



ARKANSAS
ACCESS TO
JUSTICE
REPRESENTING HOPE

January 9, 2019

The Arkansas Access to Justice Foundation is a 501(c)(3) nonprofit corporation, established in 1985 to administer the state's Interest on Lawyers Trust Accounts program to provide funds for legal aid to the poor, for student loans and scholarships, and for projects that improve the administration of justice. Since its inception, the Foundation has made grants totaling more than \$13 million in furtherance of these priorities. In recent years, the Foundation has diversified its sources of funding to include private fundraising, grants, and settlement distributions. The Foundation also has an investment portfolio with Stephens, Inc., and a quasi-endowed fund at the Arkansas Community Foundation.

The Foundation currently manages bookkeeping/accounting functions in-house, and is in the process of converting from ACCPAC to Quickbooks Online for Nonprofits. We are seeking information to evaluate our options regarding outsourcing of bookkeeping and accounting functions. Payroll processing is not needed at this time. We estimate that a total of 15-20 hours per month would be required to complete the required tasks under this engagement, and an hourly pricing arrangement is desired.

You are invited to supply information to be considered to manage these functions.

Services that will be required include:

1. Finalize conversion to QuickBooks Online for Nonprofits;
2. Review and assist in review/refinement of policies and procedures for handling of cash receipts and payables, segregation of duties, and other financial policies;
3. Process and accounts payable and receivable;
4. Complete monthly reconciliations of all cash and investment accounts;
5. Track fixed assets and associated depreciation;
6. Prepare financial statements, to include fund classes, on a modified cash basis of accounting;
7. Develop and provide monthly reports on the Foundation's financial performance, fund balances, cash flows, budget variances, and grants;
8. Coordinate with Foundation staff to maintain financial records, bank statements, and supporting documentation for all payables and receivables, in accordance with GAAP;
9. Coordinate with external auditors to provide documentation needed for annual audit and preparation of Form 990.

Please supply responses to the following list but feel free to include any additional information that you feel would be pertinent.

1. History of firm and organizational structure
2. Names of persons on management team

Foundation Board Members

Bill Waddell, President

Victoria Smith, Vice President

J. Cliff McKinney II, Treasurer

Brian Clary

Dave Dickson

Angela Duran

Don Hollingsworth

Tyler Ginn

Kristin Pawlik

Stacey Pectol

Hillis Schild

Frank B. Sewall

Sainabou Sonko

Katherine Stephens

Amy Johnson, Executive Director

3. Names of persons who would provide service, qualifications, and their years of experience
4. Experience with institutional and nonprofit clients
5. Detailed explanation of fee structure

Please send the requested information to my attention no later than February 1, 2019. The responses will be reviewed and presented to our Finance Committee, which will evaluate the responses, interview finalists, and make a recommendation to our Board.

A copy of our most recent audited financial statements is attached, and copies of the Foundation's current financial policies and procedures will be provided upon request. Additional information about the Foundation and our work is available at www.arkansasjustice.org. Please do not hesitate to contact me if you have questions or need anything further.

Sincerely,

A handwritten signature in black ink, appearing to read "Shirley" followed by a long horizontal flourish.

Executive Director

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arkansas Access to Justice Foundation, Inc.

We have audited the accompanying financial statements of Arkansas Access to Justice Foundation, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2017 and the related statement of activities-modified cash basis, and cash flow statement-modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

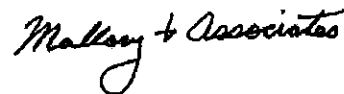
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Arkansas Access to Justice Foundation, Inc. as of December 31, 2017, and its statement of activities and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the modified cash basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Little Rock, Arkansas
August 20, 2018



Mallory & Associates
Certified Public Accountants

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2017**

ASSETS		\$ 2,965,472	
Cash and cash equivalents		752,586	
Investments		10,701	
Office equipment		(8,011)	
Less accumulated depreciation		<u>2,229</u>	
Security deposit			
TOTAL ASSETS			\$ <u><u>3,722,977</u></u>
NET ASSETS		\$ 342,488	
Unrestricted net assets		3,380,489	
Temporarily restricted net assets			
TOTAL NET ASSETS			<u><u>3,722,977</u></u>
TOTAL LIABILITIES AND NET ASSETS			\$ <u><u>3,722,977</u></u>

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined</u>
Revenues				
Participants income	\$ 138,679	\$ -	\$ -	\$ 138,679
Donations	117,948	3,344		121,292
Unclaimed/unidentifiable funds	-	24,599		24,599
Net assets released from restrictions	861,101	(861,101)		-
Total revenues	<u>1,117,728</u>	<u>(833,158)</u>	<u>-</u>	<u>284,570</u>
Expenses				4,000
ABA Project- Pro Se Clinics	4,000			6,800
Accounting	6,800			1,631
Annual report	1,631			762
Bank charges	762			1,116
Board meeting expenses	1,116			55,691
Campaign for Legal Aid distribution	55,691			1,119
Credit card processing fees	1,119			3,766
Direct mail campaign	3,766			17,525
Designated donation distribution	17,525			3,310
Donor recognition	3,310			1,240
Dues and subscriptions	1,240			1,416
E-mail marketing	1,416			794,190
Grants paid	794,190			3,329
Insurance	3,329			4,722
Miscellaneous	4,722			13,925
Office supplies	13,925			1,254
Outreach/Education	1,254			1,664
Postage	1,664			3,039
Pro Bono Outreach clinics	3,039			14,159
Professional services	14,159			26,936
Rent	26,936			11,779
Software licensing	11,779			8,159
Telephone and internet	8,159			12,958
Temporary help	12,958			4,886
Travel expenses	4,886			511
Website hosting	511			999,887
Total operating expenses	<u>999,887</u>	<u>-</u>	<u>-</u>	<u>999,887</u>
Other Revenues and Expenses				
Interest income	6,824			6,824
Dividend income	15,286			15,286
Gain on sale of investments	40,070			40,070
Depreciation expense	(1,557)			(1,557)
Total other revenues and expenses	<u>60,623</u>	<u>-</u>	<u>-</u>	<u>60,623</u>
Change in net assets	178,464	(833,158)	-	(654,694)
Net assets at beginning of year	164,024	4,213,647	-	4,377,671
Net assets at end of year	<u>\$ 342,488</u>	<u>\$ 3,380,489</u>	<u>\$ -</u>	<u>\$ 3,722,977</u>

See Accompanying Notes to the Financial Statements
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ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$	(654,694)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Non-cash donation of stock		(2,532)
Depreciation		1,557
Gain on sale of investments		(40,070)
Interest income on investments		(126)
Increase in security deposit		<u>(2,229)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$	(698,094)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		268,255
Purchase of investments		<u>(726,457)</u>
NET CASH USED BY INVESTING ACTIVITIES		(458,202)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of restricted stock		<u>2,492</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>2,492</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,153,804)
 CASH AND CASH EQUIVALENTS, beginning of year		<u>4,119,276</u>
 CASH AND CASH EQUIVALENTS, end of year	\$	<u><u>2,965,472</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:	\$	-
Interest		-
Income taxes		

See Accompanying Notes to the Financial Statements

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Arkansas Access to Justice Foundation, Inc. is a nonprofit corporation established for the purpose of receiving interest income generated by deposits in trust accounts for the benefit of clients maintained by attorneys practicing in the state of Arkansas; conducting fundraising; and utilizing revenues received from interest income and fundraising to support programs (1) that promote and support access to the justice system by persons in Arkansas who cannot afford a lawyer and for whom the law does not provide a right to counsel; (2) that educate the public regarding the needs of Arkansans related to meaningful access to the civil justice system; (3) that provide student loans and scholarships for the education of lawyers; (4) that improve the administration of justice in the State of Arkansas; and (5) that assist in support activities of institutions and organizations which improve the administration of justice, including, but not limited to, the Arkansas Access to Justice Commission, the Center for Arkansas Legal Services, Inc., and Legal Aid of Arkansas, Inc., to fulfill their missions of providing access to justice and legal aid to Arkansans who cannot afford a lawyer and who qualify for legal services; and (6) that carry out other purposes that may be approved from time to time by the Arkansas Supreme Court. The Foundation is the surviving organization of the merger between the Arkansas IOLTA Foundation and the Arkansas Access to Justice Foundation. Articles of Merger, which incorporated the Supreme Court's Order and Agreement of Merger between these two organizations, were filed with the Arkansas Secretary of State on December 18, 2013. The merger became effective on January 1, 2014.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the expense is incurred.

FINANCIAL STATEMENT PRESENTATION

The Organization reports information regarding its statement of assets, liabilities and net assets and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. The Organization has no permanently restricted net assets.

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The following is the composition of the combined amounts appearing in the financial statement at December 31, 2017:

Cash in banks	\$ 2,463,492
Securities firm money market account	501,980
Total	<u>\$ 2,965,472</u>

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and is depreciated over the useful life of each asset. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The Organization's equipment has a useful life of five to seven years.

It is the Organization's policy to capitalize all asset purchases greater than \$5,000 while expensing all asset purchases under \$5,000. Depreciation expense was \$1,557 for the year ended December 31, 2017.

ESTIMATES

Management uses estimates and assumptions in preparing financial statements. This will affect the reported amounts of assets and liabilities, disclosures, contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

FUNDRAISING

The Arkansas Access to Justice Foundation, Inc. serves as the lead organizer of an annual statewide private fundraising "Campaign for Legal Aid," which is operated in coordination with the Center for Arkansas Legal Services (CALS) and Legal Aid of Arkansas (LAA). Campaign activities include corporate solicitations, as well as individual solicitations conducted by email, mail, and in person. The Foundation may occasionally hold special events as well. Unless otherwise restricted, funds raised through the Campaign for Legal Aid are distributed to CALS and LAA. Included on the statement of activities were fundraising expenses of \$9,611.

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE (2) INVESTMENTS

Investments at December 31, 2017 consist of certificates of deposit and stocks:

Certificates of deposit	\$ 25,290
Stocks	<u>727,296</u>
Total	<u>\$ 752,586</u>

At December 31, 2017, the market value on the stocks was \$748,655, resulting in an unrealized gain of \$21,359 for the year ending December 31, 2017.

NOTE (3) CONCENTRATION OF CREDIT RISK

The Foundation maintains bank accounts and certificates of deposit at five different banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation also has a money market account of \$501,980 invested with a security firm. This money market account is not insured by the FDIC. The Foundation does not have any cash balances that exceed the \$250,000 FDIC coverage limit.

NOTE (4) FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Certificates of deposit	\$ 25,290	\$ -	\$ 25,290	\$ -
Marketable securities	<u>748,655</u>	<u>748,655</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 773,945</u>	<u>\$ 748,655</u>	<u>\$ 25,290</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets as of the reporting date. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Level 3 inputs are unobservable inputs for valuation where there is little, if any, market activity. The organization did not have any Level 3 inputs to report at this time. There have been no changes in valuation techniques and related inputs. Marketable securities are carried at cost on the Foundation's books.

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE (5) TEMPORARILY RESTRICTED ASSETS

During 2015, the Foundation received a donation from Bank of America in the amount of \$416,608 under the terms of a multi-state settlement for the sole purpose of providing funds to legal aid organizations in the state of Arkansas for foreclosure prevention legal assistance and community redevelopment legal assistance. Two additional distributions totaling \$4,073,632 were received in 2016. As of December 31, 2017, a total of \$1,166,286 in grants to legal aid had been made out of these funds, with \$3,322,948 remaining.

In 2016, the Foundation received two gifts restricted for particular purposes: one was a \$1,000 gift designated to serve as a prize for a new writing contest that the Foundation announced in 2017 but for which no award was paid out. The second was a \$5,000 for the Foundation to lead a series of expungement clinics. A total of \$1,961 of that gift remained unspent at the end of the year.

In December 2017, the Foundation received a total of \$650 in donations designated for distribution to its grantee organizations, as well as \$733 designated for its endowment fund at the Arkansas Community Foundation. Those donations were not distributed until the following month.

Finally, the Foundation began receiving funds in 2015, pursuant to a rule change adopted by the Arkansas Supreme Court in November, which provides for attorneys or firms with unclaimed or unidentifiable client trust account funds to remit those to the Foundation if they are unable to identify or locate the rightful owner. The provision permits attorneys who have remitted funds under the rule to seek a refund if, within two years of payment, the rightful owner of the funds is identified or located. Because the Foundation is required to maintain sufficient reserves to pay any such claims, the Foundation treats amounts received under the rule as temporarily restricted for two years from the date of receipt, and releases those restrictions after that.

Temporarily restricted assets totaled \$3,380,849 at December 31, 2017 and consist of the unspent funds from the Bank of America Settlement, the writing prize gift, the expungement clinic gift, funds received under the newly adopted Ark. R. Prof'l Conduct 1.15, and designated donations pending distribution.

NOTE (6) RENT EXPENSE

The Foundation signed a new agreement to sublease office space on a monthly basis beginning February 1, 2017. Payments were \$2,334 for the first year and increases annually by two percent (2%) each year. Rent expense was \$26,936 for the year ended December 31, 2017.

ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE (6) RENT EXPENSE (continued)

Future minimum lease payments under this lease are as follows:

For the year ending	Amount
12-31-18	\$ 35,733
12-31-19	36,926
12-31-20	37,480
12-31-21	38,047
12-31-22	38,633
12-31-23 and following	<u>82,354</u>
Total	<u>\$ 269,173</u>

NOTE (7) FEDERAL INCOME TAX

Arkansas Access to Justice Foundation, Inc. is a not-for-profit Arkansas corporation, granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); accordingly, no provision has been made for income taxes.

The Foundation has analyzed its tax positions with the Internal Revenue Service. As of December 31, 2017, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities before 2014.

NOTE (8) RELATED PARTY TRANSACTION

The purpose of Arkansas Access to Justice Foundation, Inc., as discussed in Note 1, provides assistance thru support activities for the Center for Arkansas Legal Services (CALs) and Legal Aid of Arkansas (LAA). Arkansas Access to Justice Foundation, Inc. contributed donor-designated funds to these organizations in the amount of \$17,525 for the year ending December 31, 2017.

The Foundation has a director who is also an employee of a bank in which the Foundation has an operating account. The Foundation also has another director who is a shareholder at a bank in which the Foundation has certificates of deposit and a money market account. Finally, the Foundation has a director who, through family, has an ownership interest in the investment firm where the Foundation has a brokerage account.

NOTE (9) EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 20, 2018, the date which the financial statements were available to be issued.