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October 7, 2022

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, 2021 to June 30, 2022. 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, 2022 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.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Indiana Bar Foundation, Inc.

FINANCIAL STATEMENTS

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

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

Indiana Bar Foundation, Inc.

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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, 2022, 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, 2022, 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.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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.



Certified Public Accountants
Indianapolis, Indiana

September 9, 2022

Indiana Bar Foundation, Inc.

Statements of Financial Position

at June 30, 2022 with Comparative Totals at June 30, 2021

	June 30, 2022	June 30, 2021
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash - Operations checking	\$ 512,883	\$ 2,115,320
Cash - Investment accounts - Note 2	176,759	96,717
Cash - Investment accounts - endowment - Note 2	24,543	18,425
Cash - IOLTA operating	3,969	1,175
Cash - IOLTA reserve sweep	681,070	538,535
Cash - Housing Stability	16	-
	<u>1,399,240</u>	<u>2,770,172</u>
Total cash and cash equivalents		
Investments - Note 2	6,433,822	8,027,485
IOLTA receivable due from banks	61,436	29,611
Accounts receivable Indiana State Bar Association/Check-off - Note 7	62,960	64,920
Accounts receivable - Note 13	1,606,711	1,512,000
Payroll tax receivable	-	50,485
Accrued interest and dividends	3,228	2,741
Prepaid expenses	16,838	12,856
	<u>9,584,235</u>	<u>12,470,270</u>
Total current assets		
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture, equipment, and leasehold improvements	253,473	253,473
Software in progress	58,427	-
Less: Accumulated depreciation	140,787	128,221
	<u>171,113</u>	<u>125,252</u>
Total property and equipment		
<u>OTHER ASSETS:</u>		
Investments - endowment - Note 2	910,076	1,114,281
	<u>910,076</u>	<u>1,114,281</u>
Total other assets		
Total assets	<u>\$ 10,665,424</u>	<u>\$ 13,709,803</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Year Ended June 30, 2022		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2022	June 30, 2021
REVENUE:				
Contributions:				
Fellows	\$ 9,938	\$ -	\$ 9,938	\$ 8,844
Check-off - Note 7	80,924	-	80,924	71,080
Endowment	-	3,540	3,540	16,100
Civics and civil assistance	1,738,522	203,527	1,942,049	3,449,515
Housing stability	370,811	-	370,811	-
Filing fee	295,627	-	295,627	269,749
Keystone society donations	96,870	-	96,870	88,027
Jurgemeyer fund grants	25,039	-	25,039	23,968
In-kind donations	28,716	-	28,716	900
Special events	6,120	-	6,120	270,270
Other	52,322	137,131	189,453	123,859
Total contributions	2,704,889	344,198	3,049,087	4,322,312
Investment income	98,849	13,874	112,723	102,468
IOLTA revenue	-	424,920	424,920	373,442
Cy Pres award	-	33,511	33,511	60,986
Cody LRAP fund	-	1,500	1,500	1,000
Paycheck protection program income - Note 16	-	-	-	166,870
Realized gain on sale of investments	652,248	78,898	731,146	864,773
Unrealized gain (loss) on investments	(1,764,640)	(237,064)	(2,001,704)	869,903
Total revenue	1,691,346	659,837	2,351,183	6,761,754
Net assets released from restrictions	2,499,206	(2,499,206)	-	-
Total revenue and net assets released from restrictions	\$ 4,190,552	\$ (1,839,369)	\$ 2,351,183	\$ 6,761,754

See Notes to Financial Statements.

	Year Ended June 30, 2022		Totals for the Year Ended	
	Without Donor Restriction	With Donor Restriction	June 30, 2022	June 30, 2021
<u>EXPENSE:</u>				
Program services	\$ 3,917,938	\$ -	\$ 3,917,938	\$ 5,033,158
Management and general	449,419	-	449,419	351,521
Fundraising	214,996	-	214,996	202,327
Total expense	4,582,353	-	4,582,353	5,587,006
<u>CHANGES IN NET ASSETS</u>	(391,801)	(1,839,369)	(2,231,170)	1,174,748
Net assets, beginning of year	761,662	9,365,228	10,126,890	8,952,142
Net assets, end of year	<u>\$ 369,861</u>	<u>\$ 7,525,859</u>	<u>\$ 7,895,720</u>	<u>\$ 10,126,890</u>

Indiana Bar Foundation, Inc.

Statements of Cash Flows

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Year Ended	
	June 30, 2022	June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,231,170)	\$ 1,174,748
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,566	14,223
Unrealized (gain) loss on investments	2,001,704	(869,903)
Realized gain on investments	(731,146)	(864,773)
Changes in other assets and liabilities:		
(Increase) decrease in IOLTA receivable	(31,825)	10,348
Increase in accounts receivable	(92,751)	(1,529,120)
(Increase) decrease in payroll tax receivable	50,485	(50,485)
Increase in accrued interest and dividends	(487)	(787)
(Increase) decrease in prepaid expenses	(3,982)	56,842
Increase in accounts payable	39,032	17,580
Decrease in deferred revenue	-	(270,270)
Increase (decrease) in grants and scholarships payable	(939,229)	2,870,372
Decrease in accrued payroll	(13,012)	(15,157)
Total adjustments	291,355	(631,130)
Net cash provided by (used in) operating activities	(1,939,815)	543,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and redemptions of investments	3,541,416	4,167,354
Purchase of investments	(3,014,106)	(3,922,285)
Software in progress expenditures	(58,427)	-
Net cash provided by investing activities	468,883	245,069
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net principal draw downs on line of credit	100,000	-
Net cash provided by financing activities	100,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,370,932)	788,687
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,770,172	1,981,485
End of year	\$ 1,399,240	\$ 2,770,172
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 693	\$ 450

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Program Services	Supporting Activities			Totals For the Year Ended	
	Access to Justice & Civics Education	Management and General	Fundraising	Total Support Services	June 30, 2022	June 30, 2021
Grants and scholarships: LRAP & JRAP	\$ 13,350	\$ -	\$ -	\$ -	\$ 13,350	\$ 5,672
IOLTA pro bono and other grants	2,847,256	-	-	-	2,847,256	4,201,304
Payroll/co-employment expense and benefits	676,481	280,609	160,528	441,137	1,117,618	919,139
Professional services	93,283	11,119	-	11,119	104,402	67,661
Legal services	28,716	-	-	-	28,716	-
Marketing and fundraising	-	-	34,848	34,848	34,848	109,534
Fellows dinner, reception, and meetings	816	-	2,720	2,720	3,536	261
Office expenses	46,927	65,473	-	65,473	112,400	75,630
Trustee fees	-	65,284	-	65,284	65,284	55,274
Conferences, meals, and travel	27,544	5,030	8,383	13,413	40,957	10,442
Office rent	28,289	11,735	6,713	18,448	46,737	46,737
Miscellaneous	11,564	6,321	-	6,321	17,885	17,861
Civics related expenses	136,105	-	-	-	136,105	62,818
Depreciation	7,607	3,155	1,804	4,959	12,566	14,223
Interest	-	693	-	693	693	450
	<u>\$ 3,917,938</u>	<u>\$ 449,419</u>	<u>\$ 214,996</u>	<u>\$ 664,415</u>	<u>\$ 4,582,353</u>	<u>\$ 5,587,006</u>

See Notes to Financial Statements.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

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, 2022 and June 30, 2021

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

- (h) 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.
- (i) 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.
- (j) Certain reclassifications have been made to prior period amounts to conform to the current presentation.
- (k) 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.
- (l) Receivables are closely monitored by management of the Foundation. All receivables at June 30, 2022 and June 30, 2021 were deemed collectible; accordingly, no allowance for doubtful accounts was recorded. There was no bad debt expense for the years ended June 30, 2022 and June 30, 2021.
- (m) The Foundation maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.
- (n) Marketing and fundraising costs are expensed as incurred. For the years ended June 30, 2022 and June 30, 2021, costs of \$34,848 and \$109,534 were expensed, respectively.
- (o) Management has evaluated subsequent events through September 9, 2022, the date that the financial statements were available to be issued.

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 2: INVESTMENTS

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	24,543	24,543	-
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	176,759	176,759	-
Total other investments	<u>\$ 7,015,604</u>	<u>\$ 6,610,581</u>	<u>\$ (405,023)</u>

Investments consisted of the following at June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</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>

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, 2022 and June 30, 2021

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, 2022 and June 30, 2021.

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, 2022 and June 30, 2021 are as follows:

	<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>

	<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>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

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, 2022 and June 30, 2021, 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, 2022 and June 30, 2021, 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, 2022 and June 30, 2021, the line of credit had a \$100,000 and \$-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 \$74,838 and \$62,902 for the years ended June 30, 2022 and June 30, 2021, respectively.

Note 7: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and June 30, 2021, the Foundation engaged in transactions with a related party. The following is a summary of transactions and balances with the Indiana State Bar Association:

Description	June 30, 2022	June 30, 2021
<u>Assets:</u>		
Check-off receivable	\$ 62,960	\$ 64,920
<u>Income:</u>		
Check-off	\$ 80,924	\$ 71,080

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

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 \$10,208 and \$12,430 at June 30, 2022 and June 30, 2021, 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, 2022 and June 30, 2021, net assets with donor restrictions consist of the following:

	June 30, <u>2022</u>	June 30, <u>2021</u>
Nathan Mendenhall Scholarship Fund	\$ 3,426	\$ 3,426
IOLTA	829,109	651,955
Mortgage Relief Settlement	5,266,781	7,125,205
Nancy Goodman	675	675
LRAP	40,517	23,014
ICLEO Summer Institute	-	56,986
ICLEO 25 th Anniversary	5,000	-
Legal Help Account	177,167	-
Housing Stability	16	-
JLAP Treatment Fund	12,573	16,904
Shepard Diversity Fund	8,766	6,882
Indiana Justice Book Purchases	-	8,354
Lumina Grant	-	8,888
Shields Portrait	-	201
Diversity Initiative	21,096	44,000
Civics/Mock Trial Programs	137,535	186,535
We the People	72,037	89,521
In Memory of James Dimos	-	4,484
Laws of Aging Reprint	10,000	10,000
James Madison Legacy Project	-	(8,686)
World Strides	10,650	10,650
Phelps & Fara	29,034	35,353
Jack Lyle Memorial	19,292	23,334
Shirley Shideler Endowment	36,743	44,202
Joseph T. Helling Memorial Scholarship	45,453	55,329
Indiana Lawyers Alliance	29,189	33,464
Cody LRAP Fund	26,029	30,128
Givan LRAP Fund	365,967	445,546
RTS Fund	47,322	57,595
Judge Larry J. McKinney Memorial	25,962	29,149
Cale J. Holder Scholarship	105,099	127,688
Bill and Jane Baker Endowment	178,161	217,043
Abeska Fund	21,237	25,549
Other donor restricted contributions	<u>1,023</u>	<u>1,854</u>
Totals	<u>\$ 7,525,859</u>	<u>\$ 9,365,228</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 8: NET ASSET RESTRICTIONS AND ENDOWMENT (continued)

In the fiscal years ended June 30, 2022 and June 30, 2021, the Foundation had the following endowment-related activities:

	June 30, 2022	June 30, 2021
<u>Donor-Restricted Endowment Funds:</u>		
Investment return:		
Investment income	\$ 13,874	\$ 12,340
Net gain (loss)	<u>(158,166)</u>	<u>211,492</u>
Total investment return	(144,292)	223,832
Contributions to perpetual endowment	3,540	16,100
Amounts released from restrictions	<u>(57,335)</u>	<u>(51,541)</u>
Total change in endowment funds	<u>\$ (198,087)</u>	<u>\$ 188,391</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, 2022 and June 30, 2021

Note 9: LEASES

In September 2019, the Foundation entered into an operating lease for an automobile which is set to expire in 2024. Total expense incurred under the lease amounted to \$8,156 and \$11,557 for the years ended June 30, 2022 and June 30, 2021, 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 for both years ended June 30, 2022 and June 30, 2021, 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. Total expense incurred under the copier lease amounted to \$10,563 and \$9,574 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2023	\$ 52,574
2024	46,457
2025	<u>22,209</u>
Total	<u>\$ 121,240</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. 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 \$(1,043,384) and \$1,429,729 for the years ended June 30, 2022 and June 30, 2021, 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, 2022 and June 30, 2021

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 \$3,917,938 and \$5,033,158 and support services expense was \$664,415 and \$553,848 for the years ended June 30, 2022 and June 30, 2021, 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, 2022	June 30, 2021
<u>Revenue:</u>		
Program revenue	\$ 1,638,000	\$ 3,167,313
Total revenue	<u>\$ 1,638,000</u>	<u>\$ 3,167,313</u>
<u>Expense:</u>		
Grants	\$ 1,500,000	\$ 3,000,000
Staff expense	225,748	203,057
Office expense	41,806	33,971
Professional services	27,712	10,208
Conferences, meals, and travel	10,516	108
Events	<u>5,002</u>	<u>141</u>
Total expense	<u>\$ 1,810,784</u>	<u>\$ 3,247,485</u>

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, 2022 and June 30, 2021 are as follows:

	June 30, 2022	June 30, 2021
IOLTA interest revenue	12%	6%
Civics and civil assistance revenue	54%	51%
Civil court case filing fees	8%	4%
Housing stability revenue	10%	0%

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

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.

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, 2023. Accounts receivable and promises to give were recorded at their net realizable value and consisted of the following amounts due at:

	June 30, <u>2022</u>	June 30, <u>2021</u>
<u>Receivable:</u>		
Civil legal aid fund	\$ 1,500,000	\$ 1,500,000
Keystone society donations	-	1,000
Housing stability	100,171	-
Other pledges	<u>6,540</u>	<u>11,000</u>
Total	<u>\$ 1,606,711</u>	<u>\$ 1,512,000</u>

Indiana Bar Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and June 30, 2021

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, 2021, 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, 2022 and June 30, 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the year ended:

	June 30, <u>2022</u>	June 30, <u>2021</u>
Financial assets, at year end*	\$ 10,477,473	\$ 13,571,695
Less financial assets unavailable for general expenditures within one year, due to:		
Board designations:		
Amounts set aside from investments	10,208	12,430
Donor-imposed restrictions:		
Restriction by donor with purpose restrictions	<u>7,525,859</u>	<u>9,365,228</u>
	<u>\$ 2,941,406</u>	<u>\$ 4,194,037</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, 2022 and June 30, 2021, the Foundation held \$512,883 and \$2,115,320, 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, 2022 and June 30, 2021

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 accounted for the loan in a manner consistent with FASB ASC 958-605 and recognized the revenue relating to the loan proceeds as it incurred the qualifying expenses. Such revenue was reported as PPP loan forgiveness - SBA grant in the Foundation's Statements of Activities and Changes in Net Assets during the fiscal year ended June 30, 2021.

Note 17: 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 is effective for a period of two years and will remain in effect through January 31, 2024.

Indiana Bar Foundation, Inc.

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

Indiana Bar Foundation, Inc.

Schedules of IOLTA Activities

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Year Ended	
	June 30, 2022	June 30, 2021
REVENUE:		
IOLTA revenue	\$ 424,920	\$ 373,442
Total revenue	<u>424,920</u>	<u>373,442</u>
EXPENSE:		
Administrative expense:		
Co-employment/payroll, taxes, and employee benefits	143,607	152,905
Office supplies and leased equipment	17,507	18,338
Professional fees	21,144	14,524
Meetings	1,640	-
Membership dues	5,268	4,876
Telephone	2,441	3,034
Unreimbursed IOLTA expenses	(59,607)	(61,677)
Total IOLTA administrative expense	<u>132,000</u>	<u>132,000</u>
Net IOLTA income	<u>\$ 292,920</u>	<u>\$ 241,442</u>

Indiana Bar Foundation, Inc.

Schedules of Housing Stability Activities

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Year Ended	
	June 30, 2022	June 30, 2021
REVENUE:		
Housing stability revenue	\$ 370,811	\$ -
Total revenue	<u>370,811</u>	<u>-</u>
EXPENSE:		
Co-employment/payroll, taxes, and employee benefits	143,894	-
Legal navigation	35,626	-
Brief service legal assistance clinics	54,395	-
Attorney services	32,117	-
Administrative expense	64,858	-
Professional fees	4,951	-
Software and technology	19,107	-
Other	650	-
Total housing stability expense	<u>355,598</u>	<u>-</u>
Net housing stability income	<u>\$ 15,213</u>	<u>\$ -</u>