



ARKANSAS  
ACCESS TO  
JUSTICE  
REPRESENTING HOPE

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

**FINANCIAL STATEMENTS -  
MODIFIED CASH BASIS**

**YEAR ENDED DECEMBER 31, 2022**

**with**

**INDEPENDENT AUDITOR'S REPORT**



## **CONTENTS**

	<b><u>PAGE</u></b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements:</b>	
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Statement of Functional Expenses - Modified Cash Basis	5
Statement of Cash Flows - Modified Cash Basis	6
<b>Notes to Financial Statements – Modified Cash Basis</b>	7 - 12

## **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, 2022, 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, 2022, 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 audit. 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 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 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 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 14, 2023

## **FINANCIAL STATEMENTS**

# ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.

## STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2022

### Assets

#### **Current Assets:**

Cash and Cash Equivalents	\$ 1,748,534
Investments, - at Cost	330,684
Total Current Assets	<u>2,079,218</u>

#### **Property Plant and Equipment:**

Office Equipment	16,862
Leasehold Improvements	5,000
Less: Accumulated Depreciation	<u>(14,761)</u>
Total Property Plant and Equipment	7,101

#### **Other Assets:**

Security Deposit	2,229
Donated Assets	1,980
Assets Held by Arkansas Community Foundation, - at Cost	<u>194,324</u>
Total Property Plant and Equipment	198,533

#### **Operating Lease Right-of-Use Asset, Net**

	<u>80,894</u>
Total Assets	<u>\$ 2,365,746</u>

### Liabilities and Net Assets

#### **Current Liabilities:**

Current Portion of Operating Lease Liability	\$ 38,592
Credit Card Payable	<u>3,346</u>
Total Liabilities	41,938

#### **Operating Lease Liability, Less Current Portion**

#### **Net Assets:**

Net Assets Without Donor Restrictions	2,220,437
Net Assets With Donor Restrictions	<u>60,463</u>
Total Net Assets	<u>2,280,900</u>
Total Liabilities and Net Assets	<u>\$ 2,365,746</u>

See accompanying notes.

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

**STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Participants Income	\$ 607,257	\$ -	\$ 607,257
Donations	45,181	15,806	60,987
Orphan Funds	-	23,420	23,420
Other Income	14,995	-	14,995
Interest Income	3,535	-	3,535
Dividend Income	16,326	-	16,326
Loss on Sale of Investments	(39,715)	-	(39,715)
Net Assets Released from Restrictions	<u>459,285</u>	<u>(459,285)</u>	<u>-</u>
Total Revenues	<u>1,106,864</u>	<u>(420,059)</u>	<u>686,805</u>
<b>Expenses:</b>			
Program	446,622	-	446,622
Management and General	174,209	-	174,209
Fundraising	<u>20,512</u>	<u>-</u>	<u>20,512</u>
Total Expenses	<u>641,343</u>	<u>-</u>	<u>641,343</u>
Change in Net Assets	465,521	(420,059)	45,462
Net Assets at Beginning of Year	<u>1,754,916</u>	<u>480,522</u>	<u>2,235,438</u>
Net Assets at End of Year	<u>\$ 2,220,437</u>	<u>\$ 60,463</u>	<u>\$ 2,280,900</u>

See accompanying notes.

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

**STATEMENT OF FUNCTIONAL EXPENSES -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2022**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Advertising	\$ -	\$ 7,240	\$ -	\$ 7,240
Audit & CPA	-	8,895	-	8,895
Bank Charges	-	1,081	-	1,081
Board Meeting Expenses	-	6,790	-	6,790
Campaign for Legal Aid Distributions	42,765	-	-	42,765
Credit Card Processing	-	-	1,505	1,505
Depreciation	-	1,663	-	1,663
Designated Donation Distribution	6,970	-	-	6,970
Direct Mail	-	-	6,090	6,090
Donor Recognition	-	-	2,287	2,287
Dues & Subscriptions	-	4,138	-	4,138
Endowment Fees	2,468	-	-	2,468
Event Expenses	-	-	4,838	4,838
Fendler Fellowship	5,323	-	-	5,323
Grants Paid	372,095	-	-	372,095
Insurance	-	2,035	-	2,035
Janitorial	-	2,987	-	2,987
Meals - Fundraising	-	-	1,042	1,042
Miscellaneous	-	215	-	215
Office Supplies	-	10,325	-	10,325
Orphan Funds Paid	1,366	-	-	1,366
Outreach/Education	1,901	-	-	1,901
Postage	-	7,497	-	7,497
Pro Bono Outreach Clinics	3,284	-	-	3,284
Professional Services	-	35,640	-	35,640
Rent	-	39,452	-	39,452
Rose Law Fellowship	3,463	-	-	3,463
Software	-	24,623	-	24,623
Sponsorships	-	-	4,750	4,750
Statewide Pro Bono Portal	6,987	-	-	6,987
Telephone & Internet	-	4,105	-	4,105
Temporary Help	-	4,662	-	4,662
Travel	-	12,861	-	12,861
	<u>\$ 446,622</u>	<u>\$ 174,209</u>	<u>\$ 20,512</u>	<u>\$ 641,343</u>

See accompanying notes.



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

**STATEMENT OF CASH FLOWS -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2022**

**Cash Flows from Operating Activities:**

Change in Net Assets	\$	45,462
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation		1,663
Amortization of Operating Lease Right-Of-Use Asset		38,213
Loss on Sale of Investments		39,715
Changes in Operating Assets and Liabilities:		
Donated Assets		(1,980)
Credit Card Payable		(2,026)
Operating Lease Liability		<u>(37,607)</u>
Net Cash Used in Operating Activities		83,440

**Cash Flows from Investing Activities:**

Proceeds from Sale of Investments		407,261
Purchase of Investments		(112,829)
Purchases of Property and Equipment		<u>(5,001)</u>
Net Cash Provided by Investing Activities		<u>289,431</u>

**Net Increase in Cash and Cash Equivalents** 372,871

**Cash and Cash Equivalents - Beginning of Year** 1,375,663

**Cash and Cash Equivalents - End of Year** \$ 1,748,534

See accompanying notes.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

**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, 2022**

**Recently Adopted Accounting Standards**

In February of 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). In June of 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which defers the effective date of this standard to annual and interim periods beginning after December 15, 2021; however, early adoption was permitted for annual and interim reporting periods beginning after December 15, 2018. The standard requires the following:

Lessors – Leases are accounted for using an approach that is substantially equivalent to existing guidance for operating, sales-type and financing leases, but aligned with the revenue recognition standard. Lessors are required to allocate lease payments to separate lease and nonlease components of each lease agreement, with the non-lease components evaluated under the revenue recognition standard.

The Company adopted the provisions of the New Lease Standard as required January 1, 2022 using the modified retrospective adoption method, which requires all periods presented to adopt, utilizing the simplified transition option available in the New Lease Standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. The Company elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

In July 2018, the FASB issued an amendment to the lease standard, which includes a practical expedient that provides lessees an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. The Company elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard and elected the new transition option as of the date of adoption effective January 1, 2022.

See Note 6 for disclosures related to leases.

**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 and incremental borrowing rate used to record the right-of-use assets and operating lease liabilities. Accordingly, actual results could differ from those estimates and assumptions.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

**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 \$60,403 of donor-designated funds for 2022. The following is the composition of the cash amounts appearing the financial statements at December 31, 2022:

Cash in Banks	\$ 1,314,155
Securities Firm Money Market Account	34,379
Certificates of Deposit	<u>400,000</u>
Total	\$ <u>1,748,534</u>

Non-cash activities in 2022 consisted of recording the operating lease right-of-use asset and operating lease liability of \$119,107 with the implementation of ASU 2016-02, Leases (Topic 842).

**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 \$1,663 for the year ended December 31, 2022.

**Leases**

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use Asset, Current Operating Lease Liability, and Noncurrent Operating Lease Liability in the Statement of Assets, Liabilities and Net Assets-Modified Cash Basis. At December 31, 2022, the Company did not have any finance leases.

Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments. The Foundation uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, since the Foundation does not know the actual implicit rate in its lease. The Foundation gives consideration to its recent debt issuances when calculating its incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation combines lease and non-lease components for all asset groups. The Foundation's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors.

The Company has elected ASC 842's practical expedient for all leases with terms of 12 months or shorter. Under this practical expedient, the Company will not apply the recognition requirements of ASC 842 to short-term leases. These short-term lease payments will be expensed monthly, and a right-of-use asset and related lease liability will not be recorded on the balance sheet.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

**Functional Allocation of Expenses**

The cost of providing various programs and other expenses 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 restrictions and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

**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 \$20,512.

**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 14, 2023, the date these financial statements were available to be issued.

**Note 2: Investments**

Investments at December 31, 2022 are recorded at cost and consist of short-term investments at Stephens, Inc. in the amount of \$330,684 and other investments held at the Arkansas Community Foundation in the amount of \$194,324. At December 31, 2022, the combined cost for these investments was \$525,008.

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

**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, 2022, the Foundation's deposits in the financial institutions exceeded FDIC insurance limits. At December 31, 2022, the Foundation's uninsured bank balances were approximately \$38,000. 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. 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, 2022, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions.

Cash and Cash Equivalents	\$ 1,748,534
Investments - Cost	330,684
Assets Held by Arkansas Community Foundation - Cost	194,324
Other Assets	<u>4,209</u>
Total Financial Assets	2,277,751
Less Unavailable for General Expenditures within One Year:	
Cash with Donor-Imposed Restrictions	(60,403)
Other Assets	<u>(4,209)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 2,213,139</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, 2022 was \$763,486 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 \$459,285 during 2022. The following reflects the Foundation's net asset with donor restrictions that are available as of December 31, 2022:

Shafer Hope for Justice	\$ 1,000
Center for Arkansas Legal Services & Legal Aid of Arkansas	2,629
Orphan	54,072
Rose Law Firm	1,772
Silent Auction	60
Scipio Jones	<u>930</u>
Net Assets with Donor Restrictions	<u>\$ 60,463</u>

**ARKANSAS ACCESS TO JUSTICE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

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, 2022, all of the Bank of America grants for legal aid has been paid and the fund has concluded.

**Note 6: Operating Lease**

The Foundation leases office space used in its operations under an operating lease agreement. 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 \$39,452 for the year ended December 31, 2022.

Future minimum maturities of lease liabilities are as follows at December 31, 2022:

2023	\$ 39,222
2024	39,810
2025	<u>3,322</u>
Total Lease Payments	82,354
Less Imputed Interest	<u>(854)</u>
Total Lease Obligations	81,500
Less Current Operating Lease Liability	<u>(38,592)</u>
Long-Term Operating Lease Liability, Less Current Portion	<u>\$ 42,908</u>

Average operating lease term and discount rate on December 31, 2022, was as follows:

Weighted Average Remaining Lease Term (Years)	2.08
Weighted Average Discount Rate	1.04%

The following summarizes cash paid for operating lease liabilities and other non-cash information as of December 31, 2022:

Cash paid for amounts included in the measurement of operating lease liability	\$ 38,633
Right-of-use assets obtained in exchange for operating lease obligations	\$ 119,107