

MAINE JUSTICE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

MAINE JUSTICE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Maine Justice Foundation

We have audited the accompanying financial statements of Maine Justice Foundation (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of September 30, 2019, and the related statements of revenue and support, expenses and other changes in net assets - modified cash basis and functional expenses - 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.

Auditors' 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Maine Justice Foundation as of September 30, 2019, and changes in its net assets 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 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.

Other Matter – Prior Year Financial Statements

The 2018 financial statements of Maine Justice Foundation as of and for the year ended September 30, 2018 were audited by Dawson, Smith, Purvis and Bassett, P.A. whose practice was combined with Marcum LLP as of January 2, 2019, and whose report dated December 19, 2018, expressed an unmodified opinion on those financial statements.

Marcum LLP

February 18, 2020
Portland, ME

MAINE JUSTICE FOUNDATION

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents		
Operating	\$ 208,938	\$ 55,662
Frank Coffin Fellowship	65,732	65,274
Campaign for Justice	168,147	254,249
	442,817	375,185
Property and Equipment		
Land, Building and Improvements	181,581	181,581
Furniture and Equipment	24,725	24,725
	206,306	206,306
Less: Accumulated Depreciation	99,041	93,159
	107,265	113,147
Other Assets		
Board designated investment held for long-term purposes	256,544	248,721
Investments with donor restrictions	4,737,335	5,207,458
	4,993,879	5,456,179
Total Assets	\$ 5,543,961	\$ 5,944,511
Net Assets		
Without donor restrictions	575,151	419,470
With donor restrictions	4,968,810	5,525,041
	5,543,961	5,944,511
Total Net Assets	\$ 5,543,961	\$ 5,944,511

The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

STATEMENTS OF REVENUE AND SUPPORT, EXPENSES AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
IOLTA contributions	\$ 1,012,303	\$ --	\$ 1,012,303	\$ 744,028	\$ --	\$ 744,028
Frank Coffin Fellowship contributions	--	154,687	154,687	--	120,492	120,492
Campaign for Justice	--	540,700	540,700	--	677,830	677,830
Downing Fund contributions	--	4,490	4,490	--	600	600
Other contributions	12,084	58,650	70,734	3,199	108,224	111,423
Investment income	33,910	107,434	141,344	48,377	109,200	157,577
Net realized and unrealized investment gains (losses)	--	35,561	35,561	--	467,159	467,159
Rental income	6,150	--	6,150	6,000	--	6,000
Other income	--	--	--	591	--	591
Net Assets Released from Restrictions	<u>1,457,753</u>	<u>(1,457,753)</u>	<u>--</u>	<u>1,444,148</u>	<u>(1,444,148)</u>	<u>--</u>
Total Revenue and Support, and Net Assets Released from Restrictions	<u>2,522,200</u>	<u>(556,231)</u>	<u>\$ 1,965,969</u>	<u>2,246,343</u>	<u>39,357</u>	<u>2,285,700</u>
Expenses						
Program services	1,912,635	--	1,912,635	1,836,528	--	1,836,528
Management and general	137,630	--	137,630	110,946	--	110,946
Fundraising	316,254	--	316,254	308,567	--	308,567
	<u>2,366,519</u>	<u>--</u>	<u>2,366,519</u>	<u>2,256,041</u>	<u>--</u>	<u>2,256,041</u>
Excess of Revenue and Support over Expenses	155,681	(556,231)	(400,550)	(9,698)	39,357	29,659
Net Assets, Beginning of Year	<u>419,470</u>	<u>5,525,041</u>	<u>5,944,511</u>	<u>429,168</u>	<u>5,485,684</u>	<u>5,914,852</u>
Net Assets, End of Year	<u>\$ 575,151</u>	<u>\$ 4,968,810</u>	<u>\$ 5,543,961</u>	<u>\$ 419,470</u>	<u>\$ 5,525,041</u>	<u>\$ 5,944,511</u>

The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program		Fund Raising		Total
	Service Expenses	Management and General	CFJ	Other	
Salaries and wages	\$ 77,875	\$ 64,581	\$ 105,450	\$ 83,136	\$ 331,042
Pension plan contributions	5,446	4,512	7,387	5,824	23,169
Other employee benefits	10,763	5,517	20,220	9,730	46,230
Payroll taxes	5,991	4,968	8,113	6,396	25,468
Grants and other assistance	1,787,107	--	--	--	1,787,107
Property taxes	265	220	359	283	1,127
Consulting fees	11,142	560	--	11,975	23,677
Accounting fees	339	12,680	460	364	13,843
Credit card fees	--	--	7,903	--	7,903
Investment fees	--	26,497	--	--	26,497
Supplies	--	3,121	1,291	--	4,412
Telephone	1,818	1,582	2,846	1,756	8,002
Postage	--	903	1,789	1,761	4,453
Occupancy	3,112	2,581	4,214	3,323	13,230
Equipment rental and maintenance	2,132	1,768	2,887	2,276	9,063
Printing and publications	--	343	3,395	3,243	6,981
Travel	1,152	1,191	1,927	1,864	6,134
Conferences, meetings and events	--	991	4,042	1,311	6,344
Depreciation	1,384	1,147	1,874	1,477	5,882
Insurance	276	2,567	373	294	3,510
Awards	--	650	--	2,744	3,394
Membership and subscriptions	3,833	855	--	865	5,553
Miscellaneous	--	396	85	3,017	3,498
	<u>\$ 1,912,635</u>	<u>\$ 137,630</u>	<u>\$ 174,615</u>	<u>\$ 141,639</u>	<u>\$ 2,366,519</u>

The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program		Fund Raising		Total
	Service Expenses	Management and General	CFJ	Other	
Salaries and wages	\$ 96,959	\$ 35,798	\$ 105,618	\$ 81,103	\$ 319,478
Pension plan contributions	6,996	2,626	3,472	4,706	17,800
Other employee benefits	10,861	3,661	14,391	9,095	38,008
Payroll taxes	7,621	2,814	8,302	6,374	25,111
Grants and other assistance	1,689,411	--	--	--	1,689,411
Property taxes	316	117	344	265	1,042
Consulting fees	8,861	7,663	--	10,190	26,714
Accounting fees	386	12,333	421	322	13,462
Credit card fees	--	--	8,791	--	8,791
Investment fees	--	25,623	--	--	25,623
Supplies	--	2,703	2,083	--	4,786
Telephone	1,807	680	2,247	1,381	6,115
Postage	--	1,009	2,482	1,498	4,989
Occupancy	4,960	1,831	5,403	4,149	16,343
Equipment rental and maintenance	2,590	956	2,821	2,166	8,533
Printing and publications	--	368	4,627	4,336	9,331
Travel	3,691	1,440	3,918	2,482	11,531
Conferences, meetings and events	--	3,223	2,691	4,191	10,105
Depreciation	1,798	664	1,958	1,503	5,923
Insurance	271	2,456	579	226	3,532
Awards	--	1,168	--	687	1,855
Membership and subscriptions	--	3,541	--	225	3,766
Miscellaneous	--	272	145	3,375	3,792
	<u>\$ 1,836,528</u>	<u>\$ 110,946</u>	<u>\$ 170,293</u>	<u>\$ 138,274</u>	<u>\$ 2,256,041</u>

The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

The Maine Justice Foundation (the Foundation) is a not-for-profit organization established in 1983 by the Maine State Bar Association to increase access to justice for low income and vulnerable Mainers and to support and encourage the legal profession's commitment to law-related public service. The Foundation's mission is supported through the Interest on Lawyers' Trust Accounting Program (IOLTA), annual fundraising within the Bar through the Campaign for Justice, endowments, and other funds. The Foundation receives these funds and distributes grants to other organizations that provide civil legal aid services, legal education, or otherwise meet the Foundation's mission.

BASIS OF ACCOUNTING

The Foundation prepares its financial statements on the modified cash basis of accounting, except that the financial statements include a provision for depreciation of property and equipment and recording investments at fair value rather than cost. Under the modified cash basis of accounting, revenue is recognized when collected rather than earned, and expenditures are generally recognized when paid rather than when incurred.

ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARD

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-14 ("ASU 2016-14"), *Not-For-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, enhances disclosures about management of liquid resources available to meet cash needs for general expenditures within one year of the statement of assets, liabilities and net assets date. The Foundation adopted the provisions of this guidance on October 1, 2018.

Certain reclassifications have been made to the 2018 financial statements in order to conform with the 2019 presentation and disclosure requirements of ASU 2016-14.

BASIS OF PRESENTATION

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions represent those assets that are not subject to donor-imposed stipulations or releases from donor restricted net assets designated for stipulated activities or programs.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent those net assets of a not-for-profit entity that is subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from (1) the nature of the not-for-profit entity, (2) the environment in which it operates, and/or (3) the purpose specified in its articles of incorporation or bylaws or comparable documents. Some donors impose restrictions that are temporary in nature, for example stipulating that resources be used after a specified date, for particular programs or services. Other donors impose restrictions which are perpetual in nature, for example, stipulating that resources be maintained in perpetuity.

Net realized and unrealized gains and losses on investments are allocated to net assets with donor restrictions. In the event that the balance of net realized and unrealized gains included in net assets with donor restrictions is reduced to zero, any remaining losses shall be allocated to net assets without donor restrictions.

CASH AND CASH EQUIVALENTS

All highly liquid savings deposits and investments with maturities of three months or less when purchased are considered to be cash equivalents.

INVESTMENT VALUATION AND REVENUE RECOGNITION

The Foundation's investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales are recorded on a trade-date basis. Interest and dividend income is recognized as received. Realized gains and losses are determined by a comparison of specific costs of the investment's acquisition to the proceeds at the time of its sale. Unrealized gains or losses are determined by comparison of the investment's acquisition cost to its fair value of year-end.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS

The Foundation provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair values. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quoted prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quoted intervals)
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Money Market and Mutual Funds: Valued at fair value, which equals the quoted market price at year-end using the share values of the funds reported.

U.S Government Obligations, Common Stocks and Exchange Traded Funds: Valued at quoted market prices in an active exchange market which are considered Level 1 measurement inputs.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or fair value if donated less accumulated depreciation. The Foundation's policy is to capitalize expenditures for major improvements and charge maintenance and repairs for expenditures which do not increase the useful lives of existing equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years.

Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the statements of revenue and support, and expenses and changes in net assets – modified cash basis.

Donations of property and equipment are recorded as contributions at their estimated value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

REVENUE RECOGNITION

The Foundation recognizes revenues and other program revenues in the period in which the funds are received.

Contributions received are recorded as with donor restriction or without donor restriction, depending on the existence or nature of donor restrictions. When a restriction has been met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of revenue and support, expenses and changes in net assets – modified cash basis as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as without donor restrictions.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs associated with program expenses, management and general expenses, and fundraising expenses have been summarized on a functional basis in the statements of functional expenses--modified cash basis. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Salaries and benefits are allocated based on specific time allocation. Other expenses are allocated by the percentage of payroll expenses of the related department.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect some reported amounts. Actual results could differ from those estimates.

INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under the meaning of Section 509(a)(2) of the Internal Revenue Code. There was no unrelated business income for 2018 or 2017. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties paid associated with unrecognized tax positions if any, would be classified as interest expense and additional income taxes, respectively in the statement of revenue and support, expenses and changes in net assets – modified cash basis. The Foundation did not identify any uncertain tax positions at September 30, 2019 or 2018. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through February 18, 2020, the date these financial statements were available to be issued and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2 – CONCENTRATION OF CREDIT RISK

CREDIT RISK

The Foundation maintains cash balances at one financial institution. Accounts at this financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in certain accounts often exceed this amount. The Foundation is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. The financial stability of the institution is continually monitored by management.

MARKET VALUE RISK

The Foundation invests in stocks, mutual funds and fixed income securities. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 3 – INVESTMENTS

The cost and fair value of the Foundation's investments reported at fair value on a recurring basis are as follows at September 30:

	As of September 30, 2019			
	Cost	Fair Value Measurement Level 1	Fair Value Measurement Level 3	Fair Value Total
Money market funds	\$ 620,767	\$ 620,767	\$ --	\$ 620,767
U.S. Government obligations	194,657	194,309	--	194,309
Corporate bonds	508,767	507,748	--	507,748
Corporate stock	1,932,518	2,783,846	--	2,783,846
Mutual funds	<u>679,609</u>	<u>887,209</u>	<u>--</u>	<u>887,209</u>
Total investments	<u>\$ 3,936,318</u>	<u>\$ 4,993,879</u>	<u>\$ --</u>	<u>\$ 4,993,879</u>

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 3 – INVESTMENTS (CONTINUED)

	As of September 30, 2018			
	Cost	Fair Value Measurement Level 1	Fair Value Measurement Level 3	Fair Value Total
	Cost	Level 1	Level 3	Total
Money market funds and certificate of deposits	\$ 418,621	\$ 418,621	\$ --	\$ 418,621
U.S. Government obligations	190,495	187,554	--	187,554
Corporate bonds	793,929	771,870	--	771,870
Corporate stock	2,104,132	3,027,623	--	3,027,623
Preferred stock	14,335		13,781	13,781
Mutual funds	<u>847,523</u>	<u>1,036,730</u>	<u>--</u>	<u>1,036,730</u>
Total investments	<u>\$ 4,369,035</u>	<u>\$ 5,442,398</u>	<u>\$ 13,781</u>	<u>\$ 5,456,179</u>

NOTE 4 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without restrictions are as follows as of September 30:

	2019	2018
Undesignated	\$ 318,607	\$ 170,749
Amount Designated by the Board of Directors	<u>256,544</u>	<u>248,721</u>
Total Net Assets Without Donor Restrictions	<u>\$ 575,151</u>	<u>\$ 419,470</u>

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions may be expended for, at September 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Coffin Fellowship	\$ 63,791	\$ 63,334
Wernick Fund	14,461	13,441
Howard Dana Fund	13,142	13,638
Campaign for Justice	168,147	254,249
ESO Endowment	616,939	684,500
BOA Settlement	752,331	1,206,661
Bar Fellows	273,675	284,585
Roux Endowment	19,767	21,266
LGBT Endowment	5,743	5,740
Levey/Brown Endowment	3,666	3,133
Downing Fund	9,306	5,302
	<u>\$1,940,968</u>	<u>\$2,555,849</u>
 Subject to Organization Spending Policy and Appropriation:		
Investment in perpetuity which, once appropriated, is expendable to support:		
Wernick Fund	\$ 20,000	\$ 20,000
ESO Endowment	2,000,000	2,000,000
Bar Fellows	744,445	693,970
Howard Dana Fund	39,768	38,768
Roux Endowment	140,737	140,737
LGBT Endowment	44,078	38,003
Levey/Brown Endowment	38,814	37,714
	<u>3,027,842</u>	<u>2,969,192</u>
 Total Net Assets With Donor Restrictions	<u>\$4,968,810</u>	<u>\$5,525,041</u>

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 6 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended September 30, as follows:

	2019	2018
Purpose Restrictions Accomplished:		
Coffin Fellowship	\$ 154,575	\$ 129,937
Wernick Fund	--	1,168
Howard Dana Fund	2,106	1,728
Campaign for Justice	627,701	741,755
ESO Endowment	150,117	153,044
BOA Settlement	470,569	369,061
Bar Fellows	43,409	41,756
Roux Endowment	6,058	4,971
LGBT Endowment	1,776	212
Levey/Brown Endowment	792	516
Downing Fund	650	--
	<hr/>	<hr/>
Total Net Assets Released From Donor Restrictions	<u>\$1,457,753</u>	<u>\$1,444,148</u>

NOTE 7– ENDOWMENT

The Foundation's endowment consists of board-designated endowment funds and donor-restricted endowment funds. As required by accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Maine and effective as of July 1, 2009, and its own governing policies for donor-restricted endowment funds and board-designated reserves. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7—ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

As a result of this interpretation, the Foundation classifies as donor restricted in perpetuity net assets (a) the original value of gifts donated to the permanently donor-restricted endowment (b) the original value of subsequent gifts to the permanent donor-restricted endowment, and (c) accumulations to the permanent donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation's investment and spending policies for donor-restricted endowment assets and board-designated reserves attempt to provide a predictable stream of funding to programs supported by its donor-restricted endowment and board-designated reserves while seeking to maintain purchasing power of the donor-restricted endowment assets and board-designated reserves. Donor-restricted endowment assets and board-designated reserves are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, including dividends, for equities and the Intermediate Treasury Bond Index for fixed income investments while assuming a moderate level of investment risk.

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 objectives within prudent risk constraints.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7— ENDOWMENT (CONTINUED)

SPENDING POLICY AND HOW INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has various temporarily and permanently donor-restricted funds held in three separate investment accounts.

Contributions have been made to two funds, the Bank of America Fund and the Thomas P. Downing Jr. Fund, the gifts to which are temporarily restricted until disbursed for expenditures related to the purpose of the funds.

Contributions have been made to certain permanently restricted funds as follows: ESO Endowment Fund, Sidney W. Wernick Lecture Fund, Bar Fellows Endowment Fund, Justice Howard H. Dana Fund, James M. Roux Fund, LGBT Justice Fund and the Michael J. Levey and Michael S. Brown Fund. The earnings for these funds are temporarily restricted pending disbursement for the purpose of the funds.

Except for the foregoing, all of the net assets of the Foundation are unrestricted and available for its operations. All unrestricted net assets are classified as long-term reserve. The Board has not budgeted for any expenditures from reserves for 2019. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets to be held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

ENDOWMENT COMPOSITION AND CHANGES

Endowment net asset composition by type of fund as of September 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	\$ 4,737,335	\$ 4,737,335
Board-designated reserves	<u>256,544</u>	<u>--</u>	<u>256,544</u>
Total Funds	<u>\$ 256,544</u>	<u>\$ 4,737,335</u>	<u>\$ 4,993,879</u>

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7— ENDOWMENT (CONTINUED)

ENDOWMENT COMPOSITION AND CHANGES (CONTINUED)

Changes in endowment net assets for the years ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning	\$ 248,721	\$ 5,207,458	\$ 5,456,179
Investment return, net	7,823	142,995	150,818
Contributions	--	90,158	90,158
Appropriation of endowment assets for expenditure	--	(703,276)	(703,276)
Net Change	7,823	(470,123)	(462,300)
Endowment Net Assets			
Ending	\$ 256,544	\$ 4,737,335	\$ 4,993,879

Endowment net asset composition by type of fund as of September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ --	\$ 5,207,458	\$ 5,207,458
Board-designated reserves	248,721	--	248,721
Total Funds	\$ 248,721	\$ 5,207,458	\$ 5,456,179

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7— ENDOWMENT (CONTINUED)

ENDOWMENT COMPOSITION AND CHANGES (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning	\$ 225,040	\$ 5,095,315	\$ 5,320,355
Investment return, net	23,689	575,777	599,466
Contributions	4,976	108,824	113,800
Appropriation of endowment assets for expenditure	(4,984)	(572,458)	(577,442)
Net Change	23,681	112,143	135,824
Endowment Net Assets			
Ending	\$ 248,721	\$ 5,207,458	\$ 5,456,179

Description of amounts classified as net assets with donor restrictions as of September 30 are as follows:

	2019	2018
Net Assets With Donor Restrictions:		
Original donor-restricted endowment gift and amounts required to be retained by donor	\$ 3,027,842	\$ 2,969,192
Accumulated investment gains on endowment funds (with purpose restriction)	1,709,493	2,238,266
Total Endowment Funds Classified as Net Assets		
With Donor Restrictions	\$ 4,737,335	\$ 5,207,458

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation plans to review and update its spending policies to clarify what actions it will take in the event endowment funds go under water. There were no such deficiencies as of September 30, 2019 and 2018, respectively.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 8 – IOLTA CONTRIBUTIONS

The Foundation is supported primarily through income earned from the Interest on Lawyers' Trust Accounts (IOLTA). Under Maine's IOLTA Program, participating attorneys receiving certain client trust funds, which would not otherwise earn distributive interest, are deposited in a special pooled account. The interest earnings from the accounts are paid to the Foundation and represent IOLTA revenue. Approximately 51% and 33% of the Foundation's total support and other revenue for the years ended September 30, 2019 and 2018, respectively, came from interest earned on IOLTA accounts.

NOTE 9 – GRANTS AND OTHER PROGRAMS

The Foundation distributes grants to organizations, which provide legal services, education and other services that fall within the Foundation's mission.

Grants and other program expenses are comprised of the following:

	2019	2018
Annual grants	\$ 565,000	\$ 409,400
Discretionary grants	547,344	486,775
Campaign for Justice grants	486,049	620,414
Frank Coffin Fellowship	142,575	129,937
JAG	5,248	3,285
Loan Repayment Assistance Program	35,391	34,600
Other grants assistance	5,500	5,000
	<u>\$ 1,787,107</u>	<u>\$ 1,689,411</u>

The following annual grants were made during the years ended September 30, 2019 and 2018:

	2019	2018
Pine Tree Legal Assistance	\$ 75,596	\$ 48,144
Legal Services for the Elderly	78,000	57,720
Cumberland Legal Aid Clinic	33,600	24,864
Maine Equal Justice Project	104,396	77,256
Immigrant Legal Advocacy Project	67,620	49,124
Volunteer Lawyers Project	205,788	152,292
	<u>\$ 565,000</u>	<u>\$ 409,400</u>

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 9 – GRANTS AND OTHER PROGRAMS (CONTINUED)

The following discretionary grants were made during the years ended September 30, 2019 and 2018:

	2019	2018
Legal Services for the Elderly	\$ 156,394	\$ 145,000
Volunteer Lawyers Project	57,987	52,952
Pine Tree Legal Assistance	100,573	100,000
University of Maine School of Law Foundation	37,300	31,275
Immigrant Legal Advocacy Project	97,428	60,000
Maine Equal Justice Project	87,237	76,000
Cumberland Legal Aid Clinic	10,417	21,048
Other	8	500
	<u>\$ 547,344</u>	<u>\$ 486,775</u>

NOTE 10 – CAMPAIGN FOR JUSTICE

Created in 2004, the Campaign for Justice (the "Campaign") is an annual statewide fundraising effort to raise money on behalf of six civil legal aid providers to increase access to legal services for low-income and elderly people in Maine. The providers consist of Pine Tree Legal Assistance, Legal Services for the Elderly, Maine Equal Justice Partners, Immigrant Legal Advocacy Project, the Cumberland Legal Aid Clinic and the Volunteer Lawyers Project (collectively referred to as "the Providers"). The Foundation, through an operational agreement with the Providers, provides annual funding and administrative assistance to the Campaign for Justice. Funds received each year from the Campaign are divided as follows:

- First, to pay direct costs of the Campaign identified in the campaign budget or otherwise approved by the Campaign steering committee;
- Second, to maintain a separate reserve fund not to exceed \$25,000 to cover anticipated campaign expenses for future years;
- Third, to allocate and disburse to the Providers funding each year in accordance with the allocation formula outlined in the operational agreement.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 10 – CAMPAIGN FOR JUSTICE (CONTINUED)

The following Campaign funds were allocated to the Providers for the years ended September 30, 2019 and 2018:

	2019	2018
Pine Tree Legal Assistance	\$ 185,468	\$ 238,060
Cumberland Legal Aid Clinic	10,425	--
Legal Services for the Elderly	84,344	108,270
Maine Equal Justice Partners	71,857	94,170
Immigrant Legal Advocacy Project	48,228	44,894
University of Maine School of Law Foundation	--	21,425
Volunteer Lawyers Project	85,727	113,595
	<u>\$ 486,049</u>	<u>\$ 620,414</u>

NOTE 11 – LOAN REPAYMENT ASSISTANCE PROGRAM

The Loan Repayment Assistance Program (LRAP) makes loans to assist new lawyers committed to public service positions to defray the costs of law school debt. Loans are forgiven when attorneys complete a term of service in a public non-profit legal assistance office.

NOTE 12 – PENSION PLAN

The Foundation has a defined contribution pension plan covering employees meeting certain age and service requirements. Employer contributions are not to exceed 7% of the total compensation earned by plan participants for the year. Pension plan expense totaled \$23,169 and \$17,799 for the years ended September 30, 2019 and 2018, respectively.

The Foundation also has a 401(k) plan covering employees meeting certain age and service requirements. This Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation may, at its sole discretion, elect to make employer contributions for any plan year. The Foundation made no discretionary contributions during 2019 or 2018.

During 2018, the Foundation self-reported to the Department of Labor regarding retirement plan contributions that had not been made for former part-time employees. The Foundation received a response letter from the Department of Labor accepting the method of correction and estimates the correction contribution to be approximately \$37,500.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 13 – LINE OF CREDIT

During year ended September 30, 2018, the Foundation entered into a \$50,000 line of credit with an interest rate equal to the Wall Street Journal Prime Rate (4.75% and 5.25% at September 30, 2019 and 2018, respectively), but never below 4.00%. The line of credit balance was \$0 at September 30, 2019 and 2018.

NOTE 14 – LEASE COMMITMENTS

LEASE INCOME

The Foundation leases a portion of the building to a third party tenant. The lease agreement is for one year with a monthly rent of \$500. Rental income for the years ended September 30, 2019 and 2018 was \$6,150 and \$6,000, respectively.

LEASE EXPENSE

The Foundation leases a copier and other office equipment on a month-to-month basis. Rent expense for the equipment for the years ended September 30, 2019 and 2018 was \$3,970 and \$3,951, respectively.

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have fluctuations during the year attributable to timing of payment of fees. The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use within one year of the statements of assets, liabilities and net assets – modified cash basis date. Amounts not available include net assets with donor-imposed restrictions.

MAINE JUSTICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	<u>2019</u>	<u>2018</u>
Financial assets available at year-end:		
Cash and cash equivalents	\$ 442,817	\$ 375,185
Investments	<u>4,993,879</u>	<u>5,456,179</u>
Total financial assets available within one year	<u>5,436,696</u>	<u>5,831,364</u>
Less:		
Amounts unavailable for general expenditures within one year due to donor restrictions	<u>4,968,810</u>	<u>5,525,041</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 467,886</u>	<u>\$ 306,323</u>

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions, interest fees and other revenues, by utilizing donor-restricted resources and prior years' gifts and by appropriating the investment return on its board-designated and donor-restricted endowments, as needed. To manage liquidity, the Foundation maintains a line of credit of \$50,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 13 for further description of this line. The statements of revenue and support, expenses and other changes in net assets – modified cash basis identifies the sources and uses of the Foundation's cash and shows net cash provided by excess of revenue and support over expenses of \$(400,550) and \$29,659 for the years ended September 30, 2019 and 2018, respectively.