



April 8, 2024

VIA EMAIL AND FIRST-CLASS MAIL

The Honorable Valerie Stanfill, Chief Justice
Maine Supreme Judicial Court
Capital Judicial Center
1 Court Street, Suite 40
Augusta, ME 04330

Dear Chief Justice Stanfill:

As provided by Maine Bar Rule 6(e), amended effective July 1, 2019, the Maine Justice Foundation respectfully submits the enclosed Annual Financial IOLTA Report. The Rule requires that the Foundation “shall complete a financial analysis of the IOLTA funds received and distributed by the Foundation during the previous calendar year and shall prepare an Annual Financial Report that will be available to the public.” The Foundation will post this report on the Maine Justice Foundation website for public view. The rule provides that the following Annual Financial Report must be submitted to the Court on or before April 15 of each year and shall:

- 1) be prepared according to generally accepted accounting principles;
- 2) include the specific allocation of IOLTA funds to providers, programs, and projects;
- 3) include the total funds set aside for reserves;
- 4) include total IOLTA funds allocated to the Foundation’s administrative costs; and
- 5) include categories of rates paid by participating financial institutions.

I. 2023 IOLTA Accounting

The 2023 Annual Financial Report is based on the Foundation’s October 1-September 30 fiscal year, rather than the calendar year referenced in the IOLTA rule. This is consistent with prior annual financial reports produced by the Foundation per Maine Bar Rule 6(e) as the difference between the Foundation’s fiscal year and the calendar year is not material. Enclosed is the Independent Auditor’s Report and Financial Statements prepared by Nicholson, Michaud & Nadeau. *See Tab 1 – Audit Report.* Consistent with years past, we are pleased to report that the Foundation received an unqualified audit opinion, namely, the financial statements fairly represent the financial position of the Foundation as of September 30, 2023, in accordance with generally accepted accounting principles in the United States.

II. Allocation of IOLTA Funds to Providers, Programs and Projects

A. FY 2023 Budgeted Distributions to Legal Service Providers

Given material growth of IOLTA income and supplemental distributions the prior year, the Foundation’s Board of Directors approved a FY 2023 budget projecting IOLTA income of \$960,000

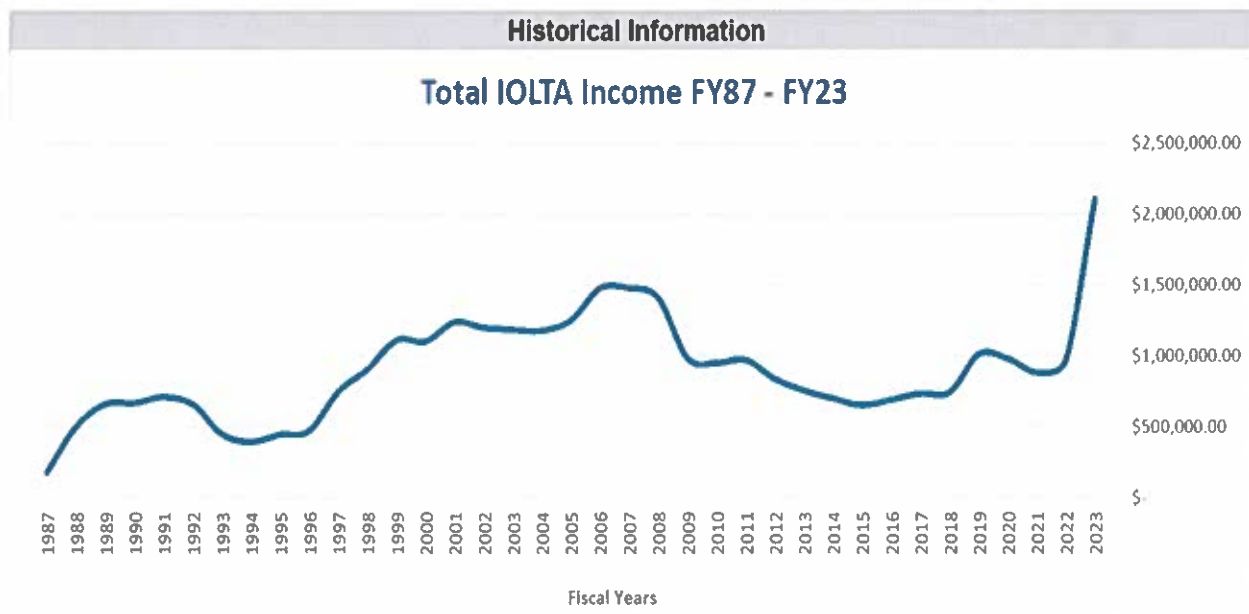
with \$754,038 budgeted for FY 2023 grants. The FY 2023 budget was approved in September 2022, just prior to the beginning of FY 2023 on October 1. Factors contributing to the IOLTA income projections in the budget included the prior year’s performance, an upward and consistent trend of IOLTA income due to rising interest rates, and a positive prospective economic outlook.

B. Supplemental Distribution of FY 2022 Funds in Early CY 2023

As reported in last year’s annual report, actual FY 2022 IOLTA income totaled \$973,621, well in excess of budgeted income of \$720,000. Accordingly, in February 2023, the Foundation’s Board of Directors approved an additional distribution of surplus FY 2022 IOLTA funds totaling \$78,295 to the providers. This supplemental distribution occurred in the second quarter of FY 2023 because the Foundation Board wanted to await the audit financials and monitor stability of rising income. Because income levels remained stable during the first two quarters of FY 2023, the supplemental distribution of FY 2022 funds was approved and allocated. In total, budgeted and supplemental IOLTA distributions made in FY 2023 to the six legal service providers was \$832,333.¹ Additionally, the Foundation Board also approved that \$78,295 be placed in IOLTA reserves following FY 2023. It is worth noting that the total of \$832,333 of IOLTA disbursements made in FY 2023 was 37% greater than the total IOLTA disbursement of \$606,156 in FY 2022 and the highest level of annual IOLTA grants since 2011. See Tab 2 – IOLTA Finances (FY 2004-2023).

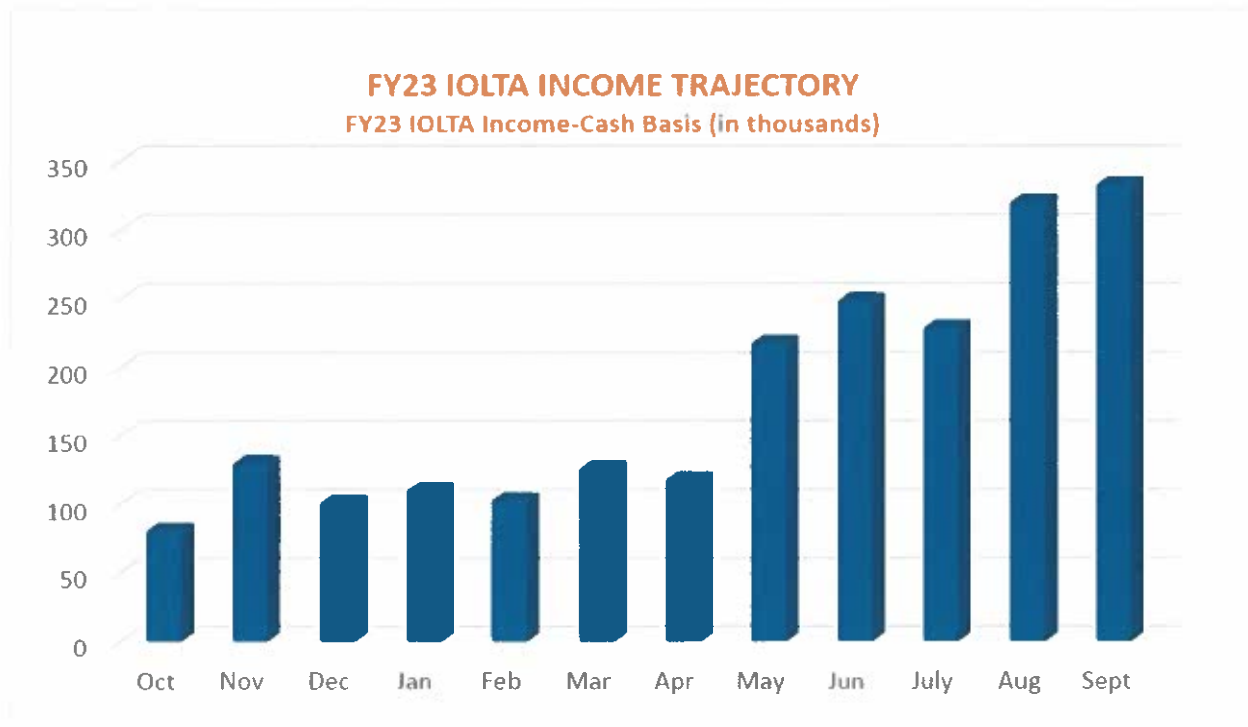
C. IOLTA Funds Actually Received in FY 2023

During FY 2023, the Foundation received **\$2,414,929** in IOLTA funds from lawyers’ trust accounts at participating financial institutions. See Tab 1 – Audit Report, pg. 4. This represents a **148%** increase from annual IOLTA income for FY 2022 of \$973,621 and well above the projected income of \$960,000 for the year. This level of IOLTA income is unprecedented and it is the highest level of IOLTA income annually recorded in Maine.



¹ Audited.

The income trajectory upward began at the time of last year’s annual report writing (in Q2 of FY 2023 and well after the Foundation board established the FY 2023 budget) and continued to rise significantly. Several factors contributed to this upward trend including multiple interest rate increases by the Federal Reserve to stave inflation and increased rates flowing from a compliance review of participating financial institutions conducted by the Foundation in early calendar year 2023.



D. Consistently Rising IOLTA Income Was the Basis for an Additional Distribution of FY 2023 Income in early CY 2024

Similar to 2022, IOLTA income in 2023 continued trending upward and resulted in actual IOLTA income well over budget. Once again, the Foundation Board approved an additional distribution to the legal service providers. Consistent with prior practice, the Board reserved making this additional distribution until February 2024 so the Foundation’s annual audit could be completed and to ensure that FY 2023 income levels remained stable. Accordingly, the Foundation announced an additional distribution of **\$1,249,412** of FY 2023 IOLTA funds to the legal service providers on February 14, 2024. This additional distribution will be reflected in the Foundation’s financial statements for FY 2024.

**Allocation of FY 2023 IOLTA Funds to
Civil Legal Service Providers and Program Expenses**

FY23 Budgeted & Supplemental IOLTA Distributions		\$ 832,333
Pine Tree Legal Assistance	\$ 146,490	
Volunteer Lawyers Project	\$ 285,490	
Legal Services for Maine Elders	\$ 108,203	
Maine Equal Justice	\$ 144,826	
Immigrant Legal Advocacy Project	\$ 100,713	
Cumberland Legal Aid Clinic	\$ 46,611	
Other Program Expenses		\$ 8,755
Additional Distribution of FY 2023 Funds to Providers in February 2024		\$1,249,412
Pine Tree Legal Assistance	\$ 219,896	
Volunteer Lawyers Project	\$ 428,548	
Legal Services for Maine Elders	\$ 162,424	
Maine Equal Justice	\$ 217,398	
Immigrant Legal Advocacy Project	\$ 151,179	
Cumberland Legal Aid Clinic	<u>\$ 69,967</u>	
Total IOLTA Distributions & Program Costs from FY2023 Income		\$ 2,090,500

E. Other FY 2023 Program Expenses

Other program expenses totaling \$8,755 include sponsorship for the Muskie Award event, annual dues to the National Association of IOLTA Programs (NAIP), and IOLTA2 software licensing.

F. Projections for FY 2024 IOLTA Income and Distributions

Once again, several factors were considered by the Foundation Board when making IOLTA revenue budget projections for FY 2024. The Board weighed the total FY 2023 IOLTA allocations of \$832,333 and substantial IOLTA income growth over the last year against anticipated interest rate reductions by the Federal Reserve to budget \$1,039,847 for FY 2024 allocations. Given the supplemental distribution of \$1,249,412 of IOLTA funds already distributed to the providers in February 2024 from surplus FY 2023 income and budgeted allocations, FY 2024 distributions will undoubtedly be the largest ever disbursed to the providers since the inception of IOLTA in Maine.

III. Total Funds Set Aside for Reserves

A. Minimum Reserve Set by Policy of the Foundation in May 2021 Has Been Met

Throughout the Foundation's administration of IOLTA, a reserve has been maintained to preserve distribution stability for civil legal services during times of economic challenge. The reserve balance has fluctuated, and Foundation Board has, at times, utilized reserves to provide IOLTA income stability to the legal service providers. With the economic uncertainty associated with onset of the pandemic in 2020 and anticipated negative impact on IOLTA income, there was renewed urgency in creating a material reserve fund for the providers. Consistent with the policy and practice of several state IOLTA administrators the Foundation adopted an IOLTA minimum reserve policy with the goal of maintaining IOLTA reserves at a level that will allow grant stability for the providers at times of decreased IOLTA income.²

Since adoption of the IOLTA minimum reserve policy, the Foundation has been prudently contributing to the reserve balance. In February 2024, the Foundation contributed \$134,768 (of surplus FY 2023 IOLTA income) to the IOLTA reserve Fund consistent with the IOLTA Reserve Policy (adopted by the Foundation on May 7, 2021), bringing total IOLTA reserves to over \$500,000 plus interest and meeting the benchmark for reserves set forth in the policy. As average annual IOLTA revenue increases, the Foundation Board will evaluate the need to increase reserves further and consistent with the policy.

B. Given Size of IOLTA Reserves, the Foundation Moved Reserves to a Cash-Equivalent Government Bond Fund to Minimize Risks Associated with FDIC Insurance Limits

Historically, the Foundation has maintained a running balance of IOLTA funds in a bank account. As the balance has grown over the last few years with the effort to replenish reserves and because of material increases in IOLTA revenue, the amount in the account has exceeded FDIC insurance coverage. With news of bank failures in early March 2023 and resulting renewed focus on the limitations of FDIC insurance levels by account size, the Foundation's Finance Committee pursued a strategy to minimize risk posed to the IOLTA reserves and yet to be distributed IOLTA revenue. In consultation with FL Putnam, the registered investment advisor for the Foundation's investment portfolio, the Foundation identified a safe cash equivalent option for IOLTA reserves and placed the funds in a Charles Schwab government money market fund. The fund only invests in fully guaranteed government securities with a current annual yield of 5.2%³ and offers daily liquidity with zero trading costs. This action is beneficial in two key ways. First, we have effectively hedged the risk posed by the limitations of FDIC coverage in a volatile economic environment. Second, advantageous rates on government funds will serve to further contribute to the timely replenishment of IOLTA reserves with dividends and interest⁴ and will benefit the mission of ensuring level funds for civil legal services going forward.

² In pertinent part, the policy provides:

It shall be the goal of the Foundation to build an IOLTA reserve equal in amount to one-half of average IOLTA income over the previous ten years, or \$500,000, whichever is greater. The purpose of the IOLTA reserve is to promote IOLTA distribution security for the providers during times of significant reductions in IOLTA revenue caused by economic recessions or other similar causes. Adopted by the MJF Board of directors on May 7, 2021.

³ Up from 4.2% from last year.

⁴ The fund has earned just under \$7,000 in dividends and interest in FY 2023.

IV. IOLTA Funds Allocated to IOLTA Administration

Maine Bar Rule 6(e)(2), as amended in 2019, provides a formula for the calculation of the administrative fee that may be allocated to Foundation (*in pertinent part*):

Administrative Costs of the Maine Justice Foundation. Effective in the calendar year beginning on January 1, 2021, no more than 22% of annual IOLTA funds may be allocated to the administrative costs of the Maine Justice Foundation...To allow prospective budgeting of administrative costs, the calculation of the 22% for any upcoming calendar year shall be determined by computing the average of the annual IOLTA funds received during the three calendar years preceding the calendar year before the year for which the administrative budget is being established and multiplying that number by 0.22.

As the Foundation operates on a fiscal year, the FY 2023 fee calculation was determined by averaging the audited annual IOLTA income for the three prior fiscal years of 2022, 2021, and 2020 and multiplying by 22%. *See Tab 2.* In compliance with Maine Bar Rule 6(e)(2), the total amount of IOLTA funds budgeted and allocated to the Foundation for IOLTA administration for FY 2023 was \$208,039. In addition to IOLTA management and operations expenses, this amount included the Foundation's contribution of 25 hours in *pro bono* staff time to support the work of the Maine Civil Legal Services Fund Commission. It also included 12 hours of staff time for participation in the Justice Action Group, and 17 hours of staff time for administration of the Access to Justice Tax Credit program.

V. IOLTA Rates Paid by Financial Institutions

A chart showing levels of participation by financial institutions as of September 30, 2023, is attached to this report. *See Tab 3 - Participation by Financial Institutions in Maine's IOLTA Program for Fiscal Year 2023.* Current levels of participation by financial institutions may be found at <https://justicemaine.org/about/banking-partners/>. This webpage is updated monthly.

A. Compliance with Maine Bar Rule 6

Maine Bar Rule 6(c)(4) requires IOLTA accounts to earn at least the same interest rates available to similarly situated non-IOLTA accounts. Several participating banks and credit unions pay interest rates that go beyond these basic requirements. The rule states "eligible institutions may comply with the rate requirements of this rule by electing to pay an amount on funds that would otherwise qualify for the options noted above [or] equal to the greater of (1) a 1% interest rate or (2) 65% of the Federal Funds Target Rate in effect on July 1 of each year, which rate remains in effect for twelve months..." By the end of FY 2023, six financial institutions participated at this level as "Index Rate Institutions" and seven participated as "Prime Partners," paying 2%.

B. Foundation Conducted Compliance Survey in February

To ensure compliance with Maine Bar Rule 6 given rising interest rates, the Foundation surveyed all participating IOLTA financial institutions in Maine in early 2023 with respect to IOLTA rate

compliance. This exercise resulted in eleven banks increasing their rates,⁵ which appeared to dramatically increase IOLTA income by the end of FY 2023 to benefit civil legal aid.

In closing, the Maine Justice Foundation is grateful for the opportunity to serve the mission of ensuring access to justice for all Mainers. We appreciate your thoughtful leadership and dedication to this collective cause. We would be pleased to meet with you to discuss this report and answer any questions you may have.

Sincerely,



Michelle G. Draeger
Executive Director
Maine Justice Foundation



Judith Fletcher Woodbury
President, Board of Directors
Maine Justice Foundation

cc: Honorable Andrew M. Mead
Honorable Andrew M. Horton
Honorable Catherine R. Connors
Honorable Rick E. Lawrence
Honorable Wayne R. Douglas

⁵ Three other banks had already increased their rates in FY 2023 prior to receiving the compliance survey. *See Tab 3.*

TAB 1

Audited Financial Statements for Fiscal Year 2023

MAINE JUSTICE FOUNDATION

FINANCIAL REPORT

September 30, 2023

MAINE JUSTICE FOUNDATION

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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Maine Justice Foundation
Augusta, Maine

Opinion

We have audited the accompanying financial statements of Maine Justice Foundation (a Maine nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Justice Foundation as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maine Justice Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Maine Justice Foundation to continue as a going concern within one year after the date that the financial statements are available to be issued.

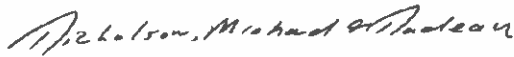
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Maine Justice Foundation'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 Maine Justice Foundation'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.

Michael A. Anderson

Waterville, Maine
March 13, 2024

MAINE JUSTICE FOUNDATION
STATEMENT OF FINANCIAL POSITION

September 30,

ASSETS

	2023
Current Assets	
Cash and cash equivalents	\$ 1,538,984
Accounts receivable	325,751
Promises to give, net	156,088
Prepaid expenses	50,251
Total Current Assets	2,071,074
Property and Equipment	
Furniture and equipment	25,925
Less: accumulated depreciation	(25,208)
Net Property and Equipment	717
Other Assets	
Cash and cash equivalents - restricted	221,245
Board Designated investment held for long-term purposes	261,148
Endowment investments with donor restrictions	4,988,639
Other investments without donor restrictions	608,177
Pledges receivable, net of current portion	9,000
Right-of-use asset - operating lease	22,686
Right-of-use asset - finance lease	14,184
Total Other Assets	6,125,079
Total Assets	\$ 8,196,870

LIABILITIES and NET ASSETS

Current Liabilities	
Accounts payable	\$ 10,420
Accrued payroll	6,696
Accrued compensated absences	57,701
Grant obligation liability	254,857
Current portion of operating lease obligation	14,957
Current portion of finance lease obligation	5,033
Total Current Liabilities	349,664
Long Term Liabilities	
Long-term operating lease obligation, excluding current portion	7,729
Long-term finance lease obligation, excluding current portion	9,823
	17,552
Total Liabilities	367,216
Net Assets	
Without donor restrictions (Note 8)	2,454,682
With donor restrictions (Note 9)	5,374,972
Total Net Assets	7,829,654
Total Liabilities and Net Assets	\$ 8,196,870

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
IOLTA contributions	\$ 2,414,929	\$ -	\$ 2,414,929
Frank Coffin Fellowship contributions	-	211,250	211,250
Campaign for Justice	-	709,236	709,236
Racial Justice Fund contributions	-	146,735	146,735
Downing Fund contributions	-	150	150
In-kind contributions	175	-	175
Other contributions	46,805	65,123	111,928
Interest income - IOLTA	18,378	-	18,378
Net investment return	41,733	497,906	539,639
Net Assets Released from Restrictions	1,080,715	(1,080,715)	-
Total Revenue and Support	3,602,735	549,685	4,152,420
Expenses			
Program Services	1,890,523	-	1,890,523
Management and General	277,186	-	277,186
Fundraising	355,037	-	355,037
Total Expenses	2,522,746	-	2,522,746
Change in Net Assets	1,079,989	549,685	1,629,674
Net Assets at Beginning of Year	1,374,693	4,825,287	6,199,980
Net Assets at End of Year	\$ 2,454,682	\$ 5,374,972	\$ 7,829,654

See independent auditor's report.

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

MAINE JUSTICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

	Program Services	Management and General	CFJ	Fundraising	Total
Salaries and Wages	\$ 47,717	\$ 126,039	\$ 128,709	\$ 89,058	\$ 391,523
Payroll Taxes and Other Benefits	8,417	23,702	27,945	16,393	76,457
Grants and Other Assistance	1,815,672	-	-	-	1,815,672
Professional Fees	6,459	99,153	4,580	6,459	116,651
IT/Computer Services and Expenses	3,304	5,696	11,564	11,564	32,128
Bank Fees	-	-	8,660	3,658	12,318
Supplies	-	3,559	722	-	4,281
Telephone and Internet	647	1,294	2,266	2,266	6,473
Postage	-	367	1,713	1,593	3,673
Occupancy	1,560	3,120	5,460	5,460	15,600
Equipment Rental and Maintenance	355	709	1,243	1,243	3,550
Printing and Publications	-	-	1,296	149	1,445
Conferences, Meetings and Events	1,988	1,623	3,640	10,059	17,310
In-kind expense	-	-	-	175	175
Depreciation	525	1,048	1,836	1,836	5,245
Insurance	230	459	803	803	2,295
Annuity Payments	-	-	-	745	745
Memberships and Subscriptions	-	3,066	3,065	-	6,131
Miscellaneous	3,649	7,351	74	-	11,074
	<u>\$ 1,890,523</u>	<u>\$ 277,186</u>	<u>\$ 203,576</u>	<u>\$ 151,461</u>	<u>\$ 2,522,746</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

MAINE JUSTICE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended September 30,

2023

Cash flows from operating activities:	
Changes in net assets	\$ 1,629,674
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation	240
Amortization	5,005
Provision for uncollectible promises to give	13,500
Net investment (return) loss	(539,639)
(Increase) decrease in operating assets:	
Accounts receivable	(325,751)
Promises to give	(178,590)
Prepaid expenses	(50,251)
Increase (decrease) in operating liabilities:	
Accounts payable	10,420
Accrued payroll	6,696
Accrued compensated absences	57,701
Grant obligation liability	254,857
Net cash flows from operating activities	<u>883,862</u>
Cash flows from investing activities:	
Proceeds from investments	353,795
Purchases of investments	(826,849)
Net cash flows from investing activities	<u>(473,054)</u>
Cash flows from financing activities:	
Principal payments on finance lease obligation	(4,333)
Net cash flows from financing activities	<u>(4,333)</u>
Net change in cash and cash equivalents	406,475
Cash and cash equivalents at beginning of year	<u>1,353,754</u>
Cash and cash equivalents at end of year	<u>\$ 1,760,229</u>
Presentation of cash and cash equivalents on statement of financial position:	
Cash and cash equivalents	\$ 1,538,984
Cash and cash equivalents - restricted	221,245
Total cash and cash equivalents	<u>\$ 1,760,229</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	\$ 1,501
Supplemental disclosures of noncash investing and financing activities:	
Acquisition of operating space and equipment through operating and finance lease obligations	\$ 56,188

See independent auditor's report.

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

MAINE JUSTICE FOUNDATION

NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Foundation

The Maine Justice Foundation (the Foundation) is a not-for-profit Foundation 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 Foundations that provide civil legal aid services, legal education, or otherwise meet the Foundation's mission. Approximately 58% of the Foundation's total revenue and support for the year ended September 30, 2023 came from interest earned on IOLTA accounts.

Basis of Accounting

During the year ended September 30, 2023, the Foundation adopted a policy of preparing its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior to 2023, the Foundation's financial statements were prepared on the modified cash basis of accounting, a basis of accounting that differs from GAAP due to not recognizing balances, and the related effects on the changes in net assets, of fees and contributions receivable and of accounts payable to vendors and other accrued liabilities. Management believes that this change results in more relevant financial reporting for use in the Foundation's circumstances and considering other users of the financial statements. Management has determined that the cumulative effect of this change was not material and therefore no adjustment was made to beginning net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid savings deposits and investments with maturities of three months or less when purchased to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable and Credit Policy

Accounts receivable consist primarily of non-interest bearing amounts due for program related services and are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At September 30, 2023, the Foundation considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for uncollectible accounts receivable recorded.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. The majority of the Foundation's promises to give are due within one year therefore no promises to give have been discounted to the present value of their estimated future cash flows. The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At September 30, 2023, the Foundation recorded an allowance for uncollectible promises to give of \$13,500.

MAINE JUSTICE FOUNDATION

NOTES to FINANCIAL STATEMENTS

September 30, 2023

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 seven 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 statement of activities. 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 net assets without donor restrictions 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 donor restricted contributions until placed in service.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)". The new guidance was adopted by the Foundation in fiscal year 2023. The ASU and subsequent amendments require lessees to recognize assets and liabilities on the balance sheet for all in-scope leases with a term of greater than twelve months and require disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. This replaces the existing lease accounting guidance in accordance with GAAP that required only capital leases to be recognized on a lessee's balance sheet. The Foundation adopted the ASU as of October 1, 2022.

The Foundation elected the transition relief package of practical expedients by applying previous accounting conclusions under Accounting Standard Codification (ASC) Topic 840, Leases (ASC 840), to all leases that existed prior to the transition date. As a result, the Foundation did not reassess (i) whether existing or expired contracts contain leases, (ii) lease classification for any existing or expired leases, or (iii) whether lease origination costs qualified as initial direct costs. The Foundation did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets.

ASC Topic 842 similarly includes various other practical expedients that can be elected for new leases that are executed after the adoption of the new requirements. The Foundation elected the practical expedient to not separate lease and non-lease components. The Foundation also elected to apply the short-term lease recognition exemption which eliminates the requirement to present on the balance sheet leases with a term of twelve months or less. These two practical expedients were elected for all classes of underlying assets.

Adoption of the standard did not result in the recognition of previously unrecorded operating or finance lease right-of-use assets and corresponding liabilities as of October 1, 2022. Refer to Note 9 for additional information related to the Foundation's accounting for leases.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenues and Revenue Recognition

IOLTA Contributions

The Foundation is supported 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 monthly. As of September 30, 2023, the Foundation recognized accounts receivable of \$325,751 which represented IOLTA contributions earned but not received until October 2023.

Contributions

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions and promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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 statement of functional expenses. 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.

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 2023. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that required adjustment to the financial statements. The Foundation does not expect that unrecognized tax benefits or liabilities arising from tax positions will change significantly within the next twelve months.

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Foundation maintains its cash balances at one financial institution located in Maine. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) 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. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant risks with respect to these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from program participants, donors and foundations supportive of the Foundation's mission.

Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

Management has evaluated subsequent events through March 13, 2024, the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Since 2004, the Maine Justice Foundation has administered the Campaign for Justice ("Campaign"), an annual peer to peer fundraising campaign to benefit six civil legal service providers in Maine: Pine Tree Legal Assistance, the Volunteer Lawyers Project, Maine Equal Justice, Legal Services for the Elderly, the Immigrant Legal Advocacy Project, and the Cumberland Legal Aid Clinic. In consideration for the administration of fundraising and operations associated with managing the Campaign, the Maine Justice Foundation has been paid an annual fee. At the time the Foundation began this administration in 2004, the civil legal service providers or beneficiaries of the Campaign noted here, were much smaller and incapable of administering an annual Campaign of such magnitude and effort. Moreover, the Foundation was a neutral stakeholder in the common mission of access to justice and it was believed that centralizing fundraising among the Maine Bar by the Foundation to benefit all providers would be the most effective and efficient way to solicit donations from Maine lawyers rather than multiple fundraising efforts by each organization. During this time, the civil legal aid providers have grown substantially in scale and operations and are now positioned to successfully administer the Campaign without the assistance of the Foundation. As such, the Foundation has agreed to transition operations of the Campaign to Pine Tree Legal Assistance, a designee of the Campaign beneficiaries to undertake Campaign operations going forward. As part of this transition, the Foundation has transferred and/or assigned donor data, a trademark, social media, and a website domain associated with the Campaign to Pine Tree Legal Assistance in early 2024 for future operations.

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>
Cash and cash equivalents	\$ 1,760,229
Accounts receivable	325,751
Investments	5,857,964
Total financial assets available within one year	<u>7,943,944</u>
Less:	
Amounts unavailable for general expenditures within one year due to donor restrictions	<u>5,209,884</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,734,060</u>
Cash and cash equivalents	\$ 1,538,984
Accounts receivable	325,751
Board Designated investment held for long-term purposes	261,148
Other investments without donor restrictions	608,177
	<u>\$ 2,734,060</u>

The Foundation 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 Foundation 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.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds required to be maintained in perpetuity by the donor are not available for general expenditure.

The board-designated endowment balance was \$261,148 as of September 30, 2023. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation also maintains other investments without donor restrictions that are not invested as part of its endowment fund due to the expected short term nature of these funds. Although the Foundation intends to utilize these funds for program related activities, these amounts could be made available for general expenditure based on Board approval. Other investments without donor restrictions was \$608,177 as of September 30, 2023.

In the event of an unanticipated liquidity need, the Foundation also could draw upon funds available under its line of credit (as further discussed in Note 6). As of September 30, 2023, the amount available to draw under its line of credit was \$50,000.

MAINE JUSTICE FOUNDATION

NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

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. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuation for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques. Level 3 valuations incorporate the entity's own assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the year ended September 30, 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of fixed income and publicly traded equity securities is based on quoted market prices, when available, or market prices provided by recognized broker dealers. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. If listed prices are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The following table presents assets measured at fair value on a recurring basis as of September 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,126,894	\$1,126,894		
Equity securities	3,357,348	3,357,348		
U.S. government and corporate bonds	1,069,840	1,069,840		
Marketable alternatives	303,882	303,882		
Totals	<u>\$ 5,857,964</u>	<u>\$5,857,964</u>	\$ -	\$ -

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 4 – PROMISES TO GIVE

Promises to give, less allowance for uncollectible promises to give, are summarized as follows as of September 30:

	<u>2023</u>
Promises to give	\$ 169,588
Less: allowance for uncollectible promises to give	(13,500)
Promises to give, net	<u>\$ 156,088</u>

NOTE 5 – GRANT OBLIGATION LIABILITY

The Foundation distributes grants to organizations, which provide legal services, education and other services that fall within the Foundation’s mission. These grants are budgeted/calculated on a fiscal year basis for the amounts to be distributed and are subject to approval by the Board as part of the Foundation’s annual budgeting process. Payments and timing vary by grant award and as a result the Foundation has implemented a procedure to determine amounts remaining on grant award commitments at year end. As of September 30, 2023, the Foundation had \$254,857 remaining on signed grant award commitments.

NOTE 6 – 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 (8.50% at September 30, 2023), but never below 4.00%. The line of credit balance was \$0 at September 30, 2023.

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.

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. 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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of 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:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

As of September 30, 2023, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated endowment funds	\$ 261,148		\$ 261,148
Other donor-restricted endowment funds		\$ 749,700	749,700
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		3,129,489	3,129,489
Accumulated investment gains		1,109,450	\$1,109,450
Totals	\$ 261,148	\$ 4,988,639	\$5,249,787

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.

Spending Policies and How Investment Objectives Relate to Spending Policy

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

Contributions have been made to four funds, the Bank of America Fund, the Downing/Hyde Fund, the Racial Justice Fund and the LGBT Justice 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 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.

The Board has not budgeted for any expenditures from reserves for 2023 from the board-designated endowment fund. 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.

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

Changes in Endowment net assets for the year ended September 30, 2023 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 238,865	\$ 4,594,919	\$4,833,784
Net investment return	22,283	497,906	520,189
Contributions		174,600	174,600
Appropriation of endowment assets pursuant to spending-rate policy		(278,786)	(278,786)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy			
Totals	<u>\$ 261,148</u>	<u>\$ 4,988,639</u>	<u>\$5,249,787</u>

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2023</u>
Undesignated	\$ 446,313
Amount designated for IOLTA	1,747,221
Amount designated by the Board of Directors for long-term reserves	<u>261,148</u>
Total net assets without donor restrictions	<u>\$ 2,454,682</u>

Amount Designated for IOLTA

The Foundation's mission is supported through the Interest on Lawyers' Trust Accounting Program (IOLTA). IOLTA funds received and distributed pursuant to rules governing the IOLTA program are intended to provide services that maintain and enhance resources available for access to justice in Maine, including those services that achieve improvements in the administration of justice and provide legal services, education and assistance to low-income, elderly, or needy clients.

Pursuant to rules governing the IOLTA program and effective in the calendar year beginning January 1, 2021, the Foundation may allocate no more than 22% of annual IOLTA funds to the administrative costs of the Foundation, with an established floor of \$120,000. To allow for prospective budgeting of administrative costs, the calculation of the 22% for any upcoming calendar year shall be determined by computing the average of the annual IOLTA funds received during the three calendar years preceding the calendar year before the year for which the administrative budget is being established and multiplying that number by 22%. For the year ended September 30, 2023, the Foundation allocated \$208,038 of IOLTA funds towards administrative costs.

The Foundation has established separate accounts to accumulate, monitor and reconcile IOLTA fund receipts, disbursements and allocated administrative costs.

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>
Subject to expenditure for specified purposes:	
Coffin Fellowship	\$ 71,467
Wernick Fund	14,672
Howard Dana Fund	15,217
Campaign for Justice	149,778
ESO Endowment	728,726
BOA Settlement	2,744
Bar Fellows	313,791
Roux Endowment	30,751
LGBT Endowment	45,743
Levey/Brown Endowment	6,293
Downing/Hyde Fund	30,751
Racial Justice Fund	670,462
	<u>2,080,395</u>
Subject to passage of time:	
Campaign for Justice - with restriction	94,063
Racial Justice Fund - with restriction	12,500
Bar Fellows - with restriction	20,200
Coffin Fellowship - with restriction	38,325
	<u>165,088</u>
Subject to Foundation spending policy and appropriation:	
Investment in perpetuity which, once appropriated, is expendable to support:	
Wernick Fund	20,000
ESO Endowment	2,000,100
Bar Fellows	889,120
Howard Dana Fund	39,818
Roux Endowment	141,237
Levey/Brown Endowment	39,214
	<u>3,129,489</u>
Total net assets with donor restrictions	<u>\$ 5,374,972</u>

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2023:

	<u>2023</u>
Subject to expenditure for specified purposes:	
Coffin Fellowship	\$ 139,603
Howard Dana Fund	2,631
Campaign for Justice	612,894
ESO Endowment	155,762
Bar Fellows	53,620
Roux Endowment	2,677
LGBT Endowment	50,719
Levey/Brown Endowment	2,178
Downing/Hyde Fund	1,563
Racial Justice Fund	13,500
Norwood settlement	45,568
	\$ 1,080,715

NOTE 10 – LEASES

The Foundation's lease portfolio consists primarily of an operating lease for space and a finance lease for equipment under non-cancelable lease agreements expiring at various dates.

The following table presents the components of the Foundation's lease expenses and the classification of such expenses in the statement of functional expenses for the year ended September 30, 2023:

Component of Lease Cost	Classification on Statement of Functional Expenses	<u>2023</u>
Operating lease cost	Occupancy	\$ 15,600
Finance lease expense:		
Amortization of leased assets	Amortization	\$ 5,005
Interest on lease liabilities	Miscellaneous	1,501
Total		\$ 6,506

The following table presents the supplemental cash flow information related to operating and finance leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	<u>2023</u>
Operating cash flows from operating leases	\$ 15,600
Operating cash flows from finance leases (interest)	\$ 1,501
Financing cash flows from finance leases (principal payments)	4,333
	\$ 5,834

MAINE JUSTICE FOUNDATION
NOTES to FINANCIAL STATEMENTS

September 30, 2023

The right-of-use assets obtained in exchange for operating and finance lease obligations for the year ended September 30, 2023 was \$56,188.

The following presents the weighted-average lease terms and discount rates for operating leases as of September 30, 2023:

Weighted average remaining lease term:	
Operating lease	1.58 years
Finance lease	2.83 years

Weighted average discount rate:	
Operating lease	4.50%
Finance lease	4.50%

The following table includes the future maturities of lease payments for operating and finance leases for fiscal years subsequent to September 30, 2023:

Operating lease liability	
2024	\$ 14,957
2025	7,729
Total lease payments	<u>22,686</u>
Less current lease liabilities	(14,957)
Total non-current lease liabilities	<u>\$ 7,729</u>
Finance lease liability	
2024	\$ 5,567
2025	5,567
2026	4,639
Total lease payments	<u>15,773</u>
Less interest	(917)
Total lease liabilities	14,856
Less current lease liabilities	(5,033)
Total non-current lease liabilities	<u>\$ 9,823</u>

Amortization of right-of-use assets is provided on the straight-line method over the operating and finance lease term. The following table summarizes right-of-use assets as of September 30, 2023:

	<u>2023</u>
Cost - operating lease	\$ 36,999
Accumulated amortization - operating lease	(14,313)
	<u>\$ 22,686</u>
Cost - finance lease	\$ 19,189
Accumulated amortization - finance lease	(5,005)
	<u>\$ 14,184</u>

MAINE JUSTICE FOUNDATION

NOTES to FINANCIAL STATEMENTS

September 30, 2023

NOTE 11 – GRANTS AND OTHER ASSISTANCE

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

Grants and other assistance are comprised of the following for the year ended September 30:

	<u>2023</u>
Annual grants	\$ 832,333
Discretionary grants	134,705
Campaign for Justice grants	568,965
Frank Coffin Fellowship	217,176
Other grant assistance	62,493
	<u>\$ 1,815,672</u>

The following annual grants were made during the year ended September 30:

	<u>2023</u>
Pine Tree Legal Assistance	\$ 146,490
Legal Services for the Elderly	108,203
Cumberland Legal Aid Clinic	46,611
Maine Equal Justice Project	144,826
Immigrant Legal Advocacy Project	100,713
Volunteer Lawyers Project	285,490
	<u>\$ 832,333</u>

The following discretionary grants were made during the year ended September 30:

	<u>2023</u>
Legal Services for the Elderly	\$ 69,281
Volunteer Lawyers Project	31,062
Immigrant Legal Advocacy Project	34,362
	<u>\$ 134,705</u>

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

September 30, 2023

The following Campaign funds were allocated to the Providers for the year ended September 30:

	<u>2023</u>
Pine Tree Legal Assistance	\$ 215,408
Cumberland Legal Aid Clinic	10,782
Legal Services for the Elderly	96,270
Maine Equal Justice Project	81,579
Immigrant Legal Advocacy Project	52,908
Volunteer Lawyers Project	112,018
	<u>\$ 568,965</u>

NOTE 12 – RETIREMENT 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 \$20,227 for the year ended September 30, 2023.

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 2023.

TAB 2
IOLTA Finances (FY 2004-2023)

Fiscal Year	Annual IOLTA Income	Annual IOLTA Grants	IOLTA Funds used for MJF Operations¹	IOLTA Funds Paid into or Withdrawn from Reserves	Year-End IOLTA Balance in Reserves
2004	\$ 1,179,823	\$ 1,038,319	\$ 143,274	\$ (1,770)	\$ 1,098,477
2005	\$ 1,253,199	\$ 999,655	\$ 168,603	\$ 84,941	\$ 1,183,418
2006	\$ 1,478,357	\$ 1,046,344	\$ 185,186	\$ 246,827	\$ 1,430,245
2007	\$ 1,480,495	\$ 1,179,904	\$ 226,447	\$ 74,144	\$ 1,504,389
2008	\$ 1,410,052	\$ 997,629	\$ 265,770	\$ 146,653	\$ 1,651,042
2009	\$ 984,013	\$ 1,444,061	\$ 220,034	\$ (680,082)	\$ 970,960
2010	\$ 951,913	\$ 731,219	\$ 238,445	\$ (17,751)	\$ 953,209
2011	\$ 971,988	\$ 855,553	\$ 239,344	\$ (122,909)	\$ 830,300
2012	\$ 842,323	\$ 727,365	\$ 172,431	\$ (57,473)	\$ 772,827
2013	\$ 761,943	\$ 692,721	\$ 264,509	\$ (195,287)	\$ 577,540
2014	\$ 705,028	\$ 766,871	\$ 250,507	\$ (312,350)	\$ 265,190
2015	\$ 656,257	\$ 687,725	\$ 278,685	\$ (310,153)	\$ (44,963)
2016	\$ 690,711	\$ 316,890	\$ 314,890	\$ 58,931	\$ 13,968
2017	\$ 736,581	\$ 383,796	\$ 308,830	\$ 43,955	\$ 57,923
2018	\$ 744,028	\$ 449,000	\$ 351,181	\$ (56,153)	\$ 1,770
2019	\$ 1,012,303	\$ 605,891	\$ 276,799	\$ 129,613	\$ 131,383
2020	\$ 980,601	\$ 619,815	\$ 240,982	\$ 119,804	\$ 251,187
2021	\$ 882,668	\$ 571,055	\$ 200,708	\$ 29,048	\$ 280,235
2022	\$ 973,621	\$ 606,156	\$ 210,875	\$ 78,295	\$ 358,530
2023	\$ 2,414,929 ²	\$ 832,333 ³	\$ 208,039	\$ 134,768 ⁴	\$ 500,000
Total	\$ 21,110,833	\$ 15,552,302	\$ 4,765,539	\$ (606,949)	\$ 506,752⁵

¹ Effective FY 2021, the administrative fee is calculated by taking the average audited income of the prior three years and multiplying it by 22% pursuant to Maine Bar Rule 6(e)(2).

² Audited.

³ Includes additional distribution of 78,295 in March 2023 due to over budget income in 2022.

⁴ IOLTA reserve balance including interest as of 9/30/23 was \$365,232. With addition of \$134,768 to reserves from FY 2023 income in FY 2024, the amount in reserves has reached the \$500,000 benchmark in the minimum reserve policy. FY 2023 income designated to reserves in FY 2024 after audit.

⁵ Including interest as of February 29, 2024.

TAB 3

Participation by Financial Institutions in Maine's IOLTA Program for Fiscal Year 2023

Interest on Lawyers' Trust Accounts (IOLTA) is a critical ongoing source of funding for civil legal services for low-income Mainers. IOLTA depends on the support of participating financial institutions in Maine. Based on Rule 6 of the Maine Bar Rules, IOLTA accounts must earn at least the same interest rates generally available to similarly situated non-IOLTA accounts.

The Maine Justice Foundation gives special recognition and thanks to the Index Rate Institutions and Prime Partners listed below, because they pay interest rates on IOLTA accounts that go above and beyond the basic requirements of Rule 6.

Index Rate Institutions

Index Rate Institutions pay interest on IOLTA accounts of which is equal to 65% of the Federal Funds Target Rate. The Maine Justice Foundation thanks the following financial institutions for participating at this higher level:

Bank of America – 3.58%	Skowhegan Savings Bank – 3.41%
Key Bank, N.A. – 3.41%	University Credit Union – 3.41%
M&T Bank – 3.58%	Washington Savings Bank – 3.60% (located in MA)

Prime Partners

The Maine Justice Foundation is incredibly grateful to the following financial institutions for being Prime Partners, paying 2.00% interest on IOLTA funds:

First Federal Savings & Loan Assoc. of Bath	Norway Savings Bank
Gorham Savings Bank	Rockland Savings Bank, FSB
Kennebec Savings Bank	The County Federal Credit Union
Maine Savings Federal Credit Union	

Other Eligible Institutions

The Maine Justice Foundation has determined that the following financial institutions also are eligible to hold IOLTA funds:

	<u>Rate</u>		<u>Rate</u>
Acadia Federal Credit Union	0.05	JP Morgan Chase & Co.	0.05
Androscoggin Savings Bank	0.50	Katahdin Federal Credit Union	No Accounts
Aroostook Savings & Loan	No Accounts	Katahdin Trust Company	1.00
Atlantic Federal Credit Union	0.05-0.10	Kennebunk Savings Bank	0.05
Auburn Savings Bank, FSB	0.30	Lincoln Maine Federal Credit Union	0.10
Bangor Savings Bank	0.05-0.35	*Machias Savings Bank	1.00
Bank of New England	1.00	Mechanics Savings Bank/ME Comm. Bank	0.50
Bar Harbor Bank & Trust	0.01-0.35	NBT, N.A.	3.30
Bath Savings Institution	0.07-5.00	New Dimensions Federal Credit Union	0.05
Biddeford Savings Bank/ME Comm. Bank	0.50	NorState Federal Credit Union	0.10
Camden National Bank	0.50	Northeast Bank	1.98
First America Trust, FSB (located in CA, NV, TN & WA)	No Accounts	*Partners Bank	0.02-0.05
First National Bank	0.50	Saco & Biddeford Savings Institution	0.45
Five County Credit Union	0.05	Sebasticook Valley FCU	No Accounts
Franklin Savings Bank	0.15-1.00	TD Bank	2.55
GFA Federal Credit Union (located in NH & MA)	No Accounts		

*Banks that dropped rates in FY 2023