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November 16, 2021

Board of Directors
Indiana Bar Foundation, Inc.
615 N. Alabama St., Suite 426
Indianapolis, IN 46204

We have reviewed the audit report of Indiana Bar Foundation, Inc., which was opined upon by L.M. Henderson & Company, LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana Bar Foundation, Inc. as of June 30, 2021 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 State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

Indiana Bar Foundation, Inc.

FINANCIAL STATEMENTS

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

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

Indiana Bar Foundation, Inc.

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June 30, 2021 with Comparative Totals at June 30, 2020

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Independent Auditor's Report

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

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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Bar Foundation, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Indiana Bar Foundation, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 19 are presented for purposes of additional analysis and is 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.



Certified Public Accountants
Indianapolis, Indiana

September 10, 2021

Indiana Bar Foundation, Inc.

Statements of Financial Position

at June 30, 2021 with Comparative Totals at June 30, 2020

	June 30, 2021	June 30, 2020
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash - Operations checking	\$ 2,115,320	506,172
Cash - Investment accounts - Note 2	96,717	82,214
Cash - Investment accounts - endowment - Note 2	18,425	11,372
Cash - IOLTA operating	1,175	18,912
Cash - IOLTA reserve sweep	538,535	1,160,088
Cash - CCA	-	289
Cash - Civics	-	202,438
	<u>2,770,172</u>	<u>1,981,485</u>
Total cash and cash equivalents		
Investments - Note 2	8,027,485	6,719,216
IOLTA receivable due from banks	29,611	39,959
Accounts receivable Indiana State Bar Association/Check-off - Note 7	64,920	37,080
Accounts receivable - Note 13	1,512,000	10,720
Payroll tax receivable	50,485	-
Accrued interest and dividends	2,741	1,954
Prepaid expenses	12,856	69,698
	<u>12,470,270</u>	<u>8,860,112</u>
Total current assets		
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture, equipment, and leasehold improvements	253,473	253,473
Less: Accumulated depreciation	128,221	113,998
	<u>125,252</u>	<u>139,475</u>
Total property and equipment		
<u>OTHER ASSETS:</u>		
Investments - endowment - Note 2	1,114,281	932,943
	<u>1,114,281</u>	<u>932,943</u>
Total other assets		
Total assets	<u>\$ 13,709,803</u>	<u>\$ 9,932,530</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	Year Ended June 30, 2021		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2021	June 30, 2020
REVENUE:				
Contributions:				
Fellows	\$ 8,844	\$ -	\$ 8,844	\$ 26,719
Check-off - Note 7	71,080	-	71,080	40,585
Endowment	-	16,100	16,100	13,800
Civics and civil assistance	3,078,647	370,868	3,449,515	1,024,802
Filing fee	269,749	-	269,749	361,213
Keystone society donations	88,027	-	88,027	87,290
Jurgemeyer fund grants	23,968	-	23,968	23,999
In-kind donations	900	-	900	1,800
Special events	-	270,270	270,270	16,160
Other	97,227	26,632	123,859	109,039
Total contributions	3,638,442	683,870	4,322,312	1,705,407
Investment income	90,128	12,340	102,468	243,301
IOLTA revenue	-	373,442	373,442	1,240,472
Cy Pres award	-	60,986	60,986	17,499
Cody LRAP fund	-	1,000	1,000	1,000
Paycheck protection program income - Note 16	166,870	-	166,870	130,900
Realized gain on sale of investments	762,818	101,955	864,773	495,005
Unrealized gain (loss) on investments	760,366	109,537	869,903	(105,939)
Total revenue	5,418,624	1,343,130	6,761,754	3,727,645
Net assets released from restrictions	546,676	(546,676)	-	-
Total revenue and net assets released from restrictions	\$ 5,965,300	\$ 796,454	\$ 6,761,754	\$ 3,727,645

See Notes to Financial Statements.

	Year Ended June 30, 2021		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2021	June 30, 2020
<u>EXPENSE:</u>				
Program services	\$ 5,033,158	\$ -	\$ 5,033,158	\$ 2,734,741
Management and general	351,521	-	351,521	361,148
Fundraising	202,327	-	202,327	101,832
Total expense	5,587,006	-	5,587,006	3,197,721
<u>CHANGES IN NET ASSETS</u>	378,294	796,454	1,174,748	529,924
Net assets, beginning of year	383,368	8,568,774	8,952,142	8,422,218
Net assets, end of year	<u>\$ 761,662</u>	<u>\$ 9,365,228</u>	<u>\$ 10,126,890</u>	<u>\$ 8,952,142</u>

Indiana Bar Foundation, Inc.

Statements of Cash Flows

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	Year Ended	
	June 30, 2021	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,174,748	\$ 529,924
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	14,223	15,492
Unrealized (gain) loss on investments	(869,903)	105,939
Realized gain on investments	(864,773)	(495,005)
Changes in other assets and liabilities:		
Decrease in IOLTA receivable	10,348	117,122
(Increase) decrease in accounts receivable	(1,529,120)	1,900
Increase in payroll tax receivable	(50,485)	-
(Increase) decrease in accrued interest and dividends	(787)	1,141
(Increase) decrease in prepaid expenses	56,842	(29,708)
Increase (decrease) in accounts payable	17,580	(10,596)
Increase (decrease) in deferred revenue	(270,270)	48,770
Increase in grants and scholarships payable	2,870,372	243,750
Increase (decrease) in accrued payroll	(15,157)	2,394
Total adjustments	(631,130)	1,199
Net cash provided by operating activities	543,618	531,123
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and redemptions of investments	4,167,354	5,921,229
Purchase of investments	(3,922,285)	(5,805,927)
Net cash provided by investing activities	245,069	115,302
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net principal payments on line of credit	-	(55,000)
Net cash used in financing activities	-	(55,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	788,687	591,425
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,981,485	1,390,060
End of year	\$ 2,770,172	\$ 1,981,485
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 450	\$ 426

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

	Program	Supporting Activities			Total
	Services	Management and General	Fundraising	Total Support Services	
	Access to Justice & Civics Education				
Grants and scholarships: LRAP & JRAP	\$ 5,672	\$ -	\$ -	\$ -	\$ 5,672
IOLTA pro bono and other grants	4,201,304	-	-	-	4,201,304
Payroll and benefits expense	631,147	200,971	87,021	287,992	919,139
Professional services	39,920	27,741	-	27,741	67,661
Marketing and fundraising	-	-	109,534	109,534	109,534
Fellows dinner, reception, and meetings	238	23	-	23	261
Office expenses	36,302	39,328	-	39,328	75,630
Trustee fees	-	55,274	-	55,274	55,274
Conferences, meals, and travel	5,325	5,117	-	5,117	10,442
Office rent	32,093	10,219	4,425	14,644	46,737
Miscellaneous	8,573	9,288	-	9,288	17,861
Civics related expenses	62,818	-	-	-	62,818
Depreciation	9,766	3,110	1,347	4,457	14,223
Interest	-	450	-	450	450
	<u>\$ 5,033,158</u>	<u>\$ 351,521</u>	<u>\$ 202,327</u>	<u>\$ 553,848</u>	<u>\$ 5,587,006</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program	Supporting Activities			Total
	Services	Management and General	Fundraising	Total Support Services	
	Access to Justice & Civics Education				
Grants and scholarships: LRAP	\$ 13,208	\$ -	\$ -	\$ -	\$ 13,208
IOLTA pro bono and other grants	1,893,825	-	-	-	1,893,825
Payroll and benefits expense	470,858	211,396	84,685	296,081	766,939
Professional services	85,481	11,656	-	11,656	97,137
Marketing and fundraising	-	-	10,412	10,412	10,412
Fellows dinner, reception, and meetings	1,722	3,497	-	3,497	5,219
Office expenses	19,767	40,132	-	40,132	59,899
Trustee fees	-	52,530	-	52,530	52,530
Conferences, meals, and travel	13,072	15,346	-	15,346	28,418
Office rent	27,937	12,542	5,024	17,566	45,503
Miscellaneous	4,606	9,353	-	9,353	13,959
Civics related expenses	194,754	-	-	-	194,754
Depreciation	9,511	4,270	1,711	5,981	15,492
Interest	-	426	-	426	426
	<u>\$ 2,734,741</u>	<u>\$ 361,148</u>	<u>\$ 101,832</u>	<u>\$ 462,980</u>	<u>\$ 3,197,721</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (a) 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.

- (b) **Revenue Recognition**

The Foundation follows the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 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 Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 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.

- (c) 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.
- (d) All items of assets are recorded at cost, with the exception of investments, which are stated at fair market value.
- (e) 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.
- (f) Government grants are recorded as revenue in the period the Foundation meets the conditions for revenue recognition, namely when expenses have been incurred for the purposes specified by the contracts. The Foundation's Payroll Protection Program (PPP) loan from the Small Business Administration (SBA) is accounted for under the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-605: *Not-for-Profit Entities - Revenue Recognition*.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (g) 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 adopted FASB ASU 2018-13: *Fair Value Measurements (Topic 820): Disclosure of Framework-Changes to the Disclosure Requirements for Fair Value Measurements* during the fiscal year ended June 30, 2021 and applied it retrospectively. ASU 2018-13 streamlines the disclosure requirements within ASC Topic 820. The adoption of this standard did not have a material impact on the recording of investments. Accordingly, no cumulative effect adjustment to net assets was deemed necessary.

- (h) Deferred revenue consisted of contributions received in the year prior to the Evansville 2021 Mock Trial in the amounts of \$-0- and \$270,270 at June 30, 2021 and June 30, 2020, respectively.
- (i) 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.
- (j) 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.
- (k) Certain reclassifications have been made to prior period amounts to conform to the current presentation.
- (l) Donated materials are reflected in the accompanying financial statements at their estimated values at date of receipt. 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.
- (m) Receivables are closely monitored by management of the Foundation. All receivables at June 30, 2021 and June 30, 2020 were deemed collectible; accordingly, no allowance for doubtful accounts was recorded. There was no bad debt expense for the years ended June 30, 2021 and June 30, 2020.
- (n) The Foundation maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.
- (o) Marketing and fundraising costs are expensed as incurred. For the years ended June 30, 2021 and June 30, 2020, costs of \$109,534 and \$10,412 were expensed, respectively.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (p) Management has evaluated subsequent events through September 10, 2021, the date that the financial statements were available to be issued.

Note 2: INVESTMENTS

Investments consisted of the following at June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
<u>Endowment:</u>			
Mutual funds	\$ 931,810	\$ 1,114,281	\$ 182,471
Cash and cash equivalents	18,425	18,425	-
Total endowment	<u>\$ 950,235</u>	<u>\$ 1,132,706</u>	<u>\$ 182,471</u>
<u>Other Investments:</u>			
Mutual funds	\$ 6,667,869	\$ 8,027,485	\$ 1,359,616
Cash and cash equivalents	96,717	96,717	-
Total other investments	<u>\$ 6,764,586</u>	<u>\$ 8,124,202</u>	<u>\$ 1,359,616</u>

Investments consisted of the following at June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
<u>Endowment:</u>			
Mutual funds	\$ 860,010	\$ 932,943	\$ 72,933
Cash and cash equivalents	11,372	11,372	-
Total endowment	<u>\$ 871,382</u>	<u>\$ 944,315</u>	<u>\$ 72,933</u>
<u>Other Investments:</u>			
Mutual funds	\$ 6,119,965	\$ 6,719,216	\$ 599,251
Cash and cash equivalents	82,214	82,214	-
Total other investments	<u>\$ 6,202,179</u>	<u>\$ 6,801,430</u>	<u>\$ 599,251</u>

Note 3: FAIR VALUE MEASUREMENTS

FASB 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.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 3: FAIR VALUE MEASUREMENTS (continued)

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.

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, 2021 and June 30, 2020.

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, 2021 and June 30, 2020 are as follows:

	<u>Assets at Fair Value as of June 30, 2021</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	\$ 115,142	\$ -	\$ -	\$ 115,142
<u>Investments:</u>				
Mutual funds - small-cap	432,649	-	-	432,649
Mutual funds - mid-cap	1,135,797	-	-	1,135,797
Mutual funds - large-cap	4,110,957	-	-	4,110,957
Mutual funds - foreign	494,569	-	-	494,569
Mutual funds - fixed income	2,844,283	-	-	2,844,283
Mutual funds - emerging markets	<u>123,511</u>	<u>-</u>	<u>-</u>	<u>123,511</u>
Total assets at fair value	<u>\$ 9,256,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,256,908</u>

	<u>Assets at Fair Value as of June 30, 2020</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	\$ 93,586	\$ -	\$ -	\$ 93,586
<u>Investments:</u>				
Mutual funds - small-cap	300,669	-	-	300,669
Mutual funds - mid-cap	951,311	-	-	951,311
Mutual funds - large-cap	3,229,228	-	-	3,229,228
Mutual funds - foreign	397,256	-	-	397,256
Mutual funds - fixed income	2,675,903	-	-	2,675,903
Mutual funds - emerging markets	<u>97,792</u>	<u>-</u>	<u>-</u>	<u>97,792</u>
Total assets at fair value	<u>\$ 7,745,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,745,745</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

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, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, 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 matured on February 27, 2021 and was subsequently extended until February 27, 2023. As of June 30, 2021 and June 30, 2020, the line of credit had a \$0-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 \$62,902 and \$48,932 for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 7: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and June 30, 2020, 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, 2021</u>	<u>June 30, 2020</u>
<u>Assets:</u>		
Check-off receivable	\$ 64,920	\$ 37,080
<u>Income:</u>		
Check-off	\$ 71,080	\$ 40,585

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

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 \$12,430 and \$10,543 at June 30, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, net assets with donor restrictions consist of the following:

	June 30, <u>2021</u>	June 30, <u>2020</u>
Nathan Mendenhall Scholarship Fund	\$ 3,426	\$ 3,426
IOLTA	651,955	1,301,593
Mortgage Relief Settlement	7,125,205	5,980,463
Nancy Goodman	675	675
LRAP	23,014	8,533
ICLEO Summer Institute	56,986	126,014
Indiana Lawyers Alliance	4,104	3,161
JLAP Treatment Fund	16,904	21,670
Shepard Diversity Fund	6,882	5,075
High Impact Grants	-	125,000
Indiana Justice Book Purchases	8,354	1,377
Lumina Grant	8,888	56,230
Shields Portrait	201	1,400
Diversity Initiative	44,000	-
Civics/Mock Trial Programs	186,535	-
We the People	89,521	-
In Memory of James Dimos	4,484	-
Laws of Aging Reprint	10,000	-
James Madison Legacy Project	(8,686)	-
World Strides	10,650	-
Phelps & Fara	35,353	29,985
Jack Lyle Memorial	23,334	19,686
Shirley Shideler Endowment	44,202	36,962
Joseph T. Helling Memorial Scholarship	55,329	46,884
Indiana Lawyers Alliance	29,360	24,904
Cody LRAP Fund	30,128	24,576
Givan LRAP Fund	445,546	376,907
RTS Fund	57,595	48,333
Judge Larry J. McKinney Memorial	29,149	23,269
Cale J. Holder Scholarship	127,688	107,971
Bill and Jane Baker Endowment	217,043	184,105
Abeska Fund	25,549	10,191
Other donor restricted contributions	1,854	384
Totals	<u>\$ 9,365,228</u>	<u>\$ 8,568,774</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 8: NET ASSET RESTRICTIONS AND ENDOWMENT (continued)

In the fiscal years ended June 30, 2021 and June 30, 2020, the Foundation had the following endowment-related activities:

	June 30, 2021	June 30, 2020
<u>Donor-Restricted Endowment Funds:</u>		
Investment return:		
Investment income	\$ 12,340	\$ 16,306
Net appreciation	<u>211,492</u>	<u>45,286</u>
Total investment return	223,832	61,592
Contributions to perpetual endowment	16,100	13,800
Amounts released from restrictions	<u>(51,541)</u>	<u>(12,099)</u>
Total change in endowment funds	<u>\$ 188,391</u>	<u>\$ 63,293</u>

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, 2021 and June 30, 2020

Note 9: LEASES

In September 2019, the Foundation traded in an automobile under lease for a new automobile. The new automobile is under an operating lease expiring in 2024. Total expense incurred under these leases amounted to \$11,557 and \$8,702 for the years ended June 30, 2021 and June 30, 2020, 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 requiring annual payments of \$44,418. Total expense incurred under the office space leases amounted to \$46,737 and \$45,503 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Foundation entered into a lease for a copier under an operating lease agreement on December 2017. The lease agreement expires in 2022. Total expense incurred under the copier lease amounted to \$9,574 and \$9,009 for the years ended June 30, 2021 and June 30, 2020, respectively.

Future minimum rental and service payments under the leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 56,798
2023	52,574
2024	46,457
2025	<u>22,209</u>
Total	<u>\$ 178,038</u>

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.

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 and investment income collected from these funds amounted to \$1,429,729 and \$419,052 for the years ended June 30, 2021 and June 30, 2020, 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.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

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 \$5,033,158 and \$2,734,741 and support services expense was \$553,848 and \$462,980 for the years ended June 30, 2021 and June 30, 2020, 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.

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

	Year Ended	
	June 30, 2021	June 30, 2020
<u>Revenue:</u>		
Program revenue	\$ 3,167,313	\$ 513,991
Total revenue	<u>\$ 3,167,313</u>	<u>\$ 513,991</u>
<u>Expense:</u>		
Grants	\$ 3,000,000	\$ -
Staff expense	203,057	127,117
Office expense	33,971	9,264
Professional services	10,208	15,525
Conferences, meals, and travel	108	5,448
Events	<u>141</u>	<u>12,068</u>
Total expense	<u>\$ 3,247,485</u>	<u>\$ 169,422</u>

Note 12: REVENUE SOURCES AND RECOGNITION

The Foundation primarily generates revenue from interest earned from the IOLTA program, civil court case filing fees, and Civics revenue. Approximate percentages of total revenue for the years ended June 30, 2021 and June 30, 2020 are as follows:

	June 30, 2021	June 30, 2020
IOLTA interest revenue	6%	33%
Civics and civil assistance revenue	51%	27%
Civil court case filing fees	4%	10%

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 12: REVENUE SOURCES AND RECOGNITION (continued)

The Foundation’s revenue in the scope of Topic 606 is recognized within revenue in the statement of activities and changes in net assets. A description of the Foundation’s revenue sources within the scope of Topic 606 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. As of June 30, 2020 and June 30, 2019, the Foundation deferred revenue of \$-0- and \$270,270 relating to the Evansville Mock Trial, which took place during the fiscal year ended June 30, 2021.

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.

Paycheck protection program income - The Foundation applied for and was approved for a loan under the Paycheck Protection Program as discussed in Note 16. Revenue was recognized upon the spending of the loan proceeds for eligible costs.

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, 2021. 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,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Civil Legal Aid Fund	\$ 1,500,000	\$ -
Keystone Society donations	1,000	7,000
Rent receivable	-	650
Other pledges	<u>11,000</u>	<u>3,070</u>
Total	<u>\$ 1,512,000</u>	<u>\$ 10,720</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 14: PRIOR-YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Note 15: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets available as of June 30, 2021 and June 30, 2020, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the year ended:

	June 30, <u>2021</u>	June 30, <u>2020</u>
Financial assets, at year end*	\$ 13,571,695	\$ 9,723,357
Less financial assets unavailable for general expenditures within one year, due to:		
Board designations:		
Amounts set aside from investments	12,430	10,543
Donor-imposed restrictions:		
Restriction by donor with purpose restrictions	<u>9,365,228</u>	<u>8,568,774</u>
	<u>\$ 4,194,037</u>	<u>\$ 1,144,040</u>

**Total assets, less nonfinancial assets*

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, 2021 and June 30, 2020, the Foundation held \$2,115,320 and \$503,586, respectively, in checking accounts which is available for general purposes if needed.

Note 16: PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation applied for and was approved for a \$130,900 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan terms indicated an interest rate of 1%, but payments of interest and principal were deferred for 10 months following the last day of the loan’s covered period. The loan was uncollateralized and was fully guaranteed by the SBA. The Foundation was eligible for loan forgiveness of up to 100% of the loan, upon meeting specific requirements relating to the payment of qualifying expenses, including payroll, rent, mortgage interest, and utilities.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and June 30, 2020

Note 16: PAYCHECK PROTECTION PROGRAM (continued)

In February 2021, the Foundation received a second PPP loan from the SBA in the amount of \$166,870. The loan terms indicated an interest rate of 1% per annum and the loan was uncollateralized and fully guaranteed by the SBA. The loan was also eligible for loan forgiveness of up to 100% of the loan, upon meeting specific requirements relating to the payment of qualifying expenses.

In January 2021, the Foundation was notified by the lender that the SBA had determined that the entire amount of the first PPP loan had been fully forgiven. Additionally, in July 2021, the Foundation was notified by the lender that the SBA had determined that the entire amount of the second PPP loan had been fully forgiven. As such, the Foundation has accounted for the loan in a manner consistent with FASB ASC 958-605 and has recognized the revenue relating to the loan proceeds as it incurred the qualifying expenses. Such revenue is reported as PPP loan forgiveness - SBA grant in the Foundation's Statements of Activities and Changes in Net Assets.

Indiana Bar Foundation, Inc.

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

Indiana Bar Foundation, Inc.

Schedules of IOLTA Activities

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	Year Ended	
	June 30, 2021	June 30, 2020
REVENUE:		
IOLTA revenue	\$ 373,442	\$ 1,240,472
Total revenue	<u>373,442</u>	<u>1,240,472</u>
EXPENSE:		
Administrative expense:		
Payroll, taxes, and employee benefits	152,905	154,998
Office supplies and leased equipment	18,338	20,858
Professional fees	14,524	18,937
Meetings	-	447
Membership dues	4,876	3,811
Telephone	3,034	2,833
Unreimbursed IOLTA expenses	(61,677)	(69,884)
Total IOLTA administrative expense	<u>132,000</u>	<u>132,000</u>
Net IOLTA income	<u>\$ 241,442</u>	<u>\$ 1,108,472</u>