

MICHIGAN STATE BAR FOUNDATION

REPORT ON FINANCIAL STATEMENTS
(with supplementary information)

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Michigan State Bar Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Michigan State Bar Foundation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years 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 Michigan State Bar Foundation as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Michigan State Bar Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 Michigan State Bar Foundation's ability 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 and *Government 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 and *Government 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 Michigan State Bar 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 Michigan State Bar 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025, on our consideration of Michigan State Bar Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Michigan State Bar Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan State Bar Foundation's internal control over financial reporting and compliance.

Maney Costerian PC

February 3, 2025

**MICHIGAN STATE BAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023**

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,963,417	\$ 6,758,620
Investments - current	25,378,456	7,479,590
Accounts receivable - IOLTA	1,680,337	1,612,659
Accounts receivable	90,537	48,530
Grant receivable - MSHDA	1,048,212	169,281
Unconditional promises to give, net	371,702	21,820
Prepaid expenses	32,328	26,543
Total current assets	36,564,989	16,117,043
Unconditional promises to give, net, less current portion	110,459	77,798
Investments - long-term	3,385,831	3,382,831
Equipment, net	15,727	12,069
Operating lease right-of-use assets	87,123	130,684
TOTAL ASSETS	\$ 40,164,129	\$ 19,720,425
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 73,480	\$ 39,763
Operating lease obligation, current portion	42,922	42,512
Grants payable	2,849,200	3,262,995
Refundable advances	584,298	-
IOLTA payable	3,390,663	1,252,652
Total current liabilities	6,940,563	4,597,922
OPERATING LEASE OBLIGATION, less current portion	44,201	88,172
TOTAL LIABILITIES	6,984,764	4,686,094
NET ASSETS		
Without donor restrictions		
Undesignated	939,820	873,552
Designated	1,300,000	500,000
Total without donor restrictions	2,239,820	1,373,552
With donor restrictions	30,939,545	13,660,779
TOTAL NET ASSETS	33,179,365	15,034,331
TOTAL LIABILITIES AND NET ASSETS	\$ 40,164,129	\$ 19,720,425

See notes to financial statements.

**MICHIGAN STATE BAR FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions - IOLTA - net (See Note 11)	\$ -	\$ 18,202,778	\$ 18,202,778	\$ -	\$ 7,922,000	\$ 7,922,000
Fellows contributions	-	111,477	111,477	-	40,168	40,168
Access to Justice Fund contributions	-	1,724,699	1,724,699	-	1,514,325	1,514,325
Legal Self-Help program grant	-	650,000	650,000	-	650,000	650,000
Grant revenue - federal	6,770,708	-	6,770,708	8,868,901	-	8,868,901
Grant revenue - state	375,000	-	375,000	325,000	-	325,000
Legal Assistance Relief funding	500,000	-	500,000	-	-	-
Filing fees reimbursement	60,951	-	60,951	62,865	-	62,865
Contributions and memorials	4,197	109,212	113,409	6,332	29,518	35,850
Investment return, net	550,993	517,763	1,068,756	110,047	303,497	413,544
Net assets released from restrictions	5,935,700	(5,935,700)	-	4,554,920	(4,554,920)	-
TOTAL REVENUE AND OTHER SUPPORT	14,197,549	15,380,229	29,577,778	13,928,065	5,904,588	19,832,653
EXPENSES						
Program services						
IOLTA Grants	2,610,999	-	2,610,999	1,393,801	-	1,393,801
IOLTA Program	739,425	-	739,425	739,847	-	739,847
Fellows Program	43,351	-	43,351	30,995	-	30,995
MSHDA Program	6,770,708	-	6,770,708	8,868,901	-	8,868,901
DHS SSI Program	375,000	-	375,000	325,000	-	325,000
Legal Assistance Relief Program	500,000	-	500,000	-	-	-
Filing fees	199,267	-	199,267	170,410	-	170,410
Access to Justice Program	1,664,746	-	1,664,746	1,720,122	-	1,720,122
Legal Self-Help Program	650,000	-	650,000	650,000	-	650,000
Special Grant Program	76,765	-	76,765	-	-	-
MSBF Fund Grants	18,493	-	18,493	14,362	-	14,362
Total program services	13,648,754	-	13,648,754	13,913,438	-	13,913,438

See notes to financial statements.

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (continued)						
Management and general	\$ 49,189	\$ -	\$ 49,189	\$ 63,548	\$ -	\$ 63,548
Fundraising	41,611	-	41,611	29,955	-	29,955
TOTAL EXPENSES	13,739,554	-	13,739,554	14,006,941	-	14,006,941
Change in net assets before unrealized gain (loss) on marketable securities	457,995	15,380,229	15,838,224	(78,876)	5,904,588	5,825,712
UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES	408,273	1,898,537	2,306,810	185,682	614,338	800,020
CHANGE IN NET ASSETS	866,268	17,278,766	18,145,034	106,806	6,518,926	6,625,732
NET ASSETS, beginning of year	1,373,552	13,660,779	15,034,331	1,266,746	7,141,853	8,408,599
NET ASSETS, end of year	\$ 2,239,820	\$ 30,939,545	\$ 33,179,365	\$ 1,373,552	\$ 13,660,779	\$ 15,034,331

See notes to financial statements.

**MICHIGAN STATE BAR FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

2024				
	Program Services	Management and General	Fundraising	Total
Grants	\$ 12,489,673	\$ -	\$ -	\$ 12,489,673
Compensation of employees and related	847,962	32,417	32,417	912,796
Professional fees	75,217	6,840	-	82,057
Office expenses	15,455	2,415	3,469	21,339
Information technology	65,960	1,900	47	67,907
Occupancy	45,111	1,909	-	47,020
Conferences, conventions, etc.	28,230	785	-	29,015
Depreciation	4,656	197	-	4,853
Insurance	11,259	476	-	11,735
Dues and subscriptions	12,271	246	-	12,517
All other expenses	52,960	2,004	5,678	60,642
	<u>\$ 13,648,754</u>	<u>\$ 49,189</u>	<u>\$ 41,611</u>	<u>\$ 13,739,554</u>
2023				
	Program Services	Management and General	Fundraising	Total
Grants	\$ 12,819,883	\$ -	\$ -	\$ 12,819,883
Compensation of employees and related	790,528	49,715	15,385	855,628
Professional fees	93,241	4,885	-	98,126
Office expenses	13,756	594	4,118	18,468
Information technology	62,930	2,560	-	65,490
Occupancy	39,175	2,167	-	41,342
Conferences, conventions, etc.	31,377	942	10,452	42,771
Depreciation	3,924	217	-	4,141
Insurance	13,099	725	-	13,824
Dues and subscriptions	21,539	851	-	22,390
All other expenses	23,986	892	-	24,878
	<u>\$ 13,913,438</u>	<u>\$ 63,548</u>	<u>\$ 29,955</u>	<u>\$ 14,006,941</u>

See notes to financial statements.

MICHIGAN STATE BAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	<u>\$ 18,145,034</u>	<u>\$ 6,625,732</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,854	4,140
Realized (gain) loss on sale of marketable securities	(100,449)	(132,537)
Unrealized (gain) loss on marketable securities	(2,306,810)	(800,020)
Contributions restricted for long-term purposes	(3,000)	(3,550)
Accounts receivable	(109,685)	(1,423,541)
Grant receivable - MSHDA	(878,931)	(169,281)
Unconditional promises to give	(382,543)	24,990
Prepaid expenses	(5,785)	(9,166)
Operating lease right-of-use asset	(43,561)	(40,192)
Accounts payable and IOLTA payable	2,171,728	796,187
Operating lease liabilities	43,971	40,192
Refundable advances	584,298	(1,197,907)
Grants payable	<u>(413,795)</u>	<u>1,710,127</u>
Total adjustments	<u>(1,439,708)</u>	<u>(1,200,558)</u>
Net cash provided (used) by operating activities	<u>16,705,326</u>	<u>5,425,174</u>
Cash flows from investing activities		
Purchase of investments	(15,495,018)	(203,035)
Sale of investments	-	154,075
Purchase of property and equipment	<u>(8,511)</u>	<u>(2,418)</u>
Net cash provided (used) by investing activities	<u>(15,503,529)</u>	<u>(51,378)</u>
Cash flows from financing activities		
Investment in perpetual endowment	<u>3,000</u>	<u>3,550</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,204,797	5,377,346
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,758,620</u>	<u>1,381,274</u>
End of year	<u><u>\$ 7,963,417</u></u>	<u><u>\$ 6,758,620</u></u>

See notes to financial statements.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Michigan State Bar Foundation have been prepared on the accrual basis in accordance with United States of America generally accepted accounting principles (GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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 grantor restrictions. The Foundation has designated, from net assets without donor restrictions, net assets to be used for support of future operations and contributions. The appropriated funds at September 30 are as follows:

	<u>2024</u>	<u>2023</u>
Total board designated net assets - operating reserve	<u>\$ 1,300,000</u>	<u>\$ 500,000</u>

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. These resources originate from IOLTA activities, the Access to Justice Campaign, gifts, grants, bequests, contracts, emergency appeals, and investment income earned on investments related to these activities. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are 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 restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Functional Allocation of Expenses

The costs of providing program and other activities have been reported in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of compensation of officers and related benefits, leased employees, occupancy, information technology, professional fees, meetings and travel, and various other expense classifications necessary to support the day-to-day operations of the Organization. Employee driven expenses are allocated based on salary and wage analysis. All other allocated expenses utilize management's estimated use of resources.

The following is a definition of the Foundation's significant program services:

- IOLTA Grants and IOLTA Program - Grants and related expenses regarding improvements in the administration of justice and civil legal services to low-income persons.
- Fellows Program - A giving program that recognized Michigan lawyers for their professional excellence and service to the community, while also raising funding for the Foundation's activities.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

- MSHDA Program - Grants and related expenses regarding the eviction diversion program.
- Filing fees - Funds expended to provide grants for civil legal services to low-income persons.
- DHS SSI - Contract revenues from the Michigan Department of Human Services are distributed to legal services organizations to provide assistance to individuals in applying for SSI or other federal disability benefits.
- Access to Justice Program - Grants and related expenses regarding civil legal services to low-income persons.
- Legal Self-Help Program - Grants and related expenses regarding provision of legal information and forms online, support for and operation of legal self-help centers, and training related to legal self-help.
- Other Programs - Miscellaneous programs administered by the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds.

Investments

Investments with readily determinable fair values are reported at fair value. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized gains and losses, less investment expenses. Amounts on deposit for investment purposes are not considered cash equivalents for cash flows purposes. Losses on investments of net assets restricted in perpetuity in excess of the original gift reduce net assets without donor restrictions. Subsequent related gains are recorded as increases in net assets without donor restriction until the gain offsets the amount of losses previously recorded as decreases in net assets without donor restriction.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable, Grants Receivable and Credit Losses

The Organization is exposed to credit losses primarily through services to third-parties. Accounts receivable and grants receivable represent consideration from third parties, of which the Organization has an unconditional right to receive. Accounts receivable and grants receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable are recorded when invoices are issued and are presented on the statement of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of accounts receivable. Due to the short-term nature of such receivables, the estimated accounts receivable that may not be collected is based on aging of the accounts receivable balances.

The Organization evaluates contract terms and conditions, economic and industry risk, credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for organizations that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted. See Note 2 regarding concentrations of credit risk.

Currently, management has determined the value of an allowance for credit losses is immaterial and the recording of such balance is not considered necessary.

Beginning and ending balances for accounts receivable and grants receivable are reported as follows for the year ended September 30:

	<u>2024</u>	<u>2023</u>
Receivables, beginning of year	<u>\$ 1,661,189</u>	<u>\$ 237,648</u>
Receivables, end of year	<u>\$ 1,770,874</u>	<u>\$ 1,661,189</u>
Grants receivable, beginning of year	<u>\$ 169,281</u>	<u>\$ -</u>
Grants receivable, end of year	<u>\$ 1,048,212</u>	<u>\$ 169,281</u>

Unconditional Promises to Give

These amounts are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. See Note 6 for changes in the valuation allowance.

Prepaid Expenses

Prepaid expenses consist primarily of advance payments for insurance and maintenance agreements.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is stated at cost. Depreciation is computed over the estimated useful lives of the assets on the straight-line method and the Foundation's capitalization policy is \$1,000.

Leases

The Organization determines whether an arrangement is or contains a lease at inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent the Organization's contractual obligation to make lease payments over the term of the lease.

For operating leases, the lease liability is measured as the present value of the lease payment over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payment plus unamortized initial direct costs and prepayments or rent, less any unamortized lease incentives. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected to not recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expenses associated with short term leases in the statement of activities and changes in net assets.

The Organization has elected to utilize a risk-free rate as the discount rate when determining the present value of remaining lease payments for both operating and financing leases. Additionally, the Organization has elected to not separate non-lease components from lease components and, instead, to account for each separate lease component and the related non-lease component as a single lease component.

Contract Services

Contract services for personnel consist of reimbursement to other entities for services provided to the Foundation. These personnel are covered under the benefit plans of their respective entities.

Refundable Advances

The Organization records refundable advances when funds are received in advance for which conditions of the agreement have not been met and then subsequently recognized as revenue upon meeting the conditions of the agreement. Beginning and ending balances for refundable advances is reported as follows for the year ended September 30:

	2024	2023
Refundable advances, beginning of year	\$ -	\$ 1,197,907
Refundable advances, end of year	\$ 584,298	\$ -

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Contract Revenue

Contract revenue recognized by the Organization is comprised of contracts committed from various funding agencies for use in the Organization's activities. All funding sources are providing revenue streams to the Organization for the benefit of the public. Contract revenue is recognized as revenue upon receipt and meeting all conditional requirements of the funding arrangement. Any funds received in advance for which conditions of the agreement have not been met are recognized as refundable advances and then subsequently recognized as revenue upon meeting the conditions of the agreement.

NOTE 2 - ORGANIZATION, RISKS, AND UNCERTAINTIES

The Michigan State Bar Foundation was formed on September 30, 1947, as a non-profit corporation under U.S. Internal Revenue Code Section 501(c)(3). The Foundation provides leadership and resources for improving access to the civil justice system, including civil legal aid for low-income households, improving the administration of justice and other goals closely aligned with the civil justice system. The Foundation is a tax-exempt organization.

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash, investments, promises to give, and accounts receivable. The Foundation places its cash and investments with financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Certain investments are subject to changes in fair value daily.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on management's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization performs ongoing credit evaluations of its third-parties' financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific customer creditworthiness and current economic trends. Management believes that the Organization's concentration of credit risk is limited. The Organization has considered potential credit risk exposure due to the lack of geographic diversification.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The Foundation evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through February 3, 2025, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, and various investments (see Notes 4 and 5).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at September 30, 2024 and 2023:

	2024	2023
Financial assets available at year-end		
Cash and equivalents	\$ 7,963,417	\$ 6,758,620
Investments	28,764,287	10,862,421
Accounts receivable - IOLTA	1,680,337	1,612,659
Accounts receivable	90,537	48,530
Grant receivable - MSHDA	1,048,212	169,281
Unconditional promises to give	482,161	99,618
Total financial assets available at year-end	40,028,951	19,551,129
Donor-imposed restrictions		
Less subject to expenditure for specified purpose	(23,542,316)	(7,906,351)
Endowment fund		
Less purpose restricted funds	(4,011,398)	(2,371,597)
Less perpetual funds	(3,385,831)	(3,382,831)
Add amount appropriated for next year	12,929,692	12,050,766
Net financial assets after donor-imposed restrictions	22,019,098	17,941,116
Board designations		
Less designated funds	(1,300,000)	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 20,719,098	\$ 17,441,116

Amounts not available include amounts set aside for restricted purposes and amounts set aside for the endowment that could be drawn upon if the governing board approves that action. Amounts appropriated from either endowment or net assets with donor restrictions within one year of the date of the statement of financial position are considered available.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Foundation's governing board has designated a portion of its unrestricted resources as a one-year operating reserve in the event that revenues and available funds are diminished or eliminated to the point that the Foundation could not operate. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

The Foundation's governing board has determined that the amount of financial assets available to meet cash needs for general expenditures within one year is appropriate in order to continue to provide consistent support to organizations who rely on funding provided to them by the Foundation should the Foundation's financial condition change. This is consistent with the mission of the Foundation as described in Note 2 to the financial statements.

NOTE 4 - INVESTMENTS

Investments consist of mutual funds which consist of domestic equity funds, international equity funds, domestic bond funds, investment grade bond funds, international bond funds, bond index funds, corporate bond index funds, and treasury index funds.

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Investments			
September 30, 2024			
Mutual funds - equities	\$ 8,602,007	\$ 11,462,300	\$ 2,860,293
Mutual funds - fixed income	<u>17,278,207</u>	<u>17,301,987</u>	<u>23,780</u>
Total	<u>\$ 25,880,214</u>	<u>\$ 28,764,287</u>	<u>\$ 2,884,073</u>
Investments			
September 30, 2023			
Mutual funds - equities	\$ 4,955,855	\$ 4,791,616	\$ (164,239)
Mutual funds - fixed income	<u>5,329,303</u>	<u>6,070,805</u>	<u>741,502</u>
Total	<u>\$ 10,285,158</u>	<u>\$ 10,862,421</u>	<u>\$ 577,263</u>

Investments are presented in the statements of financial position as follows:

	<u>2024</u>	<u>2023</u>
Investments - current	\$ 25,378,456	\$ 7,479,590
Investments - long-term	<u>3,385,831</u>	<u>3,382,831</u>
	<u>\$ 28,764,287</u>	<u>\$ 10,862,421</u>

Net investment return consists of the following as of September 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 1,007,260	\$ 306,126
Realized gain (loss)	100,449	132,537
Investment expenses	<u>(38,953)</u>	<u>(25,119)</u>
Investment return, net	1,068,756	413,544
Unrealized gain (loss)	<u>2,306,810</u>	<u>800,020</u>
Total	<u>\$ 3,375,566</u>	<u>\$ 1,213,564</u>

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - FAIR VALUE MEASUREMENTS

The Foundation is subject to the provisions of accounting standards to report certain assets at fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024 and 2023.

Mutual Funds: Valued at the daily closing price, net asset value (NAV) as reported by the various mutual funds.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy from year to year.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The following is a market value summary by the level of the inputs used, as of September 30, 2024 and 2023, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Description	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total September 30, 2024
Valued on a recurring basis				
Mutual funds - equities				
Passive domestic equities	\$ 7,073,888	\$ -	\$ -	\$ 7,073,888
Passive international equities	4,388,412	-	-	4,388,412
Mutual funds - fixed income				
Passive domestic bonds	1,861,219	-	-	1,861,219
Long investment grade bonds	468,394	-	-	468,394
Intermediate investment grade bonds	566,031	-	-	566,031
Short investment grade bonds	806,001	-	-	806,001
Passive international bonds	657,157	-	-	657,157
Short term bond index	4,413,076	-	-	4,413,076
Short term corporate bond index	4,294,444	-	-	4,294,444
Short term treasury index	4,235,665	-	-	4,235,665
Total	\$ 28,764,287	\$ -	\$ -	\$ 28,764,287

Description	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total September 30, 2023
Valued on a recurring basis				
Mutual funds - equities				
Passive domestic equities	\$ 3,677,856	\$ -	\$ -	\$ 3,677,856
Passive international equities	2,392,949	-	-	2,392,949
Mutual funds - fixed income				
Passive domestic bonds	1,096,258	-	-	1,096,258
Long investment grade bonds	260,865	-	-	260,865
Intermediate investment grade bonds	327,128	-	-	327,128
Short investment grade bonds	498,662	-	-	498,662
Passive international bonds	391,848	-	-	391,848
Short term bond index	751,996	-	-	751,996
Short term corporate bond index	733,592	-	-	733,592
Short term treasury index	731,267	-	-	731,267
Total	\$ 10,862,421	\$ -	\$ -	\$ 10,862,421

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

	2024			2023
	Access to Justice	Fellows Program	Total	
Gross amounts due in				
Less than one year	\$ 369,108	\$ 13,500	\$ 382,608	\$ 23,661
One to five years	2,335	107,945	110,280	83,945
More than five years	-	52,700	52,700	25,719
Total	<u>\$ 371,443</u>	<u>\$ 174,145</u>	<u>\$ 545,588</u>	<u>\$ 133,325</u>
Current portion - net	\$ 358,718	\$ 12,984	\$ 371,702	\$ 21,820
Long-term portion - net	<u>1,484</u>	<u>108,975</u>	<u>110,459</u>	<u>77,798</u>
Total - net	<u>\$ 360,202</u>	<u>\$ 121,959</u>	<u>\$ 482,161</u>	<u>\$ 99,618</u>

The discount rate used to determine the net amounts above was 4.4% and 5.1%, which amounted to \$32,634 and \$21,761 for 2024 and 2023, respectively.

The above net amounts are net of an allowance for uncollectible amounts of \$30,793 and \$11,946 at September 30, 2024 and 2023, respectively.

NOTE 7 - EQUIPMENT AND DEPRECIATION

Equipment at September 30 consists of the following:

	2024	2023
Computers and equipment	\$ 63,435	\$ 54,924
Office furniture	16,475	16,475
Leasehold improvements	<u>1,525</u>	<u>1,525</u>
	81,435	72,924
Less accumulated depreciation	<u>65,708</u>	<u>60,855</u>
Equipment - net	<u>\$ 15,727</u>	<u>\$ 12,069</u>
Depreciation expense	<u>\$ 4,854</u>	<u>\$ 4,140</u>

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LEASE COMMITMENTS

The Organization maintains an operating lease for occupancy space categorized as a right-to-use asset on the statement of financial position in the amount of \$87,123 and \$130,684 at September 30, 2024 and 2023, respectively. The operating lease matures September 2026, resulting in a remaining lease term of 2 years. Monthly estimated payments are \$3,630 over the life of the lease. The Organization utilized the federal daily risk-free rate of 0.96% to calculate the discount rate for the operating lease. The weighted average remaining lease term was 2 years.

Operating lease expense recognized in the statement of functional expenses related to lease agreements are as follows for the years ended September 30:

	2024	2023
Occupancy related to operating lease liability	\$ 43,561	\$ 41,242
Other occupancy expenses	3,459	100
Occupancy lease expense	\$ 47,020	\$ 41,342

Future minimum payments under the operating lease are as follows:

Year Ending September 30,	
2025	\$ 43,561
2026	43,562
Total operating lease liabilities	\$ 87,123

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes.

Purpose and time restrictions accomplished and other items:

	2024	2023
IOLTA - grants	\$ 2,608,089	\$ 1,393,801
IOLTA expenses	739,425	739,847
Fellows program	52,967	51,150
Access to Justice program grants and expenses	1,789,961	1,720,122
Special programs	95,258	-
Legal Self-Help program	650,000	650,000
	\$ 5,935,700	\$ 4,554,920

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions subject to passage of time or restricted purpose.

	2024	2023
IOLTA program	\$ 22,062,966	\$ 6,519,828
Fellows program	145,392	86,882
Franck program	165,379	156,418
Access to Justice program time and purpose restrictions	5,023,426	3,372,223
Special programs	156,551	142,597
	\$ 27,553,714	\$ 10,277,948

Endowment funds consist of the following.

	2024	2023
Access to Justice Program	\$ 3,385,831	\$ 3,382,831

NOTE 10 - ENDOWMENT

The Foundation's endowment consists of one individual donor-restricted fund established for the following purpose.

Access to Justice - This program seeks to increase resources for civil legal services for low-income persons. The principal is restricted in perpetuity by option of the donor. Income and capital gains are restricted for the purpose of the program.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as permitting 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 classified as net assets restricted in perpetuity (a) the original value of initial gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENT (continued)

Interpretation of Relevant Law (continued)

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

- a. The duration and preservation of the Fund
- b. The purposes of the Foundation and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

Changes in endowment net assets for the year ending September 30, 2024 were as follows:

	With Donor Restrictions		
	Accumulated Investment Gains	Original Gifts in Perpetuity by Donor	Total
Endowment net assets, beginning of year, October 1, 2023	\$ 2,371,597	\$ 3,382,831	\$ 5,754,428
Investment return, net			
Investment income	203,556	-	203,556
Investment expenses	(19,233)	-	(19,233)
Net gain (realized and unrealized)	1,535,142	-	1,535,142
Total investment return, net	1,719,465	-	1,719,465
Contributions	-	3,000	3,000
Appropriation of endowment assets for expenditure	(79,664)	-	(79,664)
Endowment net assets, end of year, September 30, 2024	\$ 4,011,398	\$ 3,385,831	\$ 7,397,229

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENT (continued)

Changes in endowment net assets for the year ending September 30, 2023 were as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated Investment Gains</u>	<u>Original Gifts in Perpetuity by Donor</u>	
Endowment net assets, beginning of year October 1, 2022	<u>\$ 1,800,323</u>	<u>\$ 3,379,281</u>	<u>\$ 5,179,604</u>
Investment return, net			
Investment income	162,552	-	162,552
Investment expenses	(13,695)	-	(13,695)
Net loss (realized and unrealized)	<u>603,548</u>	<u>-</u>	<u>603,548</u>
Total investment return, net	<u>752,405</u>	<u>-</u>	<u>752,405</u>
Contributions	<u>-</u>	<u>3,550</u>	<u>3,550</u>
Appropriation of endowment assets for expenditure	<u>(181,131)</u>	<u>-</u>	<u>(181,131)</u>
Endowment net assets, end of year September 30, 2023	<u>\$ 2,371,597</u>	<u>\$ 3,382,831</u>	<u>\$ 5,754,428</u>

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of September 30, 2024 and 2023 respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce the following results.

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 return objectives within prudent risk constraints.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENT (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment funds available for spending are determined by the Foundation using a total return system. The spending policy will use the average of the market value of the fund as of September 30 for the previous five years. At the end of each successive fiscal year, the most recent year will be added, and the initial year will be dropped. The calculation is as follows:

- a. Each year a five-year rolling average of the market value is determined as of September 30.
- b. The amount which can be spent will be up to 5% of the average market value calculated in "a" above.

The funds that may be spent under this spending policy for a particular endowment fund may be drawn from both ordinary income earned (i.e., dividends, interest, rents, royalties, etc.) and capital appreciation, both realized and unrealized, for that endowment fund. All income and appreciation not needed to meet spending needs for a particular endowment fund is credited directly to that fund and reinvested. A designated endowment recipient may elect to reinvest the spending amount available rather than receive payment.

NOTE 11 - RESTRICTED ACTIVITIES

Franck Program - (Michael Franck Fund for Professional Responsibility). The income and principal are restricted to the furtherance of professional responsibility.

IOLTA Program (Interest on Lawyer's Trust Accounts) - The Michigan Supreme Court issued Administrative Order 1990-2 designating the Michigan State Bar Foundation as the entity to administer the IOLTA Program, as established by Rule 1.15 of the Michigan Rules of Professional Conduct. AO 1997-9, modified the prior order, in terms of distribution of IOLTA net proceeds. On April 27, 2021, the Michigan Supreme Court issued AO 2021-3 and rescinded AO 1997-9.

After administrative expenses, IOLTA net proceeds are distributed pursuant to AO 2021-3 including 1) 70% to support the delivery of civil legal services to the poor; 2) 15% to support programs to promote the improvements in the administration of justice; 3) 10% to support increased access to justice, including matters related to gender, racial, and ethnic equality; and 4) 5% not to exceed a maximum of \$50,000 to support the activities of the Michigan Supreme Court Historical Society (MSCHS) plus an amount computed annually to equal the cumulative, compounded increase to date in the Consumer Price Index for all Urban Consumers since 2022.

Pursuant to the administrative order, the Foundation shall consider and prioritize recommendations from the State Court Administrator when disbursing the 10% to support increased access to justice, including matters related to gender, racial, and ethnic equality. In addition, any funds in excess of the maximum distribution to the MSCHS are divided evenly among the other three categories.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - RESTRICTED ACTIVITIES (continued)

The following is a summary of the IOLTA activity for the years ended September 30:

	2024	2023
IOLTA funds (accrual basis) - net of bank service charges	\$ 20,574,442	\$ 8,834,389
Less allocation for Gender/Racial/Ethnic Related Issues and Supreme Court Historical Society	(2,371,664)	(912,389)
IOLTA revenue - net of funds received in an agency capacity	\$ 18,202,778	\$ 7,922,000

Calculation of funds received in an agency capacity:

	2024	2023
IOLTA funds (accrual basis)	\$ 20,574,442	\$ 8,834,389
Administrative expenses and investment activity	(897,604)	(748,207)
IOLTA funds - net	\$ 19,676,838	\$ 8,086,182

IOLTA revenues presented in the Statement of Activities are reported net of any applicable fees charged by financial institutions. For the years ended September 30, 2024 and 2023, fees charged by institutions were \$1,185 and \$1,704, respectively.

	2024		
	Gender/ Racial/Ethnic/ ATJ Issues	Supreme Court Historical Society	Total IOLTA Payable
IOLTA funds - net	\$ 19,676,838	\$ 19,676,838	\$ 19,676,838
Allocation per administrative order	10%	5%	15%
	1,967,684	983,842	2,951,526
Allocation of accumulated funds at beginning of year	1,198,101	54,551	1,252,652
Interest earned	36,515	3,360	39,875
Total funds available	3,202,300	1,041,753	4,244,053
Payments made	(179,102)	(54,552)	(233,654)
Amounts reallocated	311,391	(931,127)	(619,736)
IOLTA payable, end of year	\$ 3,334,589	\$ 56,074	\$ 3,390,663

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - RESTRICTED ACTIVITIES (continued)

	2023		
	Gender/ Racial/Ethnic Related Issues	Supreme Court Historical Society	Total IOLTA Payable
IOLTA funds - net	\$ 8,086,182	\$ 8,086,182	\$ 8,086,182
Allocation per administrative order	10%	5%	15%
	808,618	404,309	1,212,927
Allocation of accumulated funds at beginning of year	344,499	54,082	398,581
Interest earned	14,688	2,640	17,328
Total funds available	1,167,805	461,031	1,628,836
Payments made	(84,623)	(53,205)	(137,828)
Amounts reallocated	114,919	(353,275)	(238,356)
IOLTA payable, end of year	\$ 1,198,101	\$ 54,551	\$ 1,252,652

NOTE 12 - BENEFICIAL INTEREST IN ASSETS HELD AT CAPITAL REGION COMMUNITY FOUNDATION

An Access to Justice Fund has been established at the Capital Region Community Foundation with the Michigan State Bar Foundation as the beneficiary. Funds contributed by third party donors are held in the Access to Justice Fund and distributions from the fund are made in accordance with the spending policy of the Capital Region Community Foundation. The Capital Region Community Foundation retains variance power and therefore these amounts are not included in the Michigan State Bar Foundation's Statement of Financial Position. The assets held in this endowment fund at the Capital Region Community Foundation were valued at \$2,963,280 and \$2,510,997 at September 30, 2024 and 2023, respectively.

**MICHIGAN STATE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - ADOPTION OF A NEW ACCOUNTING STANDARD

For the year ended September 30, 2024, the Organization implemented the following new pronouncement: Financial Accounting Standards Board (the "FASB") Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) ("ASU 2016-13").

Summary:

In June 2016, the FASB issued ASU 2016-13 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-13 (collectively, "CECL"). The objective of the ASU 2016-13 is to provide financial statement users with more decision-useful information about current expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization adopted the new standard on October 1, 2023 using the modified-retrospective approach.

The Organization determined that the adoption of ASU 2016-13 did not have a material impact on net assets, assets, or liabilities as of the date of adoption and primarily resulted in enhanced disclosures.

SUPPLEMENTARY INFORMATION

**MICHIGAN STATE BAR FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenses</u>
U.S. Department of Treasury Passed through Michigan State Housing Development Authority Emergency Rental Assistance Program - COVID-19 HML-2022-Michigan-9962-CERA2	21.023	<u>\$ 6,770,708</u>
Total federal expenditures		<u><u>\$ 6,770,708</u></u>

The accompanying notes are integral part of this schedule.

MICHIGAN STATE BAR FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Michigan State Bar Foundation under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Michigan State Bar Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Michigan State Bar Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Michigan State Bar Foundation has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The Organization does not pass through federal funds.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Michigan State Bar Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Michigan State Bar Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan State Bar Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Michigan State Bar Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Michigan State Bar Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan State Bar Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

February 3, 2025



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of the
Michigan State Bar Foundation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Michigan State Bar Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Michigan State Bar Foundation's major federal program for the year ended September 30, 2024. Michigan State Bar Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Michigan State Bar Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Michigan State Bar Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Michigan State Bar Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Michigan State Bar Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Michigan State Bar Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Michigan State Bar Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Michigan State Bar Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Michigan State Bar Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Michigan State Bar Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

February 3, 2025

**MICHIGAN STATE BAR FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2024**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.023	Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**MICHIGAN STATE BAR FOUNDATION
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2024**

There were no audit findings for the year ended September 30, 2023.