

SOUTHEASTERN LEGAL FOUNDATION, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

For the Years Ended  
June 30, 2024 and 2023

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# HELTON/SCHUETZE

CERTIFIED PUBLIC ACCOUNTANTS, LLC

Lisa D. Helton, CPA  
JoAnne D. Schuetze, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southeastern Legal Foundation, Inc.

### **Qualified Opinion**

We have audited the accompanying financial statements of Southeastern Legal Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Legal Foundation, Inc. as of June 30, 2024 and 2023, and the changes in 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 Qualified Opinion**

As discussed in Note D to the financial statements, the Foundation has recorded its equity in an investment in an LLC based on financial statements prepared in accordance with the income tax basis of accounting. In our opinion, the equity and earnings of the investment should be computed based on its financial statements prepared on the same basis of accounting used by Southeastern Legal Foundation, Inc. to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of that departure from U.S. generally accepted accounting principles on the financial statements of Southeastern Legal Foundation, Inc. is not practicable.

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

## **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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgement 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 Southeastern Legal Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeastern Legal Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

## Helton/Schuetze CPA, LLC

Roswell, Georgia

October 9, 2024

SOUTHEASTERN LEGAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	ASSETS	
	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unrestricted	\$ 581,334	\$ 1,030,629
Prepaid expenses	17,046	2,010
Investment at tax basis, unrestricted	816,345	720,680
Investments, unrestricted	<u>6,545,601</u>	<u>5,994,998</u>
Total Current Assets	<u>7,960,326</u>	<u>7,748,317</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building	248,551	248,551
Furniture and fixtures	42,183	42,183
Machinery and equipment	<u>35,932</u>	<u>35,932</u>
	326,666	326,666
Less: accumulated depreciation	<u>(104,830)</u>	<u>(93,733)</u>
Total Property and equipment	<u>221,836</u>	<u>232,933</u>
<b>OTHER ASSETS</b>		
Operating leases right-of-use assets	15,614	10,888
Intangibles	<u>27,622</u>	<u>47,000</u>
Total Other Assets	<u>43,236</u>	<u>57,888</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,225,398</u></u>	<u><u>\$ 8,039,138</u></u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2024	2023
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,520	\$ 14,063
Accrued expense	1,050	11,445
Current portion of operating lease liability	3,906	3,005
Client trust funds payable	66,699	66,699
Total Current Liabilities	82,175	95,212
<b>NONCURRENT LIABILITIES</b>		
Operating lease liability	11,708	7,883
Total Noncurrent Liabilities	11,708	7,883
TOTAL LIABILITIES	93,883	103,095
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>NET ASSETS</b>		
Without donor restrictions	8,131,515	7,756,043
With donor restrictions	-	180,000
TOTAL NET ASSETS	8,131,515	7,936,043
TOTAL LIABILITIES AND NET ASSETS	\$ 8,225,398	\$ 8,039,138

SOUTHEASTERN LEGAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30, 2024			For the Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Support and revenues						
Program revenues						
Direct mail	\$ 960,990	\$ -	\$ 960,990	\$ 1,569,040	\$ -	\$ 1,569,040
Grants	765,000	-	765,000	610,000	180,000	790,000
Contributions	485,456	-	485,456	137,114	-	137,114
Investment income (loss)	169,042	-	169,042	89,926	-	89,926
Dividend and interest income	312,083	-	312,083	191,248	-	191,248
Other income	195,320	-	195,320	13,600	-	13,600
Total support and revenues	<u>2,887,891</u>	<u>-</u>	<u>2,887,891</u>	<u>2,610,928</u>	<u>180,000</u>	<u>2,790,928</u>
Functional expenses						
Program services	2,226,366	180,000	2,406,366	2,472,320	100,000	2,572,320
Supporting Services						
Management and general	145,709	-	145,709	80,936	-	80,936
Fundraising	140,344	-	140,344	149,200	-	149,200
Total Functional Expenses	<u>2,512,419</u>	<u>180,000</u>	<u>2,692,419</u>	<u>2,702,456</u>	<u>100,000</u>	<u>2,802,456</u>
CHANGE IN NET ASSETS	375,472	(180,000)	195,472	(91,528)	80,000	(11,528)
NET ASSETS, BEGINNING OF THE YEAR	<u>7,756,043</u>	<u>180,000</u>	<u>7,936,043</u>	<u>7,847,571</u>	<u>100,000</u>	<u>7,947,571</u>
NET ASSETS, END OF THE YEAR	<u>\$ 8,131,515</u>	<u>\$ -</u>	<u>\$ 8,131,515</u>	<u>\$ 7,756,043</u>	<u>\$ 180,000</u>	<u>\$ 7,936,043</u>

Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.



SOUTHEASTERN LEGAL FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended June 30, 2024				For the Year Ended June 30, 2023			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Direct Mail	\$ 788,177	\$ -	\$ 87,575	\$ 875,752	\$ 1,244,502	\$ -	\$ 138,278	\$ 1,382,780
Salaries and payroll taxes	637,043	119,445	39,815	796,303	559,688	58,282	3,643	621,613
Legal case expense	483,805	-	-	483,805	338,709	-	-	338,709
Professional fees	271,862	11,447	2,862	286,171	241,391	10,164	2,541	254,096
Employee benefits	80,476	9,468	4,734	94,678	73,034	8,160	408	81,602
Office expense	44,732	2,476	2,485	49,693	34,298	1,905	1,905	38,108
Insurance	33,013	-	-	33,013	14,986	-	-	14,986
Bank service charges	20,693	1,150	1,150	22,993	19,870	1,104	1,104	22,078
Repairs and maintenance	15,496	861	861	17,218	9,043	502	502	10,047
Internet and computer	15,512	-	-	15,512	8,063	-	-	8,063
Depreciation	9,987	555	555	11,097	9,987	555	555	11,097
Telephone and utilities	5,524	307	307	6,138	4,742	264	264	5,270
Travel	46	-	-	46	14,007	-	-	14,007
<b>Total Functional Expenses</b>	<b><u>\$ 2,406,366</u></b>	<b><u>\$ 145,709</u></b>	<b><u>\$ 140,344</u></b>	<b><u>\$ 2,692,419</u></b>	<b><u>\$ 2,572,320</u></b>	<b><u>\$ 80,936</u></b>	<b><u>\$ 149,200</u></b>	<b><u>\$ 2,802,456</u></b>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LEGAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 195,472	\$ (11,528)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gains) losses on investments	(169,042)	(89,926)
Depreciation	11,097	11,097
Change in operating assets and liabilities		
(Increase) decrease in prepaids	(15,036)	7,533
(Increase) decrease in other assets	19,378	19,734
Increase (decrease) in accounts payable	(3,543)	(2,010)
Increase (decrease) in accrued expense	<u>(10,395)</u>	<u>13,505</u>
Net cash provided by (used in) operating activities	<u>27,931</u>	<u>(51,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	216,256	30,615
Purchase of investments	<u>(693,482)</u>	<u>(3,312,733)</u>
Net cash provided by (used in) investing activities	<u>(477,226)</u>	<u>(3,282,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(449,295)	(3,333,713)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning of Year	<u>1,030,629</u>	<u>4,364,342</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of Year	<u>\$ 581,334</u>	<u>\$ 1,030,629</u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

A summary of Southeastern Legal Foundation, Inc.'s significant accounting policies applied in the preparation of the accompanying financial statements follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Southeastern Legal Foundation, Inc. (the Foundation) is a nonprofit organization whose purpose is: to provide and assist in legal representation for the citizens of the United States of America, corporate or individual, on matters of public interest at all levels of the administrative and judicial process on a no-fee basis; to make grants for such purposes; and to undertake nonpartisan studies and research to collect, compile and publish full and fair presentation of facts, information and statistics concerning the effects of government activities upon the social and economic institutions of the people of the United States of America.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Presentation - continued

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

4. Cash and Cash Equivalents

The Foundation's liquid assets are kept in checking, savings and money market accounts. These short-term investments are reported at fair value on a recurring basis determined by reference to quoted market process and other relevant information generated by market transactions. The Foundation considers investments that have original maturity of three months or less, when purchased, to be cash equivalents. The Foundation had no cash equivalents as of June 30, 2024 and 2023.

5. Revenue Recognition and Receivables

The Foundation recognizes revenue in accordance with FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The standards also require enhanced disclosures about revenues that are aimed at allowing users to understand the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers.

Because the Foundation receives a substantial portion of its revenue from contributions, management has determined the effect of ASU 2014-09 to be limited.

Contributions are recognized as support when received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassifications of net assets.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Revenue Recognition and Receivables - continued

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Foundation has no conditional or unconditional promises to give for the years ended June 30, 2024 and 2023.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

6. Fair Value Measurements and Disclosures

Carrying values of financial instruments including cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses, approximated their fair values due to the short-term nature of these financial instruments.

Investments include marketable securities available for sale consist entirely of publicly traded securities and are reported at fair value based on quoted prices in active markets for identical assets. The unrealized holding gains or losses on investments are reflected in the statements of activities.

There were no changes in methods or assumptions during the years ended June 30, 2024 and 2023.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Contributed Services

The Foundation receives donated services from unpaid volunteers who assist in running the Foundation's activities and events. No amounts have been recognized in the statement of activities since the criteria for recognition has not been satisfied.

8. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

9. Property and Equipment

All purchased equipment is recorded at cost and depreciated over their estimated useful lives using the straight-line method. Major improvements, which extend or improve the lives of existing property and equipment, are capitalized if the cost is greater than \$1,000. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the change of net assets. Repairs and maintenance charges, which do not improve or increase the useful lives of the assets, are included in the change of net assets.

The estimated useful lives of the classes of assets generally are as follows:

Building	5 - 40 years
Furniture and fixtures	5 - 10 years
Machinery and equipment	5 - 10 years

Depreciation expense was \$11,097 and \$11,097 for the years ended June 30, 2024 and 2023, respectively.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Income Tax Status and Reporting

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, other than unrelated business income, pursuant to Section 501(a) of the Code.

The Foundation applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes* and is subject to income tax examinations for the tax period ending June 30, 2024 generally three years after they were filed.

12. Reclassifications

Certain accounts relating to the prior year may have been reclassified to conform to the current year presentation with no effect on previously reported changes in net assets.

13. Date of Management's Review

The Foundation evaluated subsequent events through October 9, 2024, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE B – AVAILABILITY AND LIQUIDITY

The Foundation's unrestricted financial assets at June 30, 2024 and 2023 were \$7,943,280 and \$7,746,308, respectively. They are available to meet general expenditures over the next twelve months. The Foundation's goal is generally to maintain financial assets to meet 180 days of operating expenses. Cash in excess of daily needs is invested in money market funds.

Financial assets available to meet cash needs for general expenditures are summarized as follows:

	<u>2024</u>	<u>2023</u>
Financial assets at year end		
Cash and cash equivalents	\$ 581,334	\$ 1,030,629
Investments	<u>7,361,946</u>	<u>6,715,678</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 7,943,280</u>	<u>\$ 7,746,307</u>

NOTE C – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB Accounting Standards Codification ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to valuation are unadjusted quoted prices for identical assets or liabilities in active markets the Foundation has the ability to access.



SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE C – FAIR VALUE MEASUREMENTS - CONTINUED

Level 2 – Inputs to the valuation methodologies include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used.

Investments designated as Level 2 consists of a real estate income trust that invests in commercial real estate debt. It is valued based on the transaction price of share repurchase programs as of year-end.

The following table sets forth by level, with the fair value hierarchy, the Foundation’s investments at fair value as of June 30, 2024:

Description	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	\$ 235,543	\$ -	\$ -	\$ 235,543
Real Estate Income Trust	-	891,381	-	891,381
Stock and Mutual Funds-Equity	1,665,561	-	-	1,665,561
Treasury and Corporate Bonds	3,753,116	-	-	3,753,116
Total	\$ 5,654,220	\$ 891,381	\$ -	\$ 6,545,601

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE C – FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth by level, with the fair value hierarchy, the Foundation’s investments at fair value as of June 30, 2023:

Description	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	\$ 315,674	\$ -	\$ -	\$ 315,674
Real Estate Income Trust	-	827,515	-	827,515
Stock and Mutual Funds-Equity	1,187,740	-	-	1,187,740
Treasury and Corporate Bonds	3,664,069	-	-	3,664,069
Total	<u>\$ 5,167,483</u>	<u>\$ 827,515</u>	<u>\$ -</u>	<u>\$ 5,994,998</u>

NOTE D – INVESTMENT AT TAX BASIS

The Foundation also has a minority share investment in a private equity limited partnership. As of June 30, 2024 and 2023 the Foundation owned 33% and 42% of the private equity limited partnership, respectively. The market value is based on the Foundation’s share of the ending capital balance on the income tax basis as reported by the general partners. Increases in this investment represent income earned. For the years ended June 30, 2024 and 2023, income was \$95,665 and \$81,858, respectively.

NOTE E – INTANGIBLE ASSETS

The Foundation has recorded two intangible assets which originate from their participation in a direct mail and list rental program. The balances of these assets are adjusted annually based on independent valuations. No useful life is determinable. Intangible assets consisted of the following at June 30:

	2024	2023
Direct Mail Donor File	\$ 12,075	\$ 36,603
Direct Mail Exchange List	15,547	10,397
Total Intangibles	<u>\$ 27,622</u>	<u>\$ 47,000</u>

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE F – CLIENT TRUST FUNDS PAYABLE

The Foundation holds funds in trust for clients in a segregated account until needed or disbursed. Total client trust funds payable was \$66,699 as of June 30, 2024 and 2023.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purpose as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Purpose restriction:		
Saving America's Schools	<u>\$ -</u>	<u>\$ 180,000</u>
Total Net Assets With Donor Restrictions	<u><u>\$ -</u></u>	<u><u>\$ 180,000</u></u>

NOTE H – CONTINGENCIES

The Foundation is subject to certain contingent liabilities resulting from litigation, claims, and other commitments which arise in the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position, results of operations, or cash flows of the Foundation.

NOTE I – FUNDRAISING AGREEMENT

In April 2015, the Foundation entered into a fundraising agreement with a direct mail fundraising firm to facilitate, counsel and advise on the Foundation's direct mail fundraising efforts. The agreement allows compensation for services based on pieces of processed mail and list rental commissions. The agreement terminates on December 31, 2030. Total expense under this operating agreement was \$24,332 and \$39,653 for the years ended June 30, 2024 and 2023, respectively.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE J – OPERATING LEASES

The Foundation accounts for leases in accordance with FASB ASC 842. The Foundation is a lessee in a cancelable operating lease for office equipment. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Foundation determines if an arrangement conveys the right to use an identified asset and whether the Foundation obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Foundation recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease.

Right-of-Use Assets - A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Lease liabilities - A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Foundation uses its incremental borrowing rate. If the implicit rates of the Foundation's leases are not readily determinable; accordingly, the Foundation uses its incremental borrowing rate based on the information available at the commencement date for each lease.

The Foundation's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE J – OPERATING LEASES – CONTINUED

The Foundation has obligations as a lessee for equipment with an initial term of 5 years. The Foundation classifies this lease as operating lease. The Foundation’s lease does not include guaranteed residual values or restrictive financial or other covenants.

At June 30, 2024, future minimum lease payments under ROU agreements with terms in excess of one year are as follows:

Years Ending June 30,	Amounts
2025	\$ 5,360
2026	5,360
2027	5,360
2028	1,940
Thereafter	<u>484</u>
Total lease payments	18,504
Less: present value adjustment	<u>(2,890)</u>
Present value of lease liabilities	<u><u>\$ 15,614</u></u>

Additional lease term components as of June 30:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	<u>3.09</u>	<u>2.85</u>
Weighted average discount rate	<u>10.43%</u>	<u>4.63%</u>

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE K – CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balance at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to various limits depending on whether the account is interest bearing or not.

The Foundation's uninsured cash balance total was \$ 87,115 and \$237,276 as of June 30, 2024 and 2023, respectively. If the financial institutions were not to honor their contractual liability, the Foundation could incur losses. It is management's opinion that there is low risk because of the financial strength of the institutions involved.

NOTE L -GRANTS

The Foundation was awarded grants from various contributors to support program operations. Under the terms of these grants, the Foundation is required to meet specific reporting requirements. The Foundation received \$765,000 and \$790,000 for grants during the years ended June 30, 2024 and 2023, respectively.

NOTE M – RETIREMENT PLAN

The Foundation maintains a 401(k) plan, covering substantially all full-time employees with one or more years of service. The Foundation matches employee contributions up to 4% of employee compensation. These amounts are included in employee benefits on the statements of functional expenses. The Foundation made matching contributions of \$20,925 and \$17,165 during the years ended June 30, 2024 and 2023, respectively.

NOTE N – EFFECTS OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS

The Foundation depends heavily on contributions for its support. The ability of certain contributors to the Foundation to continue giving may be dependent upon current and future overall economic conditions. While the Foundation's board of directors believe the Foundation has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent upon the above factors.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE O – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Foundation paid \$1,601 and \$1,793 for interest for the years ended June 30, 2024 and 2023, respectively. The Foundation paid no income taxes for the years ended June 30, 2024 and 2023. Cash flows from lease activities were as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows-operating lease	<u>\$ 3,420</u>	<u>\$ 5,220</u>
Right-of-use asset obtained in exchange for lease liabilities:		
Operating lease	<u>\$ 7,730</u>	<u>\$ 14,315</u>
Reductions to right-of-use assets resulting from reduction to lease liabilities:		
Operating leases	<u>\$ 1,819</u>	<u>\$ 3,427</u>

NOTE P – SETTLEMENT INCOME

In September 2023 the Foundation received \$188,545 as a court-sanctioned attorneys' fee award in the matter of Knight, et al v. Metro Govt of Nashville. This amount is included in other income in these financial statements.

NOTE Q – RECENTLY ISSUED ACCOUNTING STANDARDS

During 2024 the Financial Accounting Standards Board issued several other updates to the Accounting Standards Codification which have been incorporated into the accounting records and financial statements of the Foundation.

SOUTHEASTERN LEGAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2024 and 2023

NOTE R - CHANGE IN ACCOUNTING POLICY

In February 2016, the Federal Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Foundation adopted FASB ASC 842, as of July 1, 2022 by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Foundation did not restate prior periods presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022 was necessary for the cumulative impact of adoption of FASB ASC 842.

The most significant effects of adopting FASB ASC 842 were the recognition of \$14,315 of operating lease right-of-use assets and a total of \$14,315 of current and long-term operating lease liabilities on the balance sheet as of July 1, 2022. No cumulative effect adjustment to net assets as of July 1, 2022 was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2024.

As part of the transition, the Foundation implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- Election not to reassess whether any expired contracts contain leases
- Election not to reassess the lease classification of any expired leases
- Election not to reassess initial direct costs on any existing leases

Other Practical expedients:

Election whereby the lease and non-lease components will not be separated for leases of office space.

Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short term lease costs.