



# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

Consolidated Financial Statements  
and Supplementary Information  
Years Ended June 30, 2019 and 2018

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

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Consolidated Financial Statements and Supplementary Information  
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## Independent Auditor's Report

To the Board of Directors  
The Florida Bar Foundation, Inc.  
Maitland, Florida

To the Trustees  
The Florida Bar Foundation Endowment Trust  
Maitland, Florida

We have audited the accompanying consolidated financial statements of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust, as of June 30, 2019 and 2018, and the consolidated results of their activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

Certified Public Accountants  
December 19, 2019

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## Consolidated Financial Statements

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**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2019	2018
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 1,467,942	\$ 888,123
Receivables:		
IOTA contributions	1,770,000	795,800
Fellows and other contributions, current portion, net	95,330	123,304
Notes receivable, net	512,392	480,659
Other	109,060	167,802
Investments	32,000,314	28,802,692
Prepaid and reimbursable expenses	140,491	171,098
<b>Total current assets</b>	<b>36,095,529</b>	<b>31,429,478</b>
<b>Property and equipment, net</b>	<b>91,594</b>	<b>77,204</b>
<b>Non-current assets:</b>		
Restricted cash - charitable gift annuities	7,705	8,654
Fellows and other contributions receivable, long-term portion, net	50,842	72,148
Deposits	7,715	7,715
Investments restricted in perpetuity	2,379,028	2,334,391
<b>Total non-current assets</b>	<b>2,445,290</b>	<b>2,422,908</b>
	<b>\$ 38,632,413</b>	<b>\$ 33,929,590</b>

*See accompanying notes to consolidated financial statements.*

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2019	2018
<b>Liabilities and Net Assets</b>		
<b>Current:</b>		
Accounts payable and accrued expenses	\$ 292,563	\$ 252,769
Grants payable	3,137,216	3,011,515
Deferred revenue	10,990,249	14,007,585
Note payable, current portion	3,375,000	1,500,000
Obligations under capital leases, current portion	17,921	12,555
<b>Total current liabilities</b>	<b>17,812,949</b>	<b>18,784,424</b>
<b>Non-current liabilities:</b>		
Note payable, less current portion	—	3,375,000
Other long-term liabilities	45,860	48,897
Obligations under capital leases, less current portion	46,523	17,768
<b>Total non-current liabilities</b>	<b>92,383</b>	<b>3,441,665</b>
<b>Total liabilities</b>	<b>17,905,332</b>	<b>22,226,089</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Net assets:</b>		
Without donor restrictions	16,326,494	7,557,684
With donor restrictions	4,400,587	4,145,817
<b>Total net assets</b>	<b>20,727,081</b>	<b>11,703,501</b>
	<b>\$ 38,632,413</b>	<b>\$ 33,929,590</b>

*See accompanying notes to consolidated financial statements.*

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Statements of Activities**

<i>Year Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support:</b>						
Contributions:						
Interest on trust accounts	\$13,685,624	\$ —	\$13,685,624	\$ 6,731,129	\$ —	\$ 6,731,129
Fellows and other contributions, net	196,678	637,840	834,518	222,309	596,929	819,238
Board designated	—	—	—	741,202	—	741,202
Contract revenue	6,640,000	—	6,640,000	8,666,136	—	8,666,136
Cy pres awards	344,530	—	344,530	649,838	—	649,838
Specialty license plate purchases	—	35,729	35,729	—	37,198	37,198
Investment income, net	522,444	82,941	605,385	475,487	68,630	544,117
Net realized and unrealized gains on investments	236,036	63,554	299,590	36,803	128,953	165,756
Other	59,376	—	59,376	49,606	—	49,606
Net assets released from restrictions	565,294	(565,294)	—	659,634	(659,634)	—
<b>Total revenues, gains and other support</b>	<b>22,249,982</b>	<b>254,770</b>	<b>22,504,752</b>	<b>18,232,144</b>	<b>172,076</b>	<b>18,404,220</b>
<b>Expenses:</b>						
Program	11,620,983	—	11,620,983	13,667,151	—	13,667,151
Management and general	1,523,551	—	1,523,551	1,692,837	—	1,692,837
Fundraising	336,638	—	336,638	422,585	—	422,585
<b>Total expenses</b>	<b>13,481,172</b>	<b>—</b>	<b>13,481,172</b>	<b>15,782,573</b>	<b>—</b>	<b>15,782,573</b>
<b>Change in net assets</b>	<b>8,768,810</b>	<b>254,770</b>	<b>9,023,580</b>	<b>2,449,571</b>	<b>172,076</b>	<b>2,621,647</b>
<b>Net assets, beginning of year</b>	<b>7,557,684</b>	<b>4,145,817</b>	<b>11,703,501</b>	<b>5,108,113</b>	<b>3,973,741</b>	<b>9,081,854</b>
<b>Net assets, end of year</b>	<b>\$16,326,494</b>	<b>\$ 4,400,587</b>	<b>\$20,727,081</b>	<b>\$ 7,557,684</b>	<b>\$ 4,145,817</b>	<b>\$ 11,703,501</b>

*See accompanying notes to consolidated financial statements.*



**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Statements of Cash Flows**

<i>Year Ended June 30,</i>	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 9,023,580	\$ 2,621,647
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	41,342	51,281
Provision for uncollectible receivables	49,641	9,500
Loss on disposal of equipment	—	2,045
Net realized and unrealized gains on investments	(299,590)	(165,756)
(Increase) decrease in:		
IOTA contributions receivable	(974,200)	(237,800)
Fellows and other contributions receivable	44,280	(32,118)
Notes receivable	(76,374)	(37,006)
Other receivables	58,742	(155,423)
Prepaid and reimbursable expenses	30,607	3,619
Restricted cash - charitable gift annuities	949	1,125
Increase (decrease) in:		
Accounts payable and accrued expenses and other liabilities	36,757	(196,680)
Grants payable	125,701	827,034
Deferred revenue	(3,017,336)	(8,416,789)
<b>Net cash provided by (used for) operating activities</b>	<b>5,044,099</b>	<b>(5,725,321)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	15,928,348	5,685,056
Transfer of investments to cash and cash equivalents	3,121,374	8,914,426
Purchase of investments	(21,992,391)	(8,760,963)
<b>Net cash provided by (used for) investing activities</b>	<b>(2,942,669)</b>	<b>5,838,519</b>
<b>Cash flows from financing activities:</b>		
Principal payments under note payable	(1,500,000)	(1,125,000)
Principal payments under capital lease obligations	(21,611)	(18,618)
<b>Net cash used for financing activities</b>	<b>(1,521,611)</b>	<b>(1,143,618)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>579,819</b>	<b>(1,030,420)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>888,123</b>	<b>1,918,543</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,467,942</b>	<b>\$ 888,123</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 134,601	\$ 116,584
Non-cash investing and financing activities:		
Equipment acquired under capital lease	\$ 55,732	\$ —

*See accompanying notes to consolidated financial statements.*

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Statements of Functional Expenses**

<i>Year Ended June 30,</i>	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grants	\$10,654,400	\$ —	\$ —	\$10,654,400	\$ 12,313,045	\$ —	\$ —	\$ 12,313,045
Salaries and benefits	337,178	809,805	184,852	1,331,835	555,268	1,005,407	249,243	1,809,918
Personnel and professional development	18,971	3,368	1,193	23,532	44,039	6,658	1,388	52,085
Professional services	156,036	127,405	30,204	313,645	257,726	149,967	54,523	462,216
Audit, accounting, legal and bank fees	1,325	61,703	5,195	68,223	1,598	56,384	5,333	63,315
Depreciation and amortization	8,186	27,203	5,953	41,342	14,000	29,640	7,641	51,281
Insurance	9,467	31,460	6,885	47,812	9,084	19,234	4,958	33,276
Office expenses	15,332	41,518	51,710	108,560	25,446	41,745	40,972	108,163
Facilities and equipment	220,831	122,094	33,031	375,956	211,555	96,927	25,390	333,872
Meetings and reimbursements	100,914	126,019	1,793	228,726	120,798	107,808	6,326	234,932
Awards	10,350	2,469	—	12,819	45,466	2,605	—	48,071
Interest expense	—	118,258	—	118,258	—	127,249	—	127,249
Cultivation, promotion, recognition	8,879	9,759	7,028	25,666	8,717	326	10,782	19,825
Travel	25,362	24,384	6,657	56,403	41,454	29,384	11,699	82,537
Other operating expenses	4,111	14,577	2,137	20,825	9,455	16,219	4,330	30,004
Post retirement benefits	—	3,529	—	3,529	—	3,284	—	3,284
Bad debt expense	49,641	—	—	49,641	9,500	—	—	9,500
	<b>\$11,620,983</b>	<b>\$ 1,523,551</b>	<b>\$ 336,638</b>	<b>\$13,481,172</b>	<b>\$ 13,667,151</b>	<b>\$ 1,692,837</b>	<b>\$ 422,585</b>	<b>\$ 15,782,573</b>

*See accompanying notes to consolidated financial statements.*

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Organization*

The Florida Bar Foundation, Inc. (the "Foundation") is a non-profit, tax exempt corporation established in 1956 by The Florida Bar Board of Governors under authority granted by the Florida Supreme Court for the purpose of providing greater access to justice. The Foundation accomplishes this mission through funding of programs which expand and improve representation and advocacy on behalf of low-income persons in civil legal matters, improve the fair and effective administration of justice and promote service to the public by members of the legal profession by making public service an integral component of the law school experience.

The Florida Bar Foundation Endowment Trust (the "Endowment") is a non-profit, tax exempt trust established in 1992. The Endowment was created solely to benefit the exempt purposes of the Foundation by providing income to fund its charitable activities from the investment of endowment contributions. The Endowment has no employees and is managed by Foundation personnel. Distributions from the Endowment to the Foundation are at the discretion of the Trustees of the Endowment. Use of Endowment distributions for Foundation charitable activities is determined by the Board of Directors of the Foundation.

#### *Principles of Consolidation*

The Foundation has the sole authority to appoint Endowment Trustees and has an economic interest in the Endowment. Accordingly, the Foundation's and Endowment's financial statements are presented on a consolidated basis. For purposes of this audit, all significant intercompany accounts and transactions have been eliminated in consolidation.

#### *Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated financial statements of the Foundation and the Endowment include their program services and supporting activities. Program expenses primarily include grants to other organizations for the purpose of accomplishing the objectives of the Foundation's grant programs and program-related expenses in support of those programs. Program-related expenses include staff salaries and related costs, professional services, meeting expenses and other costs to support accomplishment of the programs described below. Management and general expenses include staff salaries and related costs, accounting and other professional services expense, insurance, office facility expenses and other expenses in support of the operations of the Foundation and the Endowment. Fundraising expenses include staff salaries and related costs, printing, mail costs, professional services, travel and meetings, and other expenses of soliciting contributions to support the programs of the Foundation.

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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Historically, the Foundation's primary source of funding is the Interest on Trust Accounts ("IOTA") program which represents net assets without donor restrictions for expenditures in support of the Foundation's tax exempt purposes. IOTA contributions to the Foundation are made by participating attorneys through financial institution remittances of interest earned on nominal or short-term deposits in participants' client trust accounts.

The Endowment's primary sources of funding are investment income, the Fellows program and other contributions. To become a life member and Fellow of the Foundation, participants pledge to pay \$1,000 over a five or ten-year term. All payments are invested in perpetuity and income earned thereon may be classified as without donor restrictions or with donor restrictions to specific Foundation programs based on the donor's instruction.

### *Contributions*

Contributions, including unconditional promises to give, are recorded at fair value as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions receivable are reduced to the amount estimated to be realized by an allowance for uncollectible contributions. Contributions to be received in future periods greater than one year are generally discounted to their present value in the year the contribution is made.

Contributions of assets other than cash are recorded at fair market value at the date of donation. Contributed services received, other than those rendered by members of the Board of Directors and the Trustees, are recognized as contributions if the services create or enhance nonfinancial assets, require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Foundation or Endowment.

### *Cy Pres Awards, Contract Revenue, and Legal Settlements*

The Foundation does not consider legal settlements, contract revenue, or cy pres awards to be contributions, because these settlements and awards are not voluntary transfers as they are the result of legal judgments and therefore do not meet the definition of a contribution in accordance with authoritative guidance. If these settlements and awards are to be spent for a particular program or purpose, they are recorded as deferred revenue when received and revenue is recognized as related costs are incurred and included in cy pres awards or contract revenue on the consolidated statements of activities. If there is no specific restriction placed on these settlements and awards, they are recorded as revenue when received (see Note 10).

### *Cash Equivalents*

The Foundation and the Endowment consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents except for such instruments held by investment custodians.

### *Restricted Cash*

Restricted cash represents amounts held as charitable gift annuities and are restricted for annuity payments to donors.

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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### *Investments*

Investments in marketable securities are stated at fair value. Alternative investments are stated at fair value as determined by the investment managers of the individual components of such investments using net asset value ("NAV") as further discussed under "Fair Value Measurements." All unrealized and realized gains and losses attributable to investments and all investment income (interest and dividends, net of investment fees) are reflected in the consolidated statements of activities. Cost is determined by the specific identification method or the average cost method in computing realized gains and losses on sales of investments.

Investment securities are exposed to various risks such as interest rate, market and credit risks. In addition, alternative investment funds are not subject to audit other than at their fiscal year end and there are no published market prices for such investments to establish their fair value at intervening dates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment account balances and the amounts reported in the consolidated statements of financial position and statements of activities.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the following estimated useful lives:

<i>Asset Classifications</i>	Estimated Useful Lives
Office equipment	5 years
Computer equipment	5 years
Furniture and fixtures	6 - 8 years
Software	5 years

### *Impairment of Long-Lived Assets*

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses recorded during the years ended June 30, 2019 and 2018.

### *Grants Payable*

Grants unconditionally approved for payment by the Foundation's Board of Directors are recorded as grants payable. Grants conditionally approved are not recognized until the condition is satisfied by the grantee (see Note 9).

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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### *Income Taxes*

The Foundation and the Endowment are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under similar provisions in the Florida Statutes. The Foundation and the Endowment have been determined to be other than a private foundation under the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Foundation and the Endowment identify and evaluate uncertain tax positions, if any, and recognize the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statements of financial position. The Foundation and the Endowment have not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation and the Endowment would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Foundation's and the Endowment's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing. There are no open Internal Revenue Service examinations with the Foundation. To date, the Foundation and Endowment have incurred no unrelated business income for which tax is due.

### *Net Assets*

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions represents funds that are available without restriction for carrying out the Foundation's objectives.

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Amounts received that are to be maintained by the Foundation in perpetuity are reported as contributions with donor restrictions.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities of the Foundation and the Endowment have been summarized, per the Board's direction, on a functional basis in the consolidated statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. Rent and maintenance, depreciation expense, insurance, office expenses, and dues and subscriptions are allocated based on the number of employees per function.

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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### *Fair Value Measurements*

Fair value is measured using a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Fair value is based on 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. Investments and liabilities measured and reported at fair value are classified and disclosed in levels that represent a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The three broad levels are described below:

*Level 1* - Quoted prices (unadjusted) in active markets for identical investments as of the reporting date. The types of Foundation and Endowment financial instruments in Level 1 include cash and money market funds that are held in a proprietary money trust of the investment custodian, common stocks, equity and commodity mutual funds, fixed income mutual funds, exchange traded funds, U.S. Treasury securities and liquid alternative investment funds (quoted in active markets).

*Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. Level 2 financial instruments include contributions due beyond one year and recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the contribution was made with an equivalent term approximately equal to the number of years the contribution will be paid (see Note 4).

*Level 3* - Unobservable inputs are used when little or no market data is available. The inputs into the determination of fair value include assessments of each underlying investment, comparable transactions, market outlooks and inputs provided from fund managers, among other factors. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Foundation and Endowment do not have any Level 3 financial assets or liabilities.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial statements include cash and cash equivalents, receivables due in less than one year, accounts payable and accrued expenses and grants payable. The fair value of notes receivable due in less than one year, notes payable and capital lease obligations is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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The Foundation owns the following investments that are recorded at net asset value, which is not required to be evaluated using the Level 1 through 3 fair value hierarchy:

- Managed Futures may be redeemed on a daily basis. The investment objective is to produce positive long-term returns of 10-12% per annum over the risk free rate. Diversification is achieved through both the trading style and at the market sector level which is broadly diversified with positions in global currency, financial and commodity markets. At June 30, 2019 and 2018, the value of Managed Futures was \$246,254 and \$231,666, respectively.
- The Hedge Funds of Funds may be redeemed quarterly with a 65 day notice. The maximum amount of redemption, per quarter, is ordinarily limited to 5%, but in no event is to exceed 20%, with a minimum of \$50,000, subject to the approval of the Fund's board. The investment objective of the Fund is to provide capital appreciation consistent with the return characteristics of the alternative investment portfolios of larger endowments. The secondary objective of the Fund is to provide capital appreciation with less volatility than that of the equity markets. At June 30, 2019 and 2018, the value of the Hedge Funds of Funds was \$49,278 and \$60,373, respectively.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

### *Accounting Pronouncements Issued but Not Yet Adopted*

#### *Revenue Recognition*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. Management is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard.



# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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### *Contributions Received and Contributions Made*

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the financial statements. Early adoption is permitted. Management is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

### *Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 which permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

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*Accounting Pronouncement Adopted*

Effective July 1, 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 7,557,684	\$ —	\$ 7,557,684
Temporarily restricted	—	1,737,488	1,737,488
Permanently restricted	—	2,408,329	2,408,329
	<b>\$ 7,557,684</b>	<b>\$ 4,145,817</b>	<b>\$ 11,703,501</b>

<i>June 30, 2017</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 5,108,113	\$ —	\$ 5,108,113
Temporarily restricted	—	1,578,279	1,578,279
Permanently restricted	—	2,395,462	2,395,462
	<b>\$ 5,108,113</b>	<b>\$ 3,973,741</b>	<b>\$ 9,081,854</b>

*Reclassifications*

Certain items have been reclassified in the 2018 financial statements to conform to the 2019 presentation.

**2. Investments**

In determining fair value, the Foundation and Endowment use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation also obtains fair value quotes of fixed income securities from a third party security pricing vendor. The Foundation and Endowment believe that the valuations used in the consolidated financial statements are reasonable and are appropriately classified in the fair value hierarchy.

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Investments are classified in three separate accounts as Current Operating, Mid-Long Term and Endowment. The Current Operating Account was established to provide funding for the Foundation's operating expenses, as well as near term capital and grant commitments in support of the Foundation's charitable activities. Consequently, the investment objectives for the Current Operating Account are to provide for preservation of principal value, high liquidity and current income. To provide for current and future funding of grant programs, operational and capital needs, the Foundation established the Mid-Long Term Investment Account. The investment objective for the Mid-Long Term Investment Account is to provide current income, preservation of capital and long-term capital growth. The investment objective of endowment investments to be held in perpetuity is to provide long-term capital growth.

The following tables set forth by level, within the fair value hierarchy, the Foundation's and Endowment's investments at fair value:

<i>June 30, 2019</i>	Level 1	Net Asset Value Using Practical Expedient	Total Fair Value	Cost
Current operating investments:				
Money market funds	\$11,621,294	\$ —	\$11,621,294	\$11,620,475
Foundation mid-long term investments:				
Cash and money market funds	490,106	—	490,106	490,074
Common stocks	719,437	—	719,437	629,898
Commodity mutual funds	261,133	—	261,133	260,715
Equity mutual funds	674,620	—	674,620	665,421
Exchange traded funds	1,356,178	—	1,356,178	1,094,640
Fixed income mutual funds	1,461,994	—	1,461,994	1,454,207
U.S. treasuries	12,359,582	—	12,359,582	12,404,958
Liquid alternatives	322,814	—	322,814	319,526
Managed futures	—	115,693	115,693	95,754
<b>Total mid-long term investments</b>	<b>17,645,864</b>	<b>115,693</b>	<b>17,761,557</b>	<b>17,415,193</b>
Endowment investments:				
Cash and money market funds	509,397	—	509,397	509,271
Common stocks	669,951	—	669,951	574,030
Commodity mutual funds	239,465	—	239,465	283,309
Equity mutual funds	736,553	—	736,553	737,391
Exchange traded funds	1,357,335	—	1,357,335	1,082,877
Fixed income mutual funds	1,120,601	—	1,120,601	1,112,908
Liquid alternatives	183,350	—	183,350	186,546
Hedge funds of funds	—	49,278	49,278	34,420
Managed futures	—	130,561	130,561	111,958
<b>Total endowment investments</b>	<b>4,816,652</b>	<b>179,839</b>	<b>4,996,491</b>	<b>4,632,710</b>
<b>Total investments</b>	<b>\$34,083,810</b>	<b>\$ 295,532</b>	<b>\$34,379,342</b>	<b>\$33,668,378</b>

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<i>June 30, 2018</i>	Level 1	Net Asset Value Using Practical Expedient	Total Fair Value	Cost
Current operating investments:				
Money market funds	\$ 2,996,869	\$ —	\$ 2,996,869	\$ 2,996,869
Foundation mid-long term investments:				
Cash and money market funds	446,935	—	446,935	446,887
Common stocks	703,868	—	703,868	616,667
Commodity mutual funds	283,470	—	283,470	284,519
Equity mutual funds	704,764	—	704,764	640,089
Exchange traded funds	1,302,278	—	1,302,278	1,094,503
Fixed income mutual funds	1,239,327	—	1,239,327	1,280,188
U.S. treasuries	18,289,740	—	18,289,740	18,630,604
Liquid alternatives	307,119	—	307,119	319,300
Managed futures	—	108,839	108,839	95,754
<b>Total mid-long term investments</b>	<b>23,277,501</b>	<b>108,839</b>	<b>23,386,340</b>	<b>23,408,511</b>
Endowment investments:				
Cash and money market funds	468,426	—	468,426	468,404
Common stocks	672,765	—	672,765	580,072
Commodity mutual funds	245,795	—	245,795	291,627
Equity mutual funds	769,927	—	769,927	709,268
Exchange traded funds	1,292,164	—	1,292,164	1,082,877
Fixed income mutual funds	944,553	—	944,553	973,355
Liquid alternatives	177,044	—	177,044	186,546
Hedge funds of funds	—	60,373	60,373	45,970
Managed futures	—	122,827	122,827	111,958
<b>Total endowment investments</b>	<b>4,570,674</b>	<b>183,200</b>	<b>4,753,874</b>	<b>4,450,077</b>
<b>Total investments</b>	<b>\$ 30,845,044</b>	<b>\$ 292,039</b>	<b>\$ 31,137,083</b>	<b>\$ 30,855,457</b>

Investments are classified in the consolidated statements of financial position based on their availability for expenditure as follows:

<i>June 30,</i>	2019	2018
Current assets (available for expenditure):		
Investments	\$ 32,000,314	\$ 28,802,692
Other assets (not available for expenditure):		
Investments restricted in perpetuity	2,379,028	2,334,391
<b>Total investments</b>	<b>\$ 34,379,342</b>	<b>\$ 31,137,083</b>

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The consolidated investment return of the Foundation and the Endowment is comprised of the following:

<i>Year Ended June 30,</i>	2019	2018
Investment income, net:		
Interest	\$ 375,580	\$ 356,908
Dividends and reinvested capital gains	263,087	225,287
Investment fees	(33,282)	(38,078)
<b>Total investment income, net</b>	<b>605,385</b>	<b>544,117</b>
Net gains (losses):		
Realized	(129,757)	137,191
Unrealized	429,347	28,565
<b>Net realized and unrealized gains on investments</b>	<b>299,590</b>	<b>165,756</b>
<b>Total investment return, net</b>	<b>\$ 904,975</b>	<b>\$ 709,873</b>

### 3. Notes Receivable

The Foundation has established a loan repayment assistance program (LRAP). This program provides law school educational debt repayment assistance to law school graduates employed by qualified legal aid organizations. Each participant may receive up to \$5,000 per year that must be applied toward repayment of student loan debt. In the event an applicant's principal balance is equal to or less than the maximum annual benefit amount, an applicant may qualify for a loan in the amount of the principal balance. The one-year loans are paid to the program participants in semiannual installments and are forgiven annually provided the staff attorney remains employed on a full-time or at least part time (50% or greater FTE) basis for the full loan year by a qualified legal aid organization and provides proof of payment of student loan debt using all of the LRAP proceeds. Loan principal of \$818,202 and \$862,289 was forgiven during the years ended June 30, 2019 and 2018, respectively, and was included in grant expense on the consolidated statements of functional expenses.

The unforgiven balance of the loan due from a participant who terminates qualified employment becomes payable in twelve equal monthly installments, including interest at 3%. As of June 30, 2019 and 2018, participants with outstanding loan balances of \$97,546 and \$63,392, respectively, had ceased to qualify under the program's guidelines and their loans are being repaid under the above terms. Interest on the loans is recorded as income when received.

The Foundation provides an allowance for uncollectible loans based on its collection experience. As of June 30, 2019 and 2018, management determined the allowance for uncollectible loans for all notes receivable to be \$57,800 and \$13,159, respectively. Loans are only written-off after management has exhausted all reasonable collection efforts. Bad debt expense was \$49,641 and \$9,500 for the years ended June 30, 2019 and 2018, respectively.

**The Florida Bar Foundation, Inc. and  
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**Notes to Consolidated Financial Statements**

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**4. Contributions Receivable**

Fellows contributions receivable are collectible over five or ten-year terms and have been recorded net of a discount to reflect the present value of the estimated future cash flows to be received. Fellows contributions receivable are also recorded net of an estimated allowance for uncollectible contributions, which is based on collection experience. Other contributions to be received in future periods greater than one year are similarly recorded. During the years ended June 30, 2019 and 2018, the Foundation discounted contributions for seven years (based on mix of five and ten-year contributions) at a rate of 2.59% and 2.33%, respectively. IOTA contributions receivable are considered fully collectible.

Fellows and other contributions receivable are included in the consolidated statements of financial position as follows:

<i>June 30,</i>	2019	2018
Fellows contributions receivable:		
Fellows contributions	\$ 78,655	\$ 110,263
Allowance for uncollectible contributions	(17,066)	(35,617)
Unamortized discount	(7,990)	(8,467)
<b>Total Fellows contributions receivable</b>	<b>\$ 53,599</b>	<b>\$ 66,179</b>
Other contributions receivable:		
Other contributions	\$ 69,034	\$ 75,545
Allowance for uncollectible contributions	(53,016)	(46,939)
Unamortized discount	(8,010)	(9,348)
	8,008	19,258
<b>Non-discounted contributions due within one year</b>	<b>84,565</b>	<b>110,015</b>
<b>Total other contributions receivable</b>	<b>\$ 92,573</b>	<b>\$ 129,273</b>

**The Florida Bar Foundation, Inc. and  
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Future collections of all contributions (before allowances and discounts) are estimated to be as follows:

<i>June 30, 2019</i>	Less Than One Year	One to Five Years	Over Five Years
IOTA contributions receivable	\$ 1,770,000	\$ —	\$ —
Fellows and other contributions receivable	156,275	67,970	8,009
	<b>\$ 1,926,275</b>	<b>\$ 67,970</b>	<b>\$ 8,009</b>

<i>June 30, 2018</i>	Less Than One Year	One to Five Years	Over Five Years
IOTA contributions receivable	\$ 795,800	\$ —	\$ —
Fellows and other contributions receivable	185,736	95,676	14,411
	<b>\$ 981,536</b>	<b>\$ 95,676</b>	<b>\$ 14,411</b>

## 5. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2019	2018
Office equipment	\$ 134,045	\$ 126,806
Computer equipment	83,259	83,498
Furniture and fixtures	168,020	168,020
Software	760,032	760,042
Total cost	1,145,356	1,138,366
Less: accumulated depreciation and amortization	(1,053,762)	(1,061,162)
<b>Property and equipment, net</b>	<b>\$ 91,594</b>	<b>\$ 77,204</b>

The Foundation recognized depreciation and amortization expense of \$41,342 and \$51,281, for the years ended June 30, 2019 and 2018, respectively.

**The Florida Bar Foundation, Inc. and  
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**Notes to Consolidated Financial Statements**

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**6. Note Payable**

On November 6, 2014, the Foundation entered into a loan with The Florida Bar (“The Bar”) for a maximum amount of \$6,000,000. The loan proceeds were advanced from The Bar to The Foundation in two (2) installments of \$3,000,000 each. The first request was made November 6, 2014 and received on December 3, 2014, and the second request was made November 2, 2015 and received on December 9, 2015. The initial interest rate is set at the Annual Mid-Term Applicable Federal Rate (AFR) as of the date of the note (1.90%), adjusted monthly, with a floor of 0.75% per annum. The interest rate at June 30, 2019 and 2018 was 2.38% and 2.86%, respectively. Interest payments will be made annually on the anniversary date of the first installment. The maximum term of the loan is seven (7) years commencing with the initial disbursement of funds. Any unpaid principal, interest, and other charges remaining after seven (7) years from the date of the first advance will be due and payable in full on the maturity date, which is December 3, 2021. Principal may be repaid at any time without penalty. Prepayments of principal, except for any unpaid principal remaining at maturity, will be in minimum amounts of \$10,000 per payment. Minimum principal payments of \$375,000 per quarter began on January 2, 2018. The loan is collateralized by IOTA contributions receivable. The outstanding balance on the note payable at June 30, 2019 and 2018 was \$3,375,000 and \$4,875,000, respectively. The note was paid in full in October 2019 and is presented as current portion of note payable at June 30, 2019.

The Foundation used the loan proceeds to accomplish its mission of access to justice in accordance with past policies and practices, as may be amended from time-to-time by the Board of Directors of the Foundation. The terms of the loan provide that \$1,000,000 of the first draw and \$1,000,000 of the second draw be used either directly or indirectly for technology and the implementation of technology that will allow The Foundation and its grantees to improve access to justice. The loan required the Foundation to report to The Bar on a quarterly basis following the first advance of loan proceeds, regarding policy and implementation of the utilization of technology in providing greater access to justice. The Foundation made all such reports.

**7. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	2019	2018
Accumulated earnings not yet appropriated for expenditure	\$ 1,044,618	\$ 923,201
Legal Assistance for the Poor	891,758	772,704
Administration of Justice	14,198	12,628
Law Student Assistance	8,174	28,205
Pro Bono	2,175	750
<b>Total subject to expenditure for specified purpose</b>	<b>1,960,923</b>	<b>1,737,488</b>
Endowment investments restricted in perpetuity	2,379,028	2,334,391
Endowment receivables restricted in perpetuity	60,636	73,938
<b>Total</b>	<b>\$ 4,400,587</b>	<b>\$ 4,145,817</b>



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Net assets were released from restrictions by incurring expenses satisfying the following program restricted purposes:

<i>Year Ended June 30,</i>	2019	2018
Legal Assistance for the Poor	\$ 539,696	\$ 528,239
Administration of Justice	200	5,100
Law Student Assistance	21,648	110,275
Pro Bono	3,750	16,020
	<b>\$ 565,294</b>	<b>\$ 659,634</b>

## 8. Endowment

Endowment funds include both donor-restricted endowment funds and funds designated for endowment by the Board of Directors of the Foundation (the "Board"). As required by U.S. GAAP, donor-restricted endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board-designated endowment funds have been designated by the Board for endowment with the intention of growing the endowment funds to ultimately support the programmatic activities of the Foundation and are classified and reported as net assets without donor restrictions. The earnings on the donor-restricted endowment funds are either restricted for programmatic activities (see Note 7) or are unrestricted and will be appropriated for expenditure by the Trustees of the Endowment (the "Trustees") as discussed below.

### *Interpretation of Relevant Law*

The governing document of the Endowment requires the principal of the endowment funds to be maintained in perpetuity as the ultimate source for providing income to carry on the Foundation's charitable activities. Accordingly, the Trustees and the Board interpret FUPMIFA as requiring the preservation of the fair value of the original gifts 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 endowment funds are classified as net assets with donor restrictions and include (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. Earnings on donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Trustees in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation's request for distribution
- 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 Endowment Trust

**The Florida Bar Foundation, Inc. and  
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*Return Objectives and Risk Parameters*

The Trustees have adopted investment and spending policies for endowment assets that attempt to provide future funding to Foundation programs. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity, as well as Board-designated funds. Under these policies, as approved by the Trustees, the endowment assets are invested in a manner that is intended to provide a total return primarily emphasizing capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment's investment policy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Endowment Spending Policy*

The Endowment's policy is to not distribute funds annually, but to consider, on a case-by-case basis, individual requests from the Board. In reviewing a request for distribution, the Trustees consider the importance of the Foundation's need considering its other resources, as well as the objective of providing additional real growth for future funding through accumulations of investment returns.

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 3,775,301	\$ 3,775,301
Board-designated endowment funds	1,281,826	—	1,281,826
<b>Total funds</b>	<b>\$ 1,281,826</b>	<b>\$ 3,775,301</b>	<b>\$ 5,057,127</b>

Change in endowment net assets for the fiscal year ended June 30, 2019, is as follows:

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,231,678	\$ 3,597,973	\$ 4,829,651
Investment return:			
Investment income, net	28,391	82,941	111,332
Net realized and unrealized gains	21,757	63,554	85,311
Contributions	—	30,833	30,833
<b>Endowment net assets, end of year</b>	<b>\$ 1,281,826</b>	<b>\$ 3,775,301</b>	<b>\$ 5,057,127</b>

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Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 3,597,973	\$ 3,597,973
Board-designated endowment funds	1,231,678	—	1,231,678
<b>Total funds</b>	<b>\$ 1,231,678</b>	<b>\$ 3,597,973</b>	<b>\$ 4,829,651</b>

Change in endowment net assets for the fiscal year ended June 30, 2018, is as follows:

<i>Year Ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,163,798	\$ 3,387,523	\$ 4,551,321
Investment return:			
Investment income, net	22,130	68,630	90,760
Net realized and unrealized gains	44,302	128,953	173,255
Contributions	—	12,867	12,867
Other changes	1,448	—	1,448
<b>Endowment net assets, end of year</b>	<b>\$ 1,231,678</b>	<b>\$ 3,597,973</b>	<b>\$ 4,829,651</b>

## 9. Net Asset Commitments and Board Designations

As of June 30, 2019 and 2018, the Board had designated a certain amount of the Foundation's net assets without donor restrictions for specific uses and had approved grants contingent on the recipients meeting certain conditions specified in the grant agreements. The conditional grants are not reflected in the accompanying consolidated financial statements and will be recorded when the conditions are met. These conditional grant commitments and Board designations are as follows:

<i>June 30,</i>	2019	2018
Legal Assistance for the Poor conditional grants	\$ 1,701,563	\$ 1,747,426
Administration of Justice conditional grants	10,000	10,000
<b>Total conditional grants</b>	<b>\$ 1,711,563</b>	<b>\$ 1,757,426</b>
Note payable principal payments (Note 6)	\$ 3,375,000	\$ 1,500,000
Earnings on Bank of America settlement designated for program expenses (Note 10)	265,600	252,847
Future building fund reserve	1,000,000	1,000,000
Legal Assistance for the Poor disaster relief	450,950	500,000
<b>Total Board-designated net assets</b>	<b>\$ 5,091,550</b>	<b>\$ 3,252,847</b>

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

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### 10. Significant Contracts and Awards

#### *Bank of America Legal Settlement*

As a result of a Justice Department settlement executed in 2014, the Foundation received \$23,048,159 and \$1,395,700 in April 2016 and 2015, respectively. In November 2016, the Foundation received an additional \$25,661. The funds received from the settlement are required to be used in providing funds to legal aid organizations in the state of Florida for foreclosure prevention legal assistance and community redevelopment legal assistance. The Foundation awarded grants and paid program related expenses totaling \$6,638,000 and \$8,063,786 during fiscal years 2019 and 2018, respectively, which meet the requirements of the award, at which time the respective revenue was recognized and included in contract revenue in the consolidated statements of activities. As of June 30, 2019 and 2018, \$7,365,569 and \$14,003,569, respectively, related to this settlement is included in deferred revenue on the consolidated statements of financial position in accordance with the Foundation's accounting policy.

#### *Engle Settlement Funds*

The Florida Bar Foundation received \$3,623,987 in February 2019 from a four-judge panel of the United States District Court for the Middle District of Florida, the result of a case in which sanctions against two law firms were levied. The Engle funds are required to be awarded to qualified legal aid organizations in the Middle District of Florida to assist litigants in obtaining representation in court. Recipients of this grant funding must provide direct legal services to clients in litigation matters, either active or in pre-suit. The Foundation will allocate \$3,548,987 in rough proportion to the number of Engle cases that emanated from the respective divisions of the Middle District. The Foundation was awarded \$75,000 to cover administration of these grants.

#### *Contributions from Specialty License Plate Purchases*

Beginning in 2005, Florida vehicle owners could purchase a "Kids Deserve Justice" specialty license plate from the Florida Department of Highway Safety and Motor Vehicles. The \$25 additional cost of the specialty license plate, net of an administrative fee, is accounted for as a restricted contribution from the purchaser to the Foundation. The program requires the Foundation use the contributions to fund legal services for children through Legal Assistance for the Poor grants. Contributions received from this program during the years ended June 30, 2019 and 2018, were \$35,729 and \$37,198, respectively. Expenditures of prior years' contributions during the years ended June 30, 2019 and 2018, were \$37,825 and \$37,249, respectively.

### 11. Employee Retirement Plan

The Foundation has adopted a defined contribution retirement plan (the "Plan") for all eligible employees. The Plan was effective October 1, 2014 and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides for employee contributions through elective salary deferrals and for employer profit sharing contributions after meeting a three month and a two year length of service requirement, respectively. Under the Plan, eligible participants may elect to contribute a percentage of their annual compensation, subject to certain limitations under the Internal Revenue Code. The Foundation may, in its sole discretion, make profit sharing contributions which are either 11% or 14% of a participant's annual salary, based on participants length of service, but may not exceed the amount permissible under the Internal Revenue Code. Employer contributions amounted to \$72,559 and \$135,933 for the years ended June 30, 2019 and 2018, respectively, and is included in salaries and benefits in the consolidated statements of functional expenses.

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Notes to Consolidated Financial Statements**

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## 12. Commitments and Contingencies

### *Legal*

The Foundation and Endowment may be involved in lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the consolidated financial statements. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of operations of the Foundation. Currently there are no pending lawsuits.

### *Lease Commitments*

#### *Operating Leases*

The Foundation has an operating lease for its office space in Maitland, Florida that expires in November 2023 (as amended). The lease contains rent abatement and escalation provisions. Rent expense is calculated on the straight-line basis over the lease term. The Foundation also rents miscellaneous office equipment under a month-to-month operating lease.

Future minimum rental payments for office space under the operating lease are approximated as follows:

#### *Year Ending June 30,*

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2020	\$	118,300
2021		121,900
2022		125,500
2023		129,300
2024		54,300
<b>Total</b>		<b>\$ 549,300</b>

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Total rent expense under all operating leases, including month-to-month rentals, was \$118,177 and \$107,579 for the years ended June 30, 2019 and 2018, respectively, and is included in facilities and equipment in the consolidated statements of functional expenses.

#### *Capital Leases*

The Foundation accounts for the lease of certain office equipment as capital leases, which expire in various years ranging through 2021. Capitalized costs and related accumulated depreciation under capital leases are included in property and equipment on the consolidated statements of financial position. Capital lease obligations were \$64,444 and \$30,323 as of June 30, 2019 and 2018, respectively.

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Notes to Consolidated Financial Statements**

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### 13. Concentrations

#### *Concentration of Credit Risk*

Financial instruments which potentially expose the Foundation and the Endowment to concentrations of credit risk, as defined by U.S. GAAP, include bank and brokerage cash and cash equivalent accounts in excess of federally insured balances in national financial institutions at June 30, 2019. In management's opinion, the capitalization and operating history of these financial institutions is such that the likelihood of loss is remote.

#### *Concentration of IOTA Revenue*

A substantial portion of the Foundation's revenues are derived from contributions related to the Interest on Trust Accounts program described in Note 1. IOTA programs similar to Florida's have been established in every state, the District of Columbia and the U.S. Virgin Islands. Legal challenges to IOTA programs have been initiated over the years in a number of federal jurisdictions, including Florida. The federal court challenges have ended in the wake of the U.S. Supreme Court's decision in *Brown v. Legal Foundation of Washington*, 538 U.S. 216, (2003), which found that Washington State's program did not violate the Fifth Amendment. Presently, there are no asserted claims concerning the constitutionality of Florida's IOTA program.

The Florida Supreme Court issued an Administrative Order (No. AOSC19-70) Re: Task Force on Distribution of IOTA funds dated October 24, 2019, which has the potential to materially change the financial condition of the Foundation. A reduction in the amount of IOTA contributions received in the near term could have a significant impact on the Foundation's financial position and results of activities.

### 14. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for general expenditure were as follows:

<i>June 30,</i>	2019
Cash and cash equivalents	\$ 1,467,942
Investments	34,379,342
IOTA receivable	1,770,000
Fellows and other contributions, current portion, net	95,330
<hr/>	
Total financial assets available within one year	37,712,614
Less:	
Net assets with donor restrictions subject to expenditure for specific purpose	(1,960,923)
Endowment funds restricted in perpetuity	(2,439,664)
Board designated future building fund reserve	(1,000,000)
Board designated Legal Assistance for the Poor disaster relief	(450,950)
<hr/>	
Net financial assets and liquidity resources available within one year	\$ 31,861,077

# The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust

## Notes to Consolidated Financial Statements

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As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and mid-long term investment accounts which are reviewed and managed by the investment committee. The Foundation has established an endowment which considers, on a case-by-case basis, individual requests from the Board before making distributions of allowable earnings. Earnings are restricted for specific Foundation programs or available to the Foundation, as requested, for any of its purposes. In addition, the Foundation has two reserves: the future building fund reserve and Legal Assistance for the Poor disaster relief, as well as conditional grants in the amount of \$1,711,563. In September 2019, the Foundation approved an allocation of the amounts contained within the investment balance above for grants to be disbursed subsequent to year end in the amount of \$15,466,150, of which \$642,804 is included in net assets with donor restrictions subject to expenditure for a specific purpose.

### 15. Subsequent Events

The Foundation and Endowment have evaluated events and transactions occurring subsequent to June 30, 2019 as of December 19, 2019, which is the date the consolidated financial statements were issued. Subsequent events occurring after December 19, 2019 have not been evaluated by management. No material events have occurred since June 30, 2019 that require recognition or disclosure in the consolidated financial statements, except for the Administrative Order issued by the Supreme Court of Florida on October 24, 2019 to establish a task force to examine and make recommendations on distribution of IOTA funds as further discussed in Note 13.

## Consolidated Supplementary Information

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## Independent Auditor's Report on Consolidated Supplementary Information

To the Board of Directors  
The Florida Bar Foundation, Inc.  
Maitland, Florida

To the Trustees  
The Florida Bar Foundation Endowment Trust  
Maitland, Florida

Our audit of the consolidated financial statements as of and for the year ended June 30, 2019, included in the preceding section of this report was performed for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*BDO USA, LLP*

Certified Public Accountants  
December 19, 2019

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Schedule of Revenues by Funding Sources**

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions		With Donor Restrictions							Earnings Not Yet Appropriated for Expenditures	The Florida Bar Foundation Endowment Trust	Total	
	Unallocated	Bank of America	Legal Assistance for the Poor	Law Student Assistance	Administration of Justice	Pro Bono	Hurricane						
<b>Revenue:</b>													
IOTA contributions	\$13,685,624	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$13,685,624
Fellows contributions	—	—	—	—	—	—	—	—	—	—	—	21,879	21,879
Children's Legal Services contributions:													
Florida Bar Fee statement contributions	—	—	320,780	—	—	—	—	—	—	—	—	—	320,780
Other	—	—	139,713	—	—	—	—	—	—	—	—	—	139,713
Kids Deserve Justice license plate sales	—	—	35,729	—	—	—	—	—	—	—	—	—	35,729
Contributions in support of the Equal Justice Works fellowships	—	—	27,100	—	—	—	—	—	—	—	—	—	27,100
Contract revenue	500	6,638,000	—	—	—	—	—	—	—	—	—	—	6,638,500
Other contributions	164,173	—	55,989	1,000	—	3,350	950	—	—	—	9,456	—	234,918
Memorial/honorary gifts	32,506	—	55,197	—	600	1,825	—	—	—	—	—	—	90,128
Investment income, net	313,013	209,429	13,189	349	662	—	—	—	68,743	—	—	—	605,385
Net realized and unrealized gains/losses on investments	119,259	116,778	10,104	267	508	—	—	—	52,674	—	—	—	299,590
Grant received	1,500	—	—	—	—	—	—	—	—	—	—	—	1,500
Cy pres award	344,530	—	—	—	—	—	—	—	—	—	—	—	344,530
Annual dinner revenue	45,600	—	—	—	—	—	—	—	—	—	—	—	45,600
Other	13,776	—	—	—	—	—	—	—	—	—	—	—	13,776
<b>Total revenue</b>	<b>\$14,720,481</b>	<b>\$ 6,964,207</b>	<b>\$ 657,801</b>	<b>\$ 1,616</b>	<b>\$ 1,770</b>	<b>\$ 5,175</b>	<b>\$ 950</b>	<b>\$ 121,417</b>	<b>\$ 31,335</b>	<b>\$22,504,752</b>			

*See accompanying independent auditor's report on consolidated supplementary information.*

**The Florida Bar Foundation, Inc. and  
The Florida Bar Foundation Endowment Trust**

**Consolidated Schedule of Expenses by Funding Sources**

<i>Year Ended June 30, 2019</i>	Foundation Funds					Other Funds	Total
	Legal Assistance for the Poor	Law Student Assistance	Administration of Justice	Pro Bono	Unallocated	Bank of America	
<b>Expenses:</b>							
<b>Program:</b>							
Legal Assistance to the Poor grants:							
Foreclosure Prevention and Community Redevelopment	\$ 11,098	\$ —	\$ —	\$ —	\$ —	\$ 6,390,000	\$ 6,401,098
Children's Legal Services	1,273,146	—	—	—	—	—	1,273,146
Disaster Recovery	50,000	—	—	—	—	—	50,000
Loan Repayment Assistance Program	818,202	—	—	—	—	—	818,202
Equal Justice Works Fellowship Program	248,000	—	—	—	—	248,000	496,000
Training and Technology	165,000	—	—	—	—	—	165,000
Pro Bono program	—	—	—	595,530	—	—	595,530
Administration of Justice grants:							
Regular	—	—	703,000	—	—	—	703,000
Law Student Assistance Grants:							
Summer Fellows	—	84,975	—	—	—	—	84,975
Law School Civil Legal Clinics	—	199,999	—	—	—	—	199,999
Program-related expenses:							
Foundation grant program personnel and related	—	—	—	—	278,813	—	278,813
Grantee Capacity Building	217,575	—	—	—	—	—	217,575
Pro Bono Program	—	—	—	109,018	—	—	109,018
Foundation Pro Bono program personnel and related	—	—	—	194,893	—	—	194,893
Grantee and program evaluations	102,509	—	—	—	—	—	102,509
Other	52,281	—	—	—	—	—	52,281
Paul Doyle Children's Advocacy Award	11,494	—	—	—	—	—	11,494
Return of unspent grant funds	—	—	—	—	(132,550)	—	(132,550)
<b>Total program</b>	<b>2,949,305</b>	<b>284,974</b>	<b>703,000</b>	<b>899,441</b>	<b>146,263</b>	<b>6,638,000</b>	<b>11,620,983</b>
Management and general	—	—	—	—	1,523,551	—	1,523,551
Fundraising expenses	—	—	—	—	336,638	—	336,638
<b>Total expenses</b>	<b>\$ 2,949,305</b>	<b>\$ 284,974</b>	<b>\$ 703,000</b>	<b>\$ 899,441</b>	<b>\$ 2,006,452</b>	<b>\$ 6,638,000</b>	<b>\$ 13,481,172</b>

*See accompanying independent auditor's report on consolidated supplementary information.*