accrued expenses on the statements of financial position.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. At the inception of the contract, the Bazelon Center determines if an arrangement contains a lease based on whether there is an identified asset and whether the Bazelon Center controls the use of the identified asset. The Bazelon Center also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use (“ROU”) asset represents the Bazelon Center’s right to use an underlying asset and a lease liability represents the Bazelon Center’s obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement.

The Bazelon Center’s lease terms may include options to extend or terminate the lease. The Bazelon Center generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Bazelon Center will exercise those options. The Bazelon Center’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, the Bazelon Center elected to exclude leases with terms of 12 months or less (short-term) from the statements of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which requires entities to measure

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for the Bazelon Center's fiscal year ending September 30, 2024. The Bazelon Center adopted this new guidance on October 1, 2023 utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Bazelon center's financial statements.

2. Property and Equipment

Property and equipment consisted of the following at September 30, 2024 and 2023:

<i>September 30,</i>		2024		2023
Office furniture and equipment	\$	91,527	\$	87,772
Law library		2,017		2,017
		93,544		89,789
Less: accumulated depreciation		(89,538)		(86,614)
Property and equipment, net	\$	4,006	\$	3,175

Depreciation and amortization expense for the years ended September 30, 2024 and 2023 was \$2,924 and \$4,472, respectively.

3. Investments

Investments consisted of the following at September 30, 2024 and 2023:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Stocks	\$ 4,786,469	\$ 2,594,747	\$ 2,645,924	\$ 1,410,979
U.S. Treasury securities	-	-	688,520	686,235
Corporate bonds	1,201,771	1,186,095	281,701	284,908
Exchanged traded funds	436,955	388,685	87,960	91,690
	\$ 6,425,195	\$ 4,169,527	\$ 3,704,105	\$ 2,473,812

4. Fair Value Measurements

The framework for measuring fair value for assets and liabilities subject to fair value measurement. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Bazelon Center has the ability to access.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodology used for assets measured at fair value is noted below. There have been no changes in the methodology used at September 30, 2024.

Stocks, U.S. Treasury Securities, Corporate Bonds and Exchange Traded Funds

The Bazelon Center's investments are valued at the closing price reported in the active market in which the individual securities are traded.

The proceeding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Bazelon Center believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments are measured as Level 1 or Level 2 within the fair value hierarchy. The following tables set forth the Bazelon Center's investments at fair value as of:

	September 30, 2024			Total
	Level 1	Level 2	Level 3	
Stocks	\$ 4,786,469	\$ -	\$ -	4,786,469
Corporate bonds	-	1,201,771	-	1,201,771
Exchanged traded funds	436,955	-	-	436,955
Total investments at fair value	\$ 5,223,424	\$ 1,201,771	\$ -	6,425,195

The remainder of this page intentionally left blank.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 2,645,924	\$ -	\$ -	2,645,924
U.S. Treasury securities	-	688,520	-	688,520
Corporate bonds	-	281,701	-	281,701
Exchanged traded funds	87,960	-	-	87,960
Total investments at fair value	\$ 2,733,884	\$ 970,221	\$ -	3,704,105

Investment return consisted of the following for the years ended September 30, 2024 and 2023:

September 30,	2024	2023
Interest and dividends	\$ 156,577	\$ 76,934
Realized gains	-	92,427
Less: investment fees	(39,583)	(28,048)
Investment income from operations, net	116,994	141,313
Unrealized gain	1,293,655	432,665
Investment income, net	\$ 1,410,649	\$ 573,978

5. Net Assets with Donor Restrictions

A summary of transactions in net assets with donor restrictions (NAWDR) for the year ended September 30, 2024 is as follows:

	NAWDR as of September 30, 2023	Contributions	Investment Income	Unrealized Gain	Net Assets Released	NAWDR as of September 30, 2024
Purpose restricted:						
David and Mickey Bazelon Fellowship	\$ 1,533,053	-	35,006	509,383	(78,000)	\$ 1,999,442
Total purpose restricted	1,533,053	-	35,006	509,383	(78,000)	1,999,442
Time restricted	350,000	650,000	-	-	(550,000)	450,000
	\$ 1,883,053	650,000	35,006	509,383	(628,000)	\$ 2,449,442

The remainder of this page intentionally left blank.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

A summary of transactions in NAWDR for the year ended September 30, 2023 is as follows:

	NAWDR as of September 30, 2022	Contributions	Investment Income	Unrealized Gain	Net Assets Released	NAWDR as of September 30, 2023
Purpose restricted:						
Advocacy at reducing incarceration	\$ 87,500	\$ -	\$ -	\$ -	\$ (87,500)	\$ -
David and Mickey Bazelon Fellowship	1,389,254	-	26,682	195,117	(78,000)	1,533,053
Total purpose restricted	1,476,754	-	26,682	195,117	(165,500)	1,533,053
Time restricted	-	850,000	-	-	(500,000)	350,000
	\$ 1,476,754	\$ 850,000	\$ 26,682	\$ 195,117	\$ (665,500)	\$ 1,883,053

6. Endowment Fund

The Bazelon Center follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA.

The endowment fund for the David and Mickey Bazelon Fellowship in Mental Health Law provides an opportunity for a recent graduate of Georgetown University law center to work with the Bazelon Center. This public interest fellowship is a two-year paid position with benefits. The endowment fund was created to generate income in support of the fellowship position at the Bazelon Center.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Bazelon Center's endowment principal is donor-restricted and is to be held in perpetuity to generate returns to fund the fellowship position. The interest and dividends, less management fees, and the net appreciation in fair value of investments of the donor restricted endowment funds are classified as net assets with donor restrictions until disbursed for the stated purpose.

Return Objectives and Risk Parameters

The Bazelon Center has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets consist of donor-restricted funds that the Bazelon Center must hold in perpetuity. The assets are invested with the expectation to provide an average annual rate of return of approximately 5% over time. Actual returns in any given year may vary from this amount.

The Bazelon Center agreed not to use any endowment earnings until 2016 to allow the accumulated earnings to increase the fund. For the fiscal years ending September 30, 2024 and 2023, transfers and releases of endowment earnings totaled \$78,000 for both years.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Bazelon Center has a policy of maintaining the full \$1,083,038 historical value of the principal of the endowment fund. Income earned on the principal of the endowment fund is to be spent in

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

its entirety for the fellowship position. The objective of the endowment is to provide a Fellowship which offers a \$60,000 stipend plus up to \$18,000 for fringe benefits.

Endowment net asset composition by type of fund as of September 30, 2024:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,999,442	\$ 1,999,442

Endowment net asset composition by type of fund as of September 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,533,053	\$ 1,533,053

Endowment assets composition by type of funds as of September 30, 2024 and 2023 are as follows:

<i>September 30,</i>	2024	2023
Cash and cash equivalents:		
Money market	\$ 46,928	\$ 110,334
Investments:		
Exchange traded funds	66,267	-
U.S. Treasury securities	-	245,580
Corporate bonds	303,012	98,432
Stocks	1,583,235	1,078,707
Total investments	1,952,514	1,422,719
Total endowment assets	\$ 1,999,442	\$ 1,533,053

The remainder of this page intentionally left blank.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Endowment net assets with donor restricted activities during the years ended September 30, 2024 and 2023 were as follows:

	Purpose restricted	Endowment fund	Total
Endowment net assets, September 30, 2022	\$ 306,216	\$ 1,083,038	\$ 1,389,254
Interest and dividends, net of fees	28,545	-	28,545
Net gain in fair value of investments	193,254	-	193,254
Distributions	(78,000)	-	(78,000)
Endowment net assets, September 30, 2023	450,015	1,083,038	1,533,053
Interest and dividends, net of fees	35,006	-	35,006
Net gain in fair value of investments	509,383	-	509,383
Distributions	(78,000)	-	(78,000)
Endowment net assets, September 30, 2024	\$ 916,404	\$ 1,083,038	\$ 1,999,442

7. Operating Leases

On October 1, 2022, the Bazelon Center's adoption of ASU 2016-02, Leases (Topic 842) resulted in the recording of operating lease ROU asset of \$618,747 and lease liability related to the Organization's operating lease of \$642,222. Under the terms of the lease, the Bazelon Center is required to pay operating costs and real estate taxes, these amounts have been excluded from the minimum lease payments.

In March 2024 the Bazelon Center executed a new lease agreement. This agreement was to be effective in June 2024 and was subsequently amended to be effective in November 2024. Under the terms of the lease, the Bazelon Center is required to pay operating costs and real estate taxes, these amounts have been excluded from minimum lease payments. The lease term expires in May of 2032. The lease requires base monthly rent of \$8,739, with a 2.5% annual escalation provision. This transaction resulted in the recording of an operating lease ROU asset and lease liability of \$735,307, recognized at the statement of financial position date as the information was known at that time.

Supplemental statement of financial position information related to operating leases is as follows as of September 30, 2024:

September 30,	2024	2023
Weighted average remaining lease term - operating leases	7.67 years	5.25 years
Weighted average discount rate - operating leases	4.30%	3.67%

The remainder of this page intentionally left blank.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

Total future minimum lease payments under the non-cancellable leases are as follows:

<i>Years Ending September 30,</i>		<i>Amount</i>
2025	\$	96,135
2026		107,277
2027		109,968
2028		112,710
2029		115,526
Thereafter		322,660
Total future lease payments		864,276
Less: Total imputed interest		(128,969)
Less: current maturities of operating lease liability		(71,098)
Operating lease liability, less current maturities	\$	664,209

The Bazelon Center also rents storage space on a month-to-month basis.

Rent and storage expense for the years ended September 30, 2024 and 2023, was \$93,299 and \$113,720, respectively, and is included in “occupancy” within the statements of functional expenses.

8. Finance Lease

The Bazelon Center is the lessee of a copier under a finance lease expiring in April 2028. The initial recording of this finance lease under Topic 842 resulted in a ROU asset and lease liability for this finance lease of \$27,537.

Supplemental statement of financial position information related to the finance lease is as follows as of September 30, 2024.

<i>September 30,</i>	2024	2023
Weighted average remaining lease term - operating leases	3.58 years	4.58 years
Weighted average discount rate - operating leases	3.297%	3.297%

The remainder of this page intentionally left blank.

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

As part of the lease agreement, the Bazelon Center pays \$497 per month for the copier and an additional amount for monthly maintenance, including all supplies, consumables, and toner. Minimum future lease payments for the copier under the finance lease are as follows:

<i>Years Ending September 30,</i>	Amount
2025	\$ 5,964
2026	5,964
2027	5,964
2029	3,479
Total future lease payments	21,371
Less: Total imputed interest	(1,238)
Less: current maturities of operating lease liability	(5,382)
Finance lease liability, less current portion	\$ 14,751

9. Retirement Plan

The Bazelon Center maintains a defined contribution pension plan. The Bazelon Center contributes two percent of all full-time exempt employees' base salaries upon completion of one year of service during the plan year. Upon termination, death, or retirement, employees are entitled to the current value of contributions in their respective accounts. The pension contribution expense for the years ended September 30, 2024 and 2023 totaled \$25,841 and \$28,130, respectively, and is included in employee benefits in the statements of functional expenses.

10. Liquidity Analysis

The Bazelon Center's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

<i>At September 30,</i>	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,501,093	\$ 1,049,819
Grants and contributions receivable	784,035	364,170
Investments	6,425,195	3,704,105
Total financial assets at year end	8,710,323	5,118,094
Less donor-imposed restrictions:		
Donor restricted	(2,449,442)	(1,883,053)
Financial assets available to meet general expenditures within one year:	\$ 6,260,881	\$ 3,235,041

Judge David L. Bazelon Center for Mental Health Law

Notes to Financial Statements

The Bazelon Center has donor restricted assets limited to use, of which \$450,000 are available for expenditure within one year in the normal course of operations; however, this entire amount must satisfy the purpose restriction.

As part of the Bazelon Center's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Additionally, it has a goal to secure grants and donations without donor restrictions that can be used for general expenditures.

11. Pending Litigation

The Bazelon Center is subject to various legal proceedings and claims, including patent infringement and antitrust violations, in the ordinary course of its business affairs. The Bazelon Center cannot reasonably estimate the outcomes of these proceedings, and the Bazelon Center intends to continue to vigorously defend its position in these matters. In the opinion of management, the potential adverse impact of these legal proceedings and claims is insignificant to the financial statements of the Bazelon Center.

12. Subsequent Events

The Bazelon Center signed a lease for new office space, originally effective June 2024 and subsequently modified to be effective November 2024. The existing lease was terminated upon the commencement date of the new office lease. The new lease liability and right of use asset has been recorded and is reflected in these financial statements as well as the notes to these financial statements.

Management has evaluated events and transactions subsequent to the statements of financial position date for potential recognition or disclosure through April 2, 2025, the date the financial statements were available to be issued. Other than the events noted above, there were no events that required recognition or disclosure in the financial statements.