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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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May 15, 2025

Board of Directors
Indiana Bar Foundation, Inc.
Marion County, Indiana

We have reviewed the audit report of the Indiana Bar Foundation, Inc., which was opined upon by L.M. Henderson & Company, LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana Bar Foundation, Inc. as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, L.M. Henderson & Company, LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

Indiana Bar Foundation, Inc.

FINANCIAL STATEMENTS

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

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L. M. HENDERSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

Indiana Bar Foundation, Inc.

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L. M. HENDERSON & COMPANY LLP
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Independent Auditor's Report

Board of Directors
Indiana Bar Foundation, Inc.
Indianapolis, Indiana

Opinion

We have audited the accompanying financial statements of Indiana Bar Foundation, Inc. (an Indiana nonprofit organization), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 Indiana Bar Foundation, Inc. as of June 30, 2023, and the changes in its net assets, its cash flows and its functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Indiana Bar Foundation, Inc. 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.

Effect of New Accounting Standards

As discussed in Note 1, Indiana Bar Foundation, Inc. adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) and all subsequent lease related ASUs, as of January 1, 2022. The requirements of the ASU have been applied using the optional transition method under ASU 2018-11, which allows for modified retrospective application at the beginning of the period of adoption. Our opinion is not modified with respect to this matter.

Indiana Bar Foundation, Inc. also adopted the FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 Indiana Bar Foundation, Inc.'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.

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 Indiana Bar Foundation, Inc.'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 Indiana Bar Foundation, Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Indiana Bar Foundation, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of IOLTA activities on page 18 and schedules of housing stability activities on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on it.

L.M. Henderson & Company, L.L.P.

Certified Public Accountants
Indianapolis, Indiana

September 15, 2023

Indiana Bar Foundation, Inc.

Statements of Financial Position

at June 30, 2023 with Comparative Totals at June 30, 2022

	June 30, 2023	June 30, 2022
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash - Operations checking	\$ 43,852	\$ 512,883
Cash - Investment accounts	1,786,633	176,759
Cash - Investment accounts - endowment	82,753	24,543
Cash - IOLTA operating	1,188	3,969
Cash - IOLTA reserve sweep	358,798	681,070
Cash - Housing Stability	3,204	16
Cash - Unclaimed unidentified lawyers trust account	24,263	-
	<u>2,300,691</u>	<u>1,399,240</u>
Total cash and cash equivalents		
Investments	7,418,421	6,433,822
IOLTA receivable due from banks	350,920	61,436
Accounts receivable Indiana State Bar Association/Check-off	47,080	62,960
Accounts receivable	3,014,519	1,606,711
Accrued interest and dividends	6,287	3,228
Prepaid expenses	1,592	16,838
	<u>13,139,510</u>	<u>9,584,235</u>
Total current assets		
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture, equipment, and leasehold improvements	442,248	253,473
Software in progress	67,281	58,427
Less: Accumulated depreciation	177,688	140,787
	<u>331,841</u>	<u>171,113</u>
Total property and equipment		
<u>OTHER ASSETS:</u>		
Right-of-use assets, net of amortization	91,061	-
Investments - endowment	898,432	910,076
	<u>989,493</u>	<u>910,076</u>
Total other assets		
Total assets	<u>\$ 14,460,844</u>	<u>\$ 10,665,424</u>

See Notes to Financial Statements.

	June 30, 2023	June 30, 2022
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 265,947	\$ 63,347
Line of credit	-	100,000
Grants and scholarships payable	3,693,211	2,571,143
Lease liability (operating) - current	53,855	-
Accrued payroll	108,185	35,214
	<u>4,121,198</u>	<u>2,769,704</u>
Total current liabilities		
<u>LONG-TERM LIABILITIES:</u>		
Line of credit	124,367	-
Lease liability (operating), net of current portion	37,206	-
	<u>161,573</u>	<u>-</u>
Total long-term liabilities		
Total liabilities	<u>4,282,771</u>	<u>2,769,704</u>
<u>NET ASSETS:</u>		
Net assets without donor restriction	1,064,592	359,653
Net assets without donor restriction - board designated	10,476	10,208
Total net assets without donor restriction	<u>1,075,068</u>	<u>369,861</u>
Net assets with donor restriction	<u>9,103,005</u>	<u>7,525,859</u>
Total net assets	<u>10,178,073</u>	<u>7,895,720</u>
Total liabilities and net assets	<u><u>\$ 14,460,844</u></u>	<u><u>\$ 10,665,424</u></u>

Indiana Bar Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

	Year Ended June 30, 2023		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2023	June 30, 2022
REVENUE:				
Contributions:				
Fellows	\$ 5,696	\$ -	\$ 5,696	\$ 9,938
Check-off	62,905	-	62,905	80,924
Endowment	-	17,056	17,056	3,540
Civics and civil assistance	3,553,433	44,075	3,597,508	1,942,049
Housing stability	3,575,954	-	3,575,954	370,811
Filing fee	283,274	-	283,274	295,627
Keystone society donations	100,551	-	100,551	96,870
Jurgemeyer fund grants	25,740	-	25,740	25,039
In-kind donations	50,000	-	50,000	28,716
Special events	20,615	-	20,615	6,120
Other	45,986	51,456	97,442	189,453
Total contributions	7,724,154	112,587	7,836,741	3,049,087
Investment income	157,934	21,055	178,989	112,723
IOLTA revenue	-	2,586,683	2,586,683	424,920
Cy Pres award	-	124,809	124,809	33,511
Cody LRAP fund	-	2,000	2,000	1,500
Realized gain (loss) on sale of investments	(213,762)	(35,959)	(249,721)	731,146
Unrealized gain (loss) on investments	690,595	100,342	790,937	(2,001,704)
Total revenue	8,358,921	2,911,517	11,270,438	2,351,183
Net assets released from restrictions	1,334,371	(1,334,371)	-	-
Total revenue and net assets released from restrictions	\$ 9,693,292	\$ 1,577,146	\$ 11,270,438	\$ 2,351,183

See Notes to Financial Statements.

	Year Ended June 30, 2023		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2023	June 30, 2022
EXPENSE:				
Program services	\$ 8,128,484	\$ -	\$ 8,128,484	\$ 3,917,938
Management and general	482,998	-	482,998	449,419
Fundraising	376,603	-	376,603	214,996
Total expense	8,988,085	-	8,988,085	4,582,353
CHANGES IN NET ASSETS	705,207	1,577,146	2,282,353	(2,231,170)
Net assets, beginning of year	369,861	7,525,859	7,895,720	10,126,890
Net assets, end of year	<u>\$ 1,075,068</u>	<u>\$ 9,103,005</u>	<u>\$ 10,178,073</u>	<u>\$ 7,895,720</u>

Indiana Bar Foundation, Inc.

Statements of Cash Flows

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

	Year Ended	
	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,282,353	\$ (2,231,170)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,901	12,566
Unrealized (gain) loss on investments	(790,937)	2,001,704
Realized (gain) loss on investments	249,721	(731,146)
(Increase) decrease in certain assets:		
IOLTA receivable	(289,484)	(31,825)
Accounts receivable	(1,391,928)	(92,751)
Payroll tax receivable	-	50,485
Accrued interest and dividends	(3,059)	(487)
Prepaid expenses	15,246	(3,982)
Increase (decrease) in certain liabilities:		
Accounts payable	202,600	39,032
Deferred revenue	-	-
Grants and scholarships payable	1,122,068	(939,229)
Accrued payroll	72,971	(13,012)
Total adjustments	<u>(775,901)</u>	<u>291,355</u>
Net cash provided by (used in) operating activities	<u>1,506,452</u>	<u>(1,939,815)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and redemptions of investments	5,432,595	3,541,416
Purchase of investments	(5,864,334)	(3,014,106)
Purchase of fixed assets	(188,775)	-
Software in progress expenditures	(8,854)	(58,427)
Net cash provided by (used in) investing activities	<u>(629,368)</u>	<u>468,883</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net principal draw downs on line of credit	24,367	100,000
Net cash provided by financing activities	<u>24,367</u>	<u>100,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	901,451	(1,370,932)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,399,240	2,770,172
End of year	<u>\$ 2,300,691</u>	<u>\$ 1,399,240</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 5,783	\$ 693

SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING ACTIVITIES:

During the year ended December 31, 2022, the Foundation placed right-of-use assets in the amount of \$140,804, with amortization of \$49,743 on the balance sheet in exchange for new operating lease liabilities in the amount of \$91,061.

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

	Program	Supporting Activities			Totals	
	Services	Management		Total	For the Year Ended	
	Access to	and	Fundraising	Support	June 30,	June 30,
	Justice & Civics	General		Services	2023	2022
	Education					
IOLTA pro bono and other grants	\$ 6,804,327	\$ -	\$ -	\$ -	\$ 6,804,327	\$ 2,847,256
Grants and scholarships: LRAP & JLAP	3,965	-	-	-	3,965	13,350
Payroll/co-employment expense and benefits	820,199	309,243	181,939	491,182	1,311,381	1,117,618
Professional and legal services	161,104	33,827	5,753	39,580	200,684	133,118
Marketing and fundraising	-	-	105,246	105,246	105,246	34,848
Fellows dinner, reception, and meetings	10,836	-	4,039	4,039	14,875	3,536
Office expenses	57,972	31,886	51,081	82,967	140,939	112,400
Trustee fees	-	57,773	-	57,773	57,773	65,284
Conferences, meals, and travel	26,688	18,547	16,117	34,664	61,352	40,957
Office rent	28,289	11,735	6,713	18,448	46,737	46,737
Miscellaneous	13,725	4,939	415	5,354	19,079	17,885
Civics related expenses	179,043	-	-	-	179,043	136,105
Depreciation	22,336	9,265	5,300	14,565	36,901	12,566
Interest	-	5,783	-	5,783	5,783	693
	<u>\$ 8,128,484</u>	<u>\$ 482,998</u>	<u>\$ 376,603</u>	<u>\$ 859,601</u>	<u>\$ 8,988,085</u>	<u>\$ 4,582,353</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by Indiana Bar Foundation, Inc. (the Foundation) are listed below:

Nature of Activities: The Foundation encourages and supports continuing education for practicing lawyers; promotes the public's understanding of the law and the legal system; establishes and awards scholarships in the study of law; conducts research and investigates problems and activities related to the law and promotes and provides legal aid and reference services.

The Foundation also operates the Interest on Lawyers Trust Account (IOLTA) program and the Coalition for Court Access (previously the Pro Bono Commission). The IOLTA program receives interest from Trust accounts established by lawyers practicing in Indiana for use in promoting pro bono activity through training and other promotional activities. The Coalition for Court Access is funded through receipts from the IOLTA program.

Revenue Recognition: The Foundation follows FASB ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This standard created a single framework for recognizing revenue from contracts with customers that fall within the scope of the standard. The Foundation generally recognizes revenue upon satisfaction of its performance obligations. It is not typical for contracts to require significant judgement to determine the transaction price. See Note 12 for additional information.

The Foundation also follows the FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Lease Standard Adoption: Effective January 1, 2022, the Foundation adopted FASB ASU 2016-02, *Leases* (Topic 842) and all subsequent lease related ASUs. This standard modifies the guidance used by lessors and lessees to account for leasing transactions. The Foundation adopted ASU 2016-02 using the optional transition method, which allows for prospective application of the standard. In addition, the Foundation elected practical expedients permitted under the transition guidance permitting the Foundation to not assess historical lease classification, prior conclusions related to indirect costs, and whether any expired or existing contracts are or contain leases. For lease agreements with lease and non-lease components, the Foundation elected the practical expedient to account for them as a single lease component. The adoption of this standard did not have a material impact on the financial statements. See Note 9 for additional information.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Financial Assets Standard Adoption: For the year ended December 31, 2022, the Foundation adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosures. See Note 15 for additional information.

Assets: All items of assets are recorded at cost, with the exception of investments.

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. Gains and losses on investments are classified as increases (decreases) in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed stipulations or by law. When donor restrictions exist, such gains and losses are reported as increases (decreases) in net assets with donor restrictions.

The Foundation follows FASB ASU 2018-13: *Fair Value Measurements (Topic 820): Disclosure of Framework-Changes to the Disclosure Requirements for Fair Value Measurements*.

Cash and Cash Equivalents: For purposes of the statements of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Depreciation: Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes all assets greater than or equal to \$5,000. Purchased assets are recorded at cost.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Receivables: Receivables are closely monitored by management of the Foundation. All receivables at June 30, 2023 and June 30, 2022 were deemed collectible; accordingly, no allowance for doubtful accounts was recorded. There was no bad debt expense for the years ended June 30, 2023 and June 30, 2022.

Credit Risks: The Foundation maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.

Advertising: Marketing and fundraising costs are expensed as incurred. For the years ended June 30, 2023 and June 30, 2022, costs of \$105,246 and \$34,848 were expensed, respectively.

Subsequent Events: Management has evaluated subsequent events through September 15, 2023, the date that the financial statements were available to be issued.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 2: INVESTMENTS

Investments consisted of the following at June 30, 2023:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>Endowment:</u>			
Mutual funds	\$ 852,524	\$ 898,274	\$ 45,750
Cash and cash equivalents	<u>82,753</u>	<u>82,753</u>	<u>-</u>
Total endowment	<u>\$ 935,277</u>	<u>\$ 981,027</u>	<u>\$ 45,750</u>
<u>Other Investments:</u>			
Mutual funds	\$ 7,143,617	\$ 7,418,579	\$ 274,962
Cash and cash equivalents	<u>1,776,025</u>	<u>1,786,633</u>	<u>10,608</u>
Total other investments	<u>\$ 8,919,642</u>	<u>\$ 9,205,212</u>	<u>\$ 285,570</u>

Investments consisted of the following at June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<u>Endowment:</u>			
Mutual funds	\$ 964,670	\$ 910,076	\$ (54,594)
Cash and cash equivalents	<u>24,543</u>	<u>24,543</u>	<u>-</u>
Total endowment	<u>\$ 989,213</u>	<u>\$ 934,619</u>	<u>\$ (54,594)</u>
<u>Other Investments:</u>			
Mutual funds	\$ 6,838,845	\$ 6,433,822	\$ (405,023)
Cash and cash equivalents	<u>176,759</u>	<u>176,759</u>	<u>-</u>
Total other investments	<u>\$ 7,015,604</u>	<u>\$ 6,610,581</u>	<u>\$ (405,023)</u>

Note 3: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. 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 and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 inputs: Inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities either directly or indirectly; and

Level 3 inputs: Unobservable inputs based on the Foundation’s own assumptions.

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

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 3: FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and June 30, 2022.

Mutual funds: Fair market value was determined based on a market approach using quoted market values.

Fair value recognized on the statements of financial position on a recurring basis at June 30, 2023 and June 30, 2022 are as follows:

	<u>Assets at Fair Value as of June 30, 2023</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>Cash and cash equivalents:</u>				
Money market funds	\$ 796,661	\$ -	\$ -	\$ 796,661
U.S. Treasury bills	1,072,725	-	-	1,072,725
<u>Investments:</u>				
U.S. Treasury bonds & notes	694,061	-	-	694,061
Corporate bonds & notes	149,495	-	-	149,495
Mutual funds - small-cap	235,053	-	-	235,053
Mutual funds - mid-cap	657,422	-	-	657,422
Mutual funds - large-cap	3,044,902	-	-	3,044,902
Mutual funds - foreign	651,662	-	-	651,662
Mutual funds - fixed income	2,791,948	-	-	2,791,948
Mutual funds - emerging markets	<u>92,310</u>	<u>-</u>	<u>-</u>	<u>92,310</u>
Total assets at fair value	<u>\$ 10,186,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,186,239</u>

	<u>Assets at Fair Value as of June 30, 2022</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>Cash and cash equivalents:</u>				
Money market funds	\$ 201,302	\$ -	\$ -	\$ 201,302
<u>Investments:</u>				
Mutual funds - small-cap	415,102	-	-	415,102
Mutual funds - mid-cap	731,459	-	-	731,459
Mutual funds - large-cap	3,021,440	-	-	3,021,440
Mutual funds - foreign	407,530	-	-	407,530
Mutual funds - fixed income	2,701,362	-	-	2,701,362
Mutual funds - emerging markets	<u>67,005</u>	<u>-</u>	<u>-</u>	<u>67,005</u>
Total assets at fair value	<u>\$ 7,545,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,545,200</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 4: TAX STATUS

The Foundation has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). As a result, contributions made to the Foundation qualify as charitable deductions as described in Section 170(c) of the Code. The Foundation has been classified as an organization that is not a private foundation under Section 509(a) of the Code. Any unrelated business income received by the Foundation is taxable.

Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the Foundation continues to qualify to be treated as a Section 501(c)(3) organization for both federal and state purposes. For the years ended June 30, 2023 and June 30, 2022, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of June 30, 2023 and June 30, 2022, or the years then ended. The annual information returns for the Foundation are subject to examination by taxing authorities for a period of three years from the date they are filed.

Note 5: LINE OF CREDIT

On February 28, 2018, the Foundation initiated a \$100,000 line of credit at 5% interest with The National Bank of Indianapolis (NBI). The line of credit was set to mature February 27, 2023. The line of credit agreement was renegotiated on November 9, 2022, which extended the maturity date to February 28, 2025 and also increased the principal available amount to \$200,000. As of June 30, 2023 and June 30, 2022, the line of credit had a \$124,367 and \$100,000 outstanding balance, respectively.

Note 6: RETIREMENT PLAN

The Foundation sponsors a retirement and savings 401(k) plan, which covers all employees who have completed six months of service and are at least 18 years of age. The plan allows for matching by the Foundation per the plan provisions. The Foundation contributed \$58,548 and \$74,838 for the years ended June 30, 2023 and June 30, 2022, respectively.

Note 7: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2023 and June 30, 2022, the Foundation engaged in transactions with a related party. The following is a summary of transactions and balances with the Indiana State Bar Association:

<u>Description</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<u>Assets:</u>		
Check-off receivable	\$ 47,080	\$ 62,960
<u>Income:</u>		
Check-off	\$ 62,905	\$ 80,924

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 8: NET ASSET RESTRICTIONS AND ENDOWMENT

Board designated net assets are included in investments and consist of contributions that have been placed in an investment account with NBI in the amount of \$10,476 and \$10,208 at June 30, 2023 and June 30, 2022, respectively.

Net assets with donor restrictions are comprised of cash, investments, and receivables and payables, as applicable. They are also included in investments - endowment, and consist of endowment contributions to the Cornerstone Society established for a variety of purposes. The endowment contributions have been placed in an investment account with NBI. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended June 30, 2023 and June 30, 2022, net assets with donor restrictions consist of the following:

	June 30, 2023	June 30, 2022
Nathan Mendenhall Scholarship Fund	\$ 3,426	\$ 3,426
IOLTA	2,805,697	829,109
Mortgage Relief Settlement	5,055,626	5,266,781
Nancy Goodman	675	675
LRAP	-	40,517
Civics Coalition	5,000	-
ICLEO 25 th Anniversary	-	5,000
Legal Help Account	64,116	177,167
Housing Stability	3,204	16
JLAP Treatment Fund	22,741	12,573
Shepard Diversity Fund	10,797	8,766
Diversity Initiative	34,596	21,096
Civics/Mock Trial Programs	56,535	137,535
We the People	48,180	72,037
Laws of Aging Reprint	10,000	10,000
World Strides	650	10,650
Phelps & Fara	29,904	29,034
Jack Lyle Memorial	19,915	19,292
Shirley Shideler Endowment	39,943	36,743
Joseph T. Helling Memorial Scholarship	46,648	45,453
Indiana Lawyers Alliance	31,017	29,189
Cody LRAP Fund	28,935	26,029
Givan LRAP Fund	375,614	365,967
RTS Fund	49,063	47,322
Judge Larry J. McKinney Memorial	30,456	25,962
Cale J. Holder Scholarship	112,423	105,099
Bill and Jane Baker Endowment	182,837	178,161
Abeska Fund	28,343	21,237
Other donor restricted contributions	6,664	1,023
Totals	<u>\$ 9,103,005</u>	<u>\$ 7,525,859</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 8: NET ASSET RESTRICTIONS AND ENDOWMENT (continued)

In the fiscal years ended June 30, 2023 and June 30, 2022, the Foundation had the following endowment-related activities:

	June 30, 2023	June 30, 2022
<u>Donor-Restricted Endowment Funds:</u>		
Investment return:		
Investment income	\$ 21,055	\$ 13,874
Net gain (loss)	64,383	(158,166)
Total investment return	85,438	(144,292)
Contributions to perpetual endowment	17,056	3,540
Amounts released from restrictions	(51,968)	(57,335)
Total change in endowment funds	\$ 50,526	\$ (198,087)

Endowment Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the inflation-adjusted purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with an investment manager to achieve an average annual total fund return which surpasses a customized balanced index. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8-10 percent annually. Actual returns in any given year may vary from this amount.

Endowment Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the prior 12 quarters. The distribution percentage is currently at 4%. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 9: LEASEE OPERATING LEASES

In September 2019, the Foundation entered into an operating lease with an unrelated party for an automobile which was set to expire in 2024. In January 2023, the automobile was traded in and a new operating lease with an unrelated party was entered into, which is set to expire in 2026. The lease contains rights to terminate the agreement early by both the lessor and the lessee, subject to certain charges. There is also an option to purchase the automobile at the end of the lease term for residual value. There are no variable lease payments, no residual value guarantees, and no restrictions or covenants imposed by the lease. Total expense incurred under the automobile leases amounted to \$8,017 and \$8,156 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Foundation entered into a five-year operating lease commencing October 2013 for office space requiring quarterly payments starting at \$5,005. The Foundation replaced this agreement in January 2019 with a new office space lease. The lease expires in December 2024 and shall be automatically renewed for additional periods of one year each upon the same terms unless at least six months' notice is provided by the lessor or the lessee. There are no variable lease payments, no residual value guarantees, and no restrictions or covenants imposed by the lease. Total expense incurred under the office space leases amounted to \$46,737 for both years ended June 30, 2023 and June 30, 2022, respectively.

The Foundation entered into a lease for a copier under an operating lease agreement on December 2017. The lease agreement expired in December 2021, and subsequently became a month-to-month lease. As the lease has no defined expiration date and can be cancelled by either party at any time, the lease does not meet the definition of a lease per ASC 842 and is not subject to such guidelines. Total expense incurred under the copier lease amounted to \$9,928 and \$10,563 for the years ended June 30, 2023 and June 30, 2022, respectively.

In accordance with ASU 2016-01, a right-of-use asset and lease liability were recorded for each of the leases during 2022. With no discount rates included in these leases, the accounting policy election in ASU 2021-09 permitting lessees to apply a risk-free rate was elected. As of December 31, 2022, the right-of-use asset was \$91,061, and the associated right-of-use amortization was \$49,743. The right-of-use asset, net of amortization, is included in other assets on the statements of financial position and the associated lease liability is included in current and long-term liabilities on the statements of financial position.

The weighted average remaining lease term is 1.81 years and the weighted average discount rate is 3.34%.

The following table represents the future undiscounted lease payments for the operating leases as of June 30, 2023:

Year Ending <u>June 30,</u>	<u>Amount</u>
2024	\$ 55,514
2025	32,145
2026	<u>6,582</u>
Total undiscounted lease payments	94,241
Less: net present value adjustment	<u>3,180</u>
Lease liability (operating)	<u>\$ 91,061</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 9: LEASEE OPERATING LEASES (continued)

The Foundation entered into an agreement to sublease office space in August 2019. The sublease agreement expired in July 2021 requiring monthly payments of \$650, and subsequently became a month-to-month lease. The Foundation also entered into an agreement to sublease another office space on a month-to-month basis, requiring monthly payments of \$408 a month. During the fiscal year ended June 30, 2022, both tenants under the sublease agreements terminated their agreements and moved out of their respective office spaces.

Note 10: SURPLUS DISTRIBUTION

During the fiscal year ended June 30, 2016, the Foundation received \$7,130,822 in consumer relief funds as a result of the 2014 Bank of America Mortgage Settlement. The distribution shall be used for the sole purpose of providing funds to legal aid organizations in the State of Indiana to be used for foreclosure prevention legal assistance and community redevelopment assistance. No portion of the distribution may be used by the Foundation for any other purpose, including for its general overhead expenses; provided, however, that the Foundation may make an independent determination under applicable law as to whether Foundation expenses directly related to the purpose of providing funds to legal aid organizations in the State of Indiana to be used for foreclosure prevention legal assistance and community redevelopment assistance are an appropriate and legitimate use of the distribution. Market appreciation (depreciation) and investment income collected from these funds amounted to \$720,203 and \$(1,043,384) for the years ended June 30, 2023 and June 30, 2022, respectively. Per ASC 958-10-65-1, investment income from temporarily restricted investments would only be considered temporarily restricted if the donor imposed a restriction on the income from investment or by law. Therefore, income from these funds will be considered without restriction.

Note 11: FUNCTIONAL EXPENSES

The Foundation operates various programs that are focused on providing education for practicing lawyers, promoting the public's understanding of the law and legal system, providing scholarships for the study of law, conducting research and investigating problems relating to the law, and promoting and providing legal aid and reference services. Program services expense was \$8,128,484 and \$3,917,938 and support services expense was \$859,601 and \$664,415 for the years ended June 30, 2023 and June 30, 2022, respectively.

The allocation between program services and support services was determined using specific factors. Various expenses were fully allocated to program services because they were for the use of the Foundation's various programs. Other expenses were allocated between program and support services using percentages that were derived from the time allocation of the employees of the Foundation and the allocations from the annual budget.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 11: FUNCTIONAL EXPENSES (continued)

In addition, the following items were allocated to the Coalition for Court Access (previously the Pro Bono Commission):

	Year Ended	
	June 30, 2023	June 30, 2022
Revenue:		
Program revenue	\$ 3,250,818	\$ 1,638,000
Total revenue	\$ 3,250,818	\$ 1,638,000
Expense:		
Grants	\$ 3,151,000	\$ 1,500,000
Staff expense	167,117	225,748
Office expense	63,090	41,806
Professional services	53,972	27,712
Conferences, meals, and travel	14,987	10,516
Marketing	1,300	-
Events	34,628	5,002
Total expense	\$ 3,486,094	\$ 1,810,784

Note 12: REVENUE SOURCES AND RECOGNITION

The Foundation primarily generates revenue from interest earned from the IOLTA program, civil court case filing fees, civics and civil assistance revenue, and housing stability revenue. Approximate percentages of total revenue for the years ended June 30, 2023 and June 30, 2022 are as follows:

	June 30, 2023	June 30, 2022
IOLTA interest revenue	24%	12%
Civics and civil assistance revenue	34%	54%
Civil court case filing fees	3%	8%
Housing stability revenue	33%	10%

The Foundation's revenue in the scope of ASU 2014-09 and ASU 2018-08 is recognized within revenue in the statement of activities and changes in net assets. A description of the Foundation's revenue sources is provided below.

Contributions - The Foundation recognizes contributions, grants, and pledges when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Special events - The Foundation hosts various events from which it generates registration fee income, donations, and sponsorship revenue. Revenue from special events is often collected in advance of the event, while revenue is recognized when the event has taken place.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 12: REVENUE SOURCES AND RECOGNITION (continued)

Rental income - The Foundation subleases office space to various organizations. Tenants pay rent to the Foundation on a monthly basis in accordance with the terms of the lease agreements, and such revenue is recognized each month as the tenants utilize the rented space. Rent received in advance is deferred until the period that such rent covers. See Note 9 for further information relating to the sublease income.

IOLTA revenue - The Foundation receives interest from Trust accounts established by lawyers practicing in Indiana for use in promoting pro bono activity through training and other promotional activities. Revenue is recognized when the interest is earned.

Note 13: ACCOUNTS RECEIVABLE AND PROMISES TO GIVE

The Foundation received pledges for various funds and programs. All pledges are payable in installments all within the next fiscal year ending June 30, 2023. Accounts receivable and promises to give were recorded at their net realizable value and consisted of the following amounts due at:

<u>Receivable:</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Civil legal aid fund	\$ 3,000,000	\$ 1,500,000
Housing stability	-	100,171
Other pledges	<u>14,519</u>	<u>6,540</u>
 Total	 <u>\$ 3,014,519</u>	 <u>\$ 1,606,711</u>

Note 14: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets available as of June 30, 2023 and June 30, 2022, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the year ended:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Financial assets, at year end*	\$ 14,036,350	\$ 10,477,473
Less financial assets unavailable for general expenditures within one year, due to:		
Board designations:		
Amounts set aside from investments	10,476	10,208
Donor-imposed restrictions:		
Restriction by donor with purpose restrictions	<u>9,103,005</u>	<u>7,525,859</u>
	<u>\$ 4,922,869</u>	<u>\$ 2,941,406</u>

**Total assets, less nonfinancial assets*

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and June 30, 2022

Note 14: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, the Foundation must maintain sufficient resources to those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At June 30, 2023 and June 30, 2022, the Foundation held \$43,852 and \$512,883, respectively, in checking accounts which is available for general purposes if needed.

Note 15: IN-KIND REVENUE

Donated services performed by individuals that are engaged in a business that normally provides that service for a profit have been recorded based on the amounts the business normally charges for that service. No amounts have been reflected in the financial statements for donated services for which no objective basis is available to measure their value; however, a substantial number of volunteers have donated significant amounts of their time in the Foundation's program services. The Foundation did not monetize any contributed nonfinancial assets and contributed nonfinancial assets had no donor restrictions.

During the years ended June 30, 2023 and June 30, 2022, the Foundation received donated legal services with an estimated fair value of \$50,000 and \$28,716, respectively. These donated services were recognized as in-kind donations on the statement of activities and changes in net assets and within professional and legal services on the statement of functional expenses.

Note 16: HOUSING STABILITY CONTRACT

Effective February 1, 2022, the Foundation and the Indiana Housing and Community Development Authority entered into a professional services contract where the Foundation shall oversee the delivery of legal-focused housing stability services throughout Indiana as part of the Indiana Emergency Rental Assistance Program funded by the U.S. Department of the Treasury Emergency Rental Assistance 2 funds authorized in the American Rescue Plan Act of 2021. Under the terms of the contract, the Foundation is engaged to establish a network of nonprofit legal services providers to provide legal services related to eviction prevention and maintaining housing. Total remuneration to the Foundation shall not exceed \$13,143,479. The contract was originally effective for a period of two years through January 31, 2024, but has since been extended to remain in effect through December 31, 2024.

Indiana Bar Foundation, Inc.

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

Indiana Bar Foundation, Inc.

Schedules of IOLTA Activities

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

	Year Ended	
	June 30, 2023	June 30, 2022
REVENUE:		
IOLTA revenue	\$ 2,586,683	\$ 424,920
Total revenue	<u>2,586,683</u>	<u>424,920</u>
EXPENSE:		
Administrative expense:		
Co-employment/payroll, taxes, and employee benefits	117,894	143,607
Office supplies and leased equipment	18,682	17,507
Professional fees	11,968	21,144
Meetings	205	1,640
Membership dues	11,484	5,268
Telephone	2,743	2,441
Unreimbursed IOLTA expenses	(30,976)	(59,607)
Total IOLTA administrative expense	<u>132,000</u>	<u>132,000</u>
Net IOLTA income	<u>\$ 2,454,683</u>	<u>\$ 292,920</u>

Indiana Bar Foundation, Inc.

Schedules of Housing Stability Activities

Year Ended June 30, 2023 with Comparative Totals for the Year Ended June 30, 2022

	Year Ended	
	June 30, 2023	June 30, 2022
REVENUE:		
Housing stability revenue	\$ 3,575,954	\$ 370,811
Total revenue	<u>3,575,954</u>	<u>370,811</u>
EXPENSE:		
Co-employment/payroll, taxes, and employee benefits	393,980	143,894
Kiosks	1,501,371	-
Legal navigation	399,240	35,626
Brief service legal assistance clinics	373,178	54,395
Attorney services	545,462	32,117
Housing stability	160,781	-
Legal advice and representation costs	1,196	-
Administrative expense	32,977	64,858
Professional fees	78,222	4,951
Software and technology	40,236	19,107
Conference and meeting expense	4,462	
Other	272	650
Total housing stability expense	<u>3,531,377</u>	<u>355,598</u>
Net housing stability income	<u>\$ 44,577</u>	<u>\$ 15,213</u>

