



ARKANSAS  
ACCESS TO  
JUSTICE  
REPRESENTING HOPE

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**

**FINANCIAL STATEMENTS -  
MODIFIED CASH BASIS**

**YEAR ENDED DECEMBER 31, 2021**

**with**

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Arkansas Access to Justice Foundation, Inc.  
Little Rock, Arkansas

### **Opinion**

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, 2021, and the related statement of activities – modified cash basis, statement of functional expenses – modified cash basis, and cash flow statement – modified cash basis 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 assets, liabilities, and net assets of Arkansas Access to Justice Foundation, Inc. as of December 31, 2021, and its support, revenue, and expenses for the year ended in accordance with the modified cash basis of accounting as described in Note 1.

### **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 Arkansas Access to Justice Foundation, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the 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 this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the modified cash basis 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 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 Arkansas Access to Justice 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 Arkansas Access to Justice 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.

*HCT CPAs & Advisors, PLLC*

Little Rock, Arkansas  
April 12, 2022

**FINANCIAL STATEMENTS**

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -  
MODIFIED CASH BASIS  
DECEMBER 31, 2021**

**Assets**

**Current Assets:**

Cash and Cash Equivalents	\$ 1,375,663
Investments, - at Cost	<u>682,993</u>
Total Current Assets	2,058,656

**Property Plant and Equipment:**

Office Equipment	16,862
Less Accumulated Depreciation	<u>(13,099)</u>
Total Property Plant and Equipment	3,763

**Other Assets:**

Security Deposit	2,229
Assets Held by Arkansas Community Foundation, - at Cost	<u>176,162</u>
Total Other Assets	<u>178,391</u>

Total Assets	<u>\$ 2,240,810</u>
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**Liabilities and Net Assets**

**Liabilities:**

Credit Card Payable	\$ <u>5,372</u>
Total Liabilities	5,372

**Net Assets:**

Net Assets Without Donor Restrictions	1,754,916
Net Assets With Donor Restrictions	<u>480,522</u>
Total Net Assets	<u>2,235,438</u>

Total Liabilities and Net Assets	<u>\$ 2,240,810</u>
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See accompanying notes.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.****STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Support:</b>			
Participants Income	\$ 455,581	\$ -	\$ 455,581
Donations	44,298	25,148	69,446
Unclaimed/Unidentifiable Funds	-	36,090	36,090
Other Income	10,538	-	10,538
Interest Income	5,195	-	5,195
Dividend Income	29,662	-	29,662
Gain on Sale of Investments	132,799	-	132,799
Net Assets Released from Restrictions	<u>689,058</u>	<u>(689,058)</u>	<u>-</u>
Total Revenues	<u>1,367,131</u>	<u>(627,820)</u>	<u>739,311</u>
<b>Expenses:</b>			
Program	715,212	-	715,212
Management and General	123,612	-	123,612
Fundraising	<u>13,948</u>	<u>-</u>	<u>13,948</u>
Total Expenses	<u>852,772</u>	<u>-</u>	<u>852,772</u>
Change in Net Assets	514,359	(627,820)	(113,461)
Net Assets at Beginning of Year	<u>1,240,557</u>	<u>1,108,342</u>	<u>2,348,899</u>
Net Assets at End of Year	<u>\$ 1,754,916</u>	<u>\$ 480,522</u>	<u>\$ 2,235,438</u>

See accompanying notes.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ 1,826	\$ -	\$ 1,826
Audit & CPA	-	7,950	-	7,950
Bank Charges	-	849	-	849
Board Meeting Expenses	-	224	-	224
Campaign for Legal Aid Distributions	41,950	-	-	41,950
Credit Card Processing	-	-	1,870	1,870
Depreciation	-	1,079	-	1,079
Designated Donation Distribution	19,058	-	-	19,058
Direct Mail	-	-	4,919	4,919
Donor Recognition	-	-	1,926	1,926
Dues & Subscriptions	-	2,127	-	2,127
Email Marketing	-	-	549	549
Endowment Fees	2,397	-	-	2,397
Event Expenses	-	-	969	969
Fendler Fellowship	1,941	-	-	1,941
Grants Paid	644,191	-	-	644,191
Insurance	-	1,883	-	1,883
Janitorial	-	1,908	-	1,908
Meals - Fundraising	-	-	215	215
Office Supplies	-	6,514	-	6,514
Outreach/Education	1,005	-	-	1,005
Postage	-	7,460	-	7,460
Pro Bono Outreach Clinics	3,253	-	-	3,253
Professional Services	-	31,910	-	31,910
Rent	-	38,214	-	38,214
Resource Development Contract	-	-	2,000	2,000
Software	-	15,847	-	15,847
Sponsorships	-	-	1,500	1,500
Telephone & Internet	-	4,553	-	4,553
Travel	-	726	-	726
Unclaimed Funds Paid	1,417	-	-	1,417
Website Hosting	-	542	-	542
	<u>\$ 715,212</u>	<u>\$ 123,612</u>	<u>\$ 13,948</u>	<u>\$ 852,772</u>

See accompanying notes.



**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021**

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ (113,461)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	1,079
Gain on Sale of Investments	(132,799)
Changes in Operating Assets and Liabilities:	
Credit Card Payable	3,832
Net Cash Used in Operating Activities	<u>(241,349)</u>

**Cash Flows from Investing Activities:**

Proceeds from Sale of Investments	612,401
Purchase of Investments	<u>(117,029)</u>
Net Cash Provided by Investing Activities	<u>495,372</u>

**Net Increase in Cash and Cash Equivalents**

254,023

**Cash and Cash Equivalents - Beginning of Year**

1,121,640

**Cash and Cash Equivalents - End of Year**

\$ 1,375,663

See accompanying notes.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**Organization**

Arkansas Access to Justice Foundation, Inc. (the “Foundation”) is a non-profit organization located in Little Rock, Arkansas and incorporated under the laws of the State of Arkansas. The Foundation’s mission is to receive 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 the 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; (5) 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; (6) 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 generally accepted accounting principles. That basis differs from generally accepted accounting principles in that revenues are recognized when received instead of when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

**Basis of Presentation**

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These donor-imposed stipulations neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundation. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in preparing the accompanying financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Areas of particular significance to the Foundation are those estimates related to the allocation of functional expenses. Accordingly, actual results could differ from those estimates and assumptions.

**Cash and Cash Equivalents**

For purposes of the statement of assets, liabilities and net assets - modified cash basis and the statement of cash flows - modified cash basis, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Included in cash is \$249,617 of donor-designated funds for 2021. The following is the composition of the cash amounts appearing the financial statements at December 31, 2021:

Cash in Banks	\$ 1,321,025
Securities Firm Money Market Account	28,702
Certificates of Deposit	<u>25,936</u>
Total	\$ <u>1,375,663</u>

**Property and Equipment**

The Foundation records property and equipment at cost and is depreciated over the useful life of each asset. Further, repairs and maintenance are charged to operations as incurred, while improvements that extend the estimated useful lives of assets in service are capitalized. Property and equipment are stated at cost or fair value at date of donation. The Foundation's equipment has a useful life of five to seven years.

It is the Organization's policy to capitalize all assets purchased greater than \$2,500 while expensing all assets purchased under \$2,500. Depreciation expense was \$1,079 for the year ended December 31, 2021.

**Functional Allocation of Expenses**

The cost of providing various programs and other expense have been summarized in the statement of functional expenses - modified cash basis. Costs that can be identified with the program or support service are charged directly to that category. Management and general expenses include those expenses that are not directly identifiable with any specific program or supporting service but provide for the overall support and direction of the Foundation. Fundraising expenses include expenses that are incurred in soliciting contributions, gifts, and grants.

**Contributions Revenue**

Unconditional contributions received are reported as increases in net assets without donor-imposed restrictions unless use of the related assets is limited by donor-imposed restrictions. When a restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are reported as revenues with donor restriction and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**Fundraising**

The Foundation 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 statements of activities - modified cash basis were fundraising expenses of \$13,948.

**Income Taxes**

The Foundation is a not-for-profit Arkansas corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of its income tax provision, if any. The past three years of exempt organization returns, along with the current year return, are subject to potential examination by taxing authorities.

**Subsequent Events**

The Foundation has evaluated all subsequent events for potential recognition and disclosure through April 12, 2022, the date these financial statements were available to be issued.

**Note 2: Investments**

Investments at December 31, 2021 are recorded at cost and consist of short-term investments at Stephens, Inc. in the amount of \$682,993 and other investments held at the Arkansas Community Foundation in the amount of \$176,162. At December 31, 2021, the combined cost for these investments was \$859,155.

**Note 3: Concentration of Credit Risk**

The Foundation maintains cash balances at several financial institutions located in Arkansas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. At various times during the year and as of December 31, 2021, the Foundation’s deposits in the financial institutions exceeded FDIC insurance limits. At December 31, 2021, the Foundation’s uninsured bank balances were approximately \$61,500. However, management does not believe the Foundation is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

**Note 4: Liquidity and Availability**

The Foundation’s revenues from monthly Interest on Lawyer Trust Account (IOLTA) revenues have historically been sufficient to cover operating needs, even during the worst interest rate environment in the Foundation’s history. Any revenues that exceed the Foundation’s operating and liquidity needs are typically set aside for grant making for the following year. The following reflects the Foundation’s financial assets as of December 31, 2021, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

Cash and Cash Equivalents	\$ 1,375,663
Investments - Cost	682,993
Assets Held by Arkansas Community Foundation - Cost	176,162
Other Assets	<u>2,229</u>
Total Financial Assets	2,237,047
Less Unavailable for General Expenditures within One Year:	
Cash with Donor-Imposed Restrictions	(249,617)
Investments with Donor-Imposed Restrictions	(229,120)
Other Assets	<u>(1,785)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 1,756,525</u>

**Note 5: Net Assets**

**Without Donor Restrictions**

The Board has designated certain investments to be used only for the support of program activities. The value of the assets designated by the Board as of December 31, 2021 was \$634,100 and is included in net assets without donor restrictions in the accompanying financial statements.

**With Donor Restrictions**

Net assets with donor restrictions consist of contributions received with donor-imposed restrictions limiting the use of contributed assets to a specific purpose. The contributions are transferred to without donor restriction net assets in the period the donor-stipulated purpose has been fulfilled. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors in the amount of \$689,058 during 2021. The following reflects the Foundation's net asset with donor restrictions that are available as of December 31, 2021:

Shafer Hope for Justice	\$ 1,000
Center for Arkansas Legal Services & Legal Aid of Arkansas	2,834
Orphan	241,456
Rose Law Firm	6,111
Bank of America	<u>229,121</u>
Net Assets with Donor Restrictions	<u>\$ 480,522</u>

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 restricted for two years from the date of receipt and releases those restrictions after that.

Also 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, 2021, a total of \$4,261,119 in grants to legal aid had been made out of these funds, with \$229,121 remaining.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**Note 6: Lease Expense**

The Organization signed an agreement to sublease office space on a monthly basis beginning February 1, 2017. Payments were \$2,334 beginning February 1, 2017 with a payment increase annually by two percent (2%) each year. The lease expires January 31, 2025. Lease expense was \$38,214 for the year ended December 31, 2021.

Future minimum payments required under the leases at December 31, 2021 are as follows:

2022	\$	38,633
2023		39,222
2024		39,810
2025		<u>3,322</u>
	\$	<u>120,987</u>