

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chicago Volunteer Legal Services Foundation

We have audited the accompanying financial statements of Chicago Volunteer Legal Services Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Volunteer Legal Services Foundation as of June 30, 2019 and 2018, 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.

Taglia + Associates, P. C.

November 25, 2019

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION
(a not-for-profit corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 218,297	\$ 206,694
Prepaid Expenses	86,532	69,849
Short-Term Investments	364,476	464,888
Other Current Assets	316	3,951
Total Current Assets	669,621	745,382
PROPERTY AND EQUIPMENT		
Furniture, Equipment, and Leasehold Improvements	202,197	181,866
Less: Accumulated Depreciation	(183,899)	(181,119)
Total Property and Equipment - Net	18,298	747
OTHER ASSETS		
Long-Term Investments	1,175,432	1,121,173
Total Other Assets	1,175,432	1,121,173
TOTAL ASSETS	\$ 1,863,351	\$ 1,867,302
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,618	\$ 1,592
Accrued Payroll Taxes	939	1,031
Accrued Employee Benefits	48,000	48,000
Deferred Revenue	32,194	20,822
Deferred Rent	243,931	265,510
Redeposits Payable	5,168	11,298
Total Current Liabilities	333,850	348,253
NET ASSETS		
Without Donor Restrictions		
Undesignated	870,801	946,975
With Donor Restrictions		
Perpetual in Nature	326,549	326,549
Time-Restricted	332,151	245,525
	658,700	572,074
Total Net Assets	1,529,501	1,519,049
TOTAL LIABILITIES AND NET ASSETS	\$ 1,863,351	\$ 1,867,302

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION
(a not-for-profit corporation)

STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUE, AND CHANGE IN INVESTMENTS			
Public Support			
Individual Contributions	\$ 138,961	\$ -	\$ 138,961
Corporate Contributions	18,797	54,000	72,797
Foundation Grants	1,587,157	-	1,587,157
Law Firms	58,894	26,000	84,894
Total Public Support Revenue	<u>1,803,809</u>	<u>80,000</u>	<u>1,883,809</u>
Special Event			
Revenue and In-Kind Contributions	432,663	252,151	684,814
(Expenses and In-Kind Contributions)	(315,441)	-	(315,441)
Special Event – Net	<u>117,222</u>	<u>252,151</u>	<u>369,373</u>
United Way	-	-	-
Total Public Support	<u>1,921,031</u>	<u>332,151</u>	<u>2,253,182</u>
Investment Revenue and Gains			
Investment Income	26,582	-	26,582
Unrealized and Realized Gains (Losses) on Investments	28,975	-	28,975
Net Investment Revenue	<u>55,557</u>	<u>-</u>	<u>55,557</u>
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	245,525	(245,525)	-
Total Net Assets Released from Restrictions	<u>245,525</u>	<u>(245,525)</u>	<u>-</u>
Total Support, Revenue, and Change in Investments	<u>2,222,113</u>	<u>86,626</u>	<u>2,308,739</u>
EXPENSES			
Program Services	1,787,769	-	1,787,769
Supporting Services			
Management and General	478,924	-	478,924
Fundraising	31,594	-	31,594
Total Supporting Services	<u>510,518</u>	<u>-</u>	<u>510,518</u>
Total Expenses	<u>2,298,287</u>	<u>-</u>	<u>2,298,287</u>
Change in Net Assets	(76,174)	86,626	10,452
Net Assets, Beginning of Year	946,975	572,074	1,519,049
Net Assets, End of Year	<u>\$ 870,801</u>	<u>\$ 658,700</u>	<u>\$ 1,529,501</u>

2018

Without Donor Restriction	With Donor Restriction	Total
\$ 162,263	\$ -	\$ 162,263
196,886	-	196,886
1,653,712	-	1,653,712
75,250	26,000	101,250
<u>2,088,111</u>	<u>26,000</u>	<u>2,114,111</u>
625,972	219,525	845,497
(299,710)	-	(299,710)
<u>326,262</u>	<u>219,525</u>	<u>545,787</u>
128	-	128
<u>2,414,501</u>	<u>245,525</u>	<u>2,660,026</u>
19,898	-	19,898
<u>34,110</u>	<u>-</u>	<u>34,110</u>
<u>54,008</u>	<u>-</u>	<u>54,008</u>
-	-	-
-	-	-
<u>2,468,509</u>	<u>245,525</u>	<u>2,714,034</u>
<u>1,817,749</u>	<u>-</u>	<u>1,817,749</u>
496,085	-	496,085
31,089	-	31,089
<u>527,174</u>	<u>-</u>	<u>527,174</u>
<u>2,344,923</u>	<u>-</u>	<u>2,344,923</u>
123,586	245,525	369,111
<u>823,389</u>	<u>326,549</u>	<u>1,149,938</u>
<u>\$ 946,975</u>	<u>\$ 572,074</u>	<u>\$ 1,519,049</u>

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION
(a not-for-profit corporation)

STATEMENTS OF PROGRAM FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019

	Programs									Supporting Services		Total Expenses	
	Financial Issues	Guardian AD Litem Minors	Attorney Manual	Clinic	Family Law	Levine Center Access to Justice	Guardian AD Litem Adults	Veterans	Interns	Total Program Services	Management and General		Fundraising
EXPENSES													
Salaries	\$ 99,744	\$ 205,040	\$ 6,731	\$ 87,196	\$ 170,400	\$ 193,550	\$ 166,098	\$ 150,569	\$ 16,800	\$ 1,096,128	\$ 301,612	\$ 19,966	\$ 1,417,706
Fringe Benefits and Payroll Taxes	24,038	50,343	1,131	22,331	41,307	47,411	40,440	36,023	4,349	267,373	73,053	4,717	345,143
Rent and Utilities	18,299	33,120	817	16,232	30,460	36,967	33,173	23,215	7,078	199,361	45,986	3,129	248,476
Telephone	1,084	2,230	76	948	1,855	2,105	1,806	1,644	174	11,922	3,277	217	15,416
Printing	2,423	4,976	139	2,112	4,124	4,695	4,031	3,604	467	26,571	7,335	483	34,389
Supplies	1,010	2,078	61	877	1,717	1,955	1,677	1,501	194	11,070	3,046	196	14,312
Professional Fees	1,959	4,016	112	1,725	3,355	3,814	3,279	2,956	340	21,556	5,974	413	27,943
Consulting Fees	967	967	966	967	967	967	967	967	-	7,735	967	-	8,702
Conferences and Travel	1,655	3,302	145	1,436	2,776	3,122	2,687	2,437	330	17,890	4,956	347	23,193
Postage	643	1,333	34	572	1,115	1,271	1,092	994	89	7,143	1,976	138	9,257
Dues, Memberships, and Publications	2,668	5,491	184	2,332	4,560	5,180	4,444	4,036	440	29,335	8,062	530	37,927
Equipment Rental and Maintenance	2,889	5,957	174	2,531	4,947	5,630	4,833	4,362	494	31,817	8,768	582	41,167
Insurance	2,827	5,777	192	2,473	4,817	5,464	4,694	4,247	497	30,988	8,554	578	40,120
Other	2,814	4,330	1,515	2,617	3,814	4,134	3,735	3,546	225	26,730	4,766	260	31,756
Total Expenses Before Depreciation	163,020	328,960	12,277	144,349	276,214	316,265	272,956	240,101	31,477	1,785,619	478,332	31,556	2,295,507
Depreciation	193	406	7	170	335	384	329	294	32	2,150	592	38	2,780
Total Expenses	\$ 163,213	\$ 329,366	\$ 12,284	\$ 144,519	\$ 276,549	\$ 316,649	\$ 273,285	\$ 240,395	\$ 31,509	\$ 1,787,769	\$ 478,924	\$ 31,594	\$ 2,298,287

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION
(a not-for-profit corporation)

STATEMENTS OF PROGRAM FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	Programs										Supporting Services		Total Expenses	
	Financial Issues	Guardian AD Litem Minors	Attorney Manual	Clinic	Family Law	Levine Center Access to Justice	Guardian AD Litem Adults	Mediation	Veterans	Interns	Total Program Services	Management and General		Fundraising
EXPENSES														
Salaries	\$ 106,775	\$ 178,943	\$ 13,050	\$ 85,335	\$ 162,659	\$ 126,181	\$ 163,381	\$ 119,017	\$ 133,572	\$ 13,900	\$ 1,102,813	\$ 315,556	\$ 19,182	\$ 1,437,551
Fringe Benefits and Payroll Taxes	26,318	44,433	2,789	22,229	40,048	34,912	40,295	23,878	33,117	3,577	271,596	75,219	4,305	351,120
Rent and Utilities	19,289	30,612	1,656	17,093	26,093	24,475	28,215	22,501	18,977	6,500	195,411	48,174	3,535	247,120
Telephone	1,130	1,888	134	901	1,712	1,376	1,715	1,149	1,400	157	11,562	3,334	205	15,101
Printing	2,539	3,990	245	1,967	3,712	4,096	3,682	1,307	3,134	172	24,844	6,169	219	31,232
Supplies	1,100	1,844	129	876	1,664	1,351	1,659	1,083	1,360	167	11,233	3,243	198	14,674
Professional Fees	2,013	3,361	250	1,601	3,053	2,309	3,081	2,359	2,489	267	20,783	5,940	362	27,085
Consulting Fees	673	674	673	674	674	26,668	674	525	674	321	32,230	322	425	32,977
Conferences and Travel	1,560	2,639	190	1,259	2,406	1,891	2,399	1,711	2,007	187	16,249	4,628	277	21,154
Postage	906	1,434	98	693	1,311	1,259	1,321	754	1,069	104	8,949	2,304	99	11,352
Dues, Memberships, and Publications	2,585	4,319	291	2,077	3,936	3,380	3,921	2,191	3,250	326	26,276	7,636	476	34,388
Equipment Rental and Maintenance	3,773	6,348	411	3,045	5,761	5,117	5,684	2,832	4,783	519	38,273	11,161	692	50,126
Insurance	2,715	4,559	331	2,178	4,153	3,243	4,165	2,998	3,429	335	28,106	8,033	487	36,626
Other	2,224	3,007	1,207	1,992	2,830	8,601	2,816	1,725	2,541	500	27,443	3,825	598	31,866
Total Expenses Before Depreciation	173,600	288,051	21,454	141,920	260,012	244,859	263,008	184,030	211,802	27,032	1,815,768	495,544	31,060	2,342,372
Depreciation	194	317	25	149	284	209	290	256	225	32	1,981	541	29	2,551
Total Expenses	\$ 173,794	\$ 288,368	\$ 21,479	\$ 142,069	\$ 260,296	\$ 245,068	\$ 263,298	\$ 184,286	\$ 212,027	\$ 27,064	\$ 1,817,749	\$ 496,085	\$ 31,089	\$ 2,344,923

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION
(a not-for-profit corporation)

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 10,452	\$ 369,111
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	2,780	2,551
Net Unrealized and Realized (Gains) Losses on Investments	(28,975)	(34,110)
(Increase) Decrease in Assets:		
Contributions Receivable and Other Receivables	3,635	(512)
Prepaid Expenses	(16,683)	(1,459)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,026	(421)
Accrued Payroll Taxes	(92)	(538)
Accrued Employee Benefits	-	-
Deferred Revenue	11,371	(218,066)
Deferred Rent	(21,579)	(17,123)
Redeposits Payable	(6,130)	(41,270)
Net Cash Provided (Used) by Operating Activities	(43,195)	58,163
INVESTING ACTIVITIES		
Proceeds from Sale of Investments	421,203	343,373
Purchase of Investments	(346,074)	(368,462)
Purchases of Property and Equipment	(20,331)	-
Net Cash Used by Investing Activities	54,798	(25,089)
Net Increase (Decrease) in Cash and Cash Equivalents	11,603	33,074
Beginning Cash and Cash Equivalents	206,694	173,620
Ending Cash and Cash Equivalents	\$ 218,297	\$ 206,694

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Chicago Volunteer Legal Services Foundation (the "Foundation") is organized as an Illinois not-for-profit corporation. Its purpose is to administer programs to assist in securing legal assistance and related service for persons of low income in the Chicagoland area.

The Foundation conducts the following major programs:

Family Law: Provides pro bono legal services in family law cases, including but not limited to divorce, custody, visitation, child support, adoption and minor guardianship. Accepts appointments by Domestic Relations judges as Child Representative in contested custody cases.

Guardian Ad Litem for Minors and Adults. Accepts appointments by Probate judges to serve as guardians ad litem of children in contested or problematic guardianship cases or for alleged or adjudicated adults with disabilities or as attorney for party or respondent in contested adult guardianship case.

Access to Justice: Accepts appointments by Chancery Court judges to represent low-income parties in complex Chancery Court litigation including but not limited to defense of mortgage foreclosure, administrative review cases and general Chancery litigation.

Veterans Program: Provides free pro bono legal services to eligible veterans and their spouses and dependents referred through the Illinois Armed Forces Legal Aid Network.

The Foundation's support comes primarily from individual and corporate contributions, foundations, and law firms, as well as fundraising activities.

Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. All significant receivables, payables, and other liabilities are reflected on Statement of Financial Position.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes includes: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, requiring the disclosure of quantitative and qualitative information regarding the liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The Organization opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption. The investment expenses are netted against investment return in the statement of activities. The Organization changed its presentation of its net asset classes and expanded the note disclosures as required by the ASU.

The changes have the following effect on net assets at **June 30, 2018**:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted	\$ 946,975	\$ -	\$ 946,975
Temporary Restricted	-	-	-
Permanently Restricted	-	326,549	326,549
Net Assets Previously Presented	<u>946,975</u>	<u>326,549</u>	<u>1,273,524</u>
Reclassification Due to Restatement, Note D	<u>-</u>	<u>245,525</u>	<u>245,525</u>
Net assets, as reclassified	<u>\$ 946,975</u>	<u>\$ 572,074</u>	<u>\$ 1,519,049</u>

Financial Statement Presentation

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 are available for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net Assets With Donor Restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or Board approved spending policy.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization reports gifts of long-lived assets as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as with donor restriction support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated securities at June 30, 2019 and 2018, were valued at \$8,412, and \$7,203, respectively.

Deferred Revenue and Prepaid Expenses

Advance registration fees and the related production expenses and refundable tent rentals for the Foundation's annual 5K run/walk special event held in September are deferred and recognized as income and expensed at the time of event.

Donated Services

The programs of the Foundation utilize volunteer legal services, which are provided directly to beneficiaries of the Foundation. No amounts have been reflected in the financial statements for donated volunteers' time because they do not meet recognition criteria prescribed by generally accepted accounting principles. However, a substantial number of volunteers have donated significant amounts of time towards activities of the Foundation.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Cash

The Organization consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. Cash includes petty cash and amounts deposited in the checking account and custodial account. Amounts deposited in the custodial account are required to be maintained in a separate account. In certain situations, cash held as short and long-term investments is classified as such.

Property and Equipment

Property and equipment are reported at original cost. All property and equipment purchases in excess of \$750 for the years ended June 30, 2019 and 2018, were capitalized, while lesser amounts were charged to expense.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets (5 to 8 years).

Depreciation expense for the year was \$2,780 and \$2,551 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among various functional areas using a variety of cost allocation techniques such as square footage and time and effort.

Tax Status

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Service Code ("IRC") and is exempt from federal and state income taxes for related income. It qualifies for a charitable contribution deduction in regard to its donors and is subject to income taxes only to the extent of unrelated business income. In addition, per letter dated March 1972, the Internal Revenue Service has determined that the Foundation is a public foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Use of Estimates

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE B – INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, certifications of deposit are valued at the bank valuation, in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Investments consisted of the following:

	June 30, 2019			June 30, 2018		
	Cost	Market Value	Accumulated Unrealized Gains/ (Losses)	Cost	Market Value	Accumulated Unrealized Gains/ (Losses)
Money Market Cash						
Reserve Funds	\$ 338,942	\$ 338,942	\$ -	\$ 431,523	\$ 431,523	\$ -
Mutual Funds	721,793	897,433	175,640	696,699	843,366	146,667
Certificates of Deposit	312,013	312,013	-	311,172	311,172	-
	<u>\$1,372,748</u>	<u>\$1,548,388</u>	<u>\$ 175,640</u>	<u>\$1,439,394</u>	<u>\$1,586,061</u>	<u>\$ 146,667</u>

Liquidity and Availability

The Organization monitors its liquidity to be able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

Financial assets:	
Cash and cash equivalents	\$ 218,297
Short-term investments	364,476
Total financial assets available within one year	<u>582,773</u>
Liquidity resources	<u>-</u>
Total financial assets and liquidity resources	
Available within one year	<u>\$ 582,773</u>

The endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Foundation adopted FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820, which establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements, and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

The valuation techniques required by FASB ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. These two types of inputs create the following fair value hierarchy.

- | | |
|---------|--|
| Level 1 | Quoted prices for identical instruments in an active market. |
| Level 2 | Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets. |
| Level 3 | Valuations derived from valuation techniques in which one or more significant inputs are not observable, or supported by little or no market activity. |

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 June 30, 2019 and 2018.

Mutual Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

Money Market: Valued at cost plus interest earned, which approximates fair value.

The preceding approach described might produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS – (continued)

Description	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Spartan 500 Index FD Advantage Class	\$ 284,397	\$ -	\$ -	\$ 284,397
Spartan Intl Index FID Adv Class	82,700	-	-	82,700
Spartan Extended Mkt Index FID Adv Class	89,751	-	-	89,751
Fidelity Investment Grade	206,840	-	-	206,840
Fidelity Short Term Bond	199,730	-	-	199,730
	<u>\$ 863,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>863,418</u>
Fidelity Cash Reserve Fund				34,015
Certificates of Deposit				312,013
Money Market, Cash Reserves				338,942
				<u>684,970</u>
Total Investments				<u>\$ 1,548,388</u>
Description	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Spartan 500 Index FD Advantage Class	\$ 257,602	\$ -	\$ -	\$ 257,602
Spartan Intl Index FID Adv Class	81,703	-	-	81,703
Spartan Extended Mkt Index FID Adv Class	87,970	-	-	87,970
Fidelity Investment Grade	190,785	-	-	190,785
Fidelity Short Term Bond	191,940	-	-	191,940
	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>810,000</u>
Fidelity Cash Reserve Fund				33,366
Certificates of Deposit				311,172
Money Market, Cash Reserves				431,523
				<u>776,061</u>
Total Investments				<u>\$ 1,586,061</u>

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are restricted for the following purposes or periods:

<u>June 30,</u>	<u>2019</u>	<u>2018</u>
Subject to the passage of time For periods after June 30	\$ 332,151	\$ 245,525
Permanently Restricted Net Assets Perpetual in Nature	<u>326,549</u>	<u>326,549</u>
Total net assets with donor restrictions	<u>\$ 658,700</u>	<u>\$ 572,074</u>

See Note D and E for detailed information regarding Permanently Restricted Net Assets.

NOTE E – ENDOWMENT

The Foundation received an initial endowment (the "Endowment") in 1993 in the amount of \$200,000; and the Foundation has raised additional funds from various contributions to this endowment fund in the amount of \$126,549. The Endowment has been established by donors to provide annual funding for programs and general operations.

In August 2008, the Financial Accounting Standards Board issued Staff Position FSP FASB ASC 958, *Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP FASB ASC 958"). This standard provides guidance on classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* of 2006 ("UPMIFA") and provides other disclosures about an organization's endowment funds.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE E – ENDOWMENT (continued)

Description of the Governing Board's Interpretation of the Law(s) that Underlie the Organization's Net Asset Classification of Donor-Restricted Endowment Funds

The Board of the Foundation has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

As provided by UPMIFA, its guidelines for expenditure of a donor-restricted endowment funds apply in the *absence* of overriding, explicit donor stipulations. Specific provisions of donor gift instruments will take precedence over the general default provisions of UPMIFA, and these have been specified in the first paragraph of this note.

Description of the Foundation's Endowment Spending Policy

The Board of the Foundation has interpreted the income and the changes in realized and unrealized value of investments as unrestricted, and available to be spent per the terms of the donor instrument gift referenced above.

Description of the Foundation's Investment Policies

The Endowment has been invested in cash and the investments described in Notes B and C, with the objective of maintaining its funding power over time. It 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). Actual returns may vary.

Details of the Composition of Endowment Funds at the End of the Fiscal Year

As of June 30, 2019 and 2018, the Organization had \$326,549 of donor restricted endowment funds.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE E – ENDOWMENT (continued)

Reconciliation of the Beginning and Ending Balances of Endowment Funds

	FYE June 30th	
	<u>2019</u>	<u>2018</u>
Balance at Beginning of the Year	\$ 326,549	\$ 326,549
Investment return, net	24,209	33,538
Appropriation of endowment funds	(24,209)	(33,538)
Balance at End of the Year	<u>\$ 326,549</u>	<u>\$ 326,549</u>

Nature and Types of Restrictions

Per the terms of the Endowment instrument, the original gift is held in perpetuity. Subsequent gifts are treated in the same manner.

Information on Deficiencies

The Endowment was not deficient as of June 30, 2019 or June 30, 2018.

NOTE F – LEASES

The Foundation entered into a rental agreement for office space in April 2013 under a 12-year, non-cancellable operating lease, which expires November 30, 2025, with lease payments commencing in December 1, 2013. The Foundation has provided the landlord with an irrevocable letter of credit in the amount of \$160,000 expiring on November 30, 2019 and is subject to renewal at reducing amounts per the rental agreement. The Foundation is also responsible for its share of common area maintenance costs and real estate taxes.

The landlord provided a credit for the buildout and purchase of furniture and fixtures in the amount of \$517,870. Committed future minimum lease payments are as follows.

	For the Fiscal Year Ending June 30,
2020	\$ 241,637
2021	241,637
2022	241,637
2023	241,637
2024	241,637
2025 and after	<u>392,319</u>
	<u>\$ 1,600,504</u>

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE F – LEASES (continued)

The Foundation has recouped a portion of the rent liability by renting out unused office space on a month to month basis.

	<u>FYE June 30th</u>	
	<u>2019</u>	<u>2018</u>
Total Building Rent Expense under all Leases	\$ 303,517	\$ 302,748
Less Reimbursed Rents Received	<u>(60,309)</u>	<u>(61,625)</u>
Net Total Rental Expense	<u>\$ 243,208</u>	<u>\$ 241,123</u>

The Foundation leases certain office equipment on a month to month basis and during 2018 year entered into a new 60-month office equipment lease of \$1,305 per month. Leased expenses were \$20,694 and \$19,545 for the fiscal years ending June 30, 2019 and 2018, respectively.

Committed future minimum lease payments are as follows.

	<u>For the Fiscal Year Ending June 30,</u>
2020	\$ 15,666
2021	15,666
2022	2,610

NOTE G – SPECIAL EVENTS

The Foundation sponsors a 5K run/walk and fundraisers as special events during the year to raise funds to support the Foundation's purpose of providing legal services to low-income clients. The gross receipts and related costs of these events are shown below and include in-kind revenue and expenses in the amount of \$14,040 for 2019 and \$23,550 for 2018, respectively.

	<u>FYE June 30th</u>	
	<u>2019</u>	<u>2018</u>
Revenue and In-Kind Contributions	\$ 684,814	\$ 845,497
(Expenses and In-Kind Contributions)	<u>(315,441)</u>	<u>(299,710)</u>
Net Total	<u>\$ 369,373</u>	<u>\$ 545,787</u>

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE H – REDEPOSITS PAYABLE

Redeposits payable represent the Foundation's client retainers for case settlement and court costs. Redeposits payable for the year ended June 30, 2019 and 2018, totaled \$5,168 and \$11,298, respectively.

NOTE I – EMPLOYEE 403(b) PLAN

The Foundation sponsors a defined contribution 403(b) plan for its employees. Eligible employees are responsible for their investment in the Plan and may make elective deferrals of their compensation, on a pre-tax basis, to the plan. The Foundation makes a discretionary contribution. The Foundation's contributions to the Plan for the years ended June 30, 2019 and 2018, were \$48,000 for both years

NOTE J – SIGNIFICANT CONCENTRATIONS

Donations

The Foundation had two contributors who contributed approximately 52.5% of the total Foundation support for the fiscal year ended June 30, 2019, and two contributors who contributed 51.0% for the fiscal year ended June 30, 2018.

Cash

The Foundation maintains its cash balances at financial institutions in the Chicago metropolitan area, which at times may exceed federally insured limits. Management believes that the Foundation is not exposed to any significant credit risk related to their accounts.

NOTE K – UNCERTAIN TAX POSITIONS

The Organization follows the guidance of Accounting Standards Codification (ASC 740), *Accounting for Income Taxes*. Related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the years ended June 30, 2019 and 2018. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. The Organization is generally no longer subject to examinations by the Internal Revenue Service for years prior to 2016.

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2019

NOTE L – PRIOR PERIOD ADJUSTMENT

During the year ending June 30, 2019, the Organization revised the presentation for sponsorship income, reflecting the unconditional, non-exchange portion of the sponsorship income as time restricted contributions income instead of deferred revenue. As a result, previously reported net deferred revenue has been decreased by \$245,525 and net assets with donor restrictions have been increased by the same amount as of June 30, 2018. This was done in order to show a consistent treatment for comparative purposes between fiscal 2018 and fiscal 2019 in the overall handling of certain sponsorships classified as contribution revenue for the annual 5K run/walk held in September.

NOTE M – SUBSEQUENT EVENTS

The management of the Foundation has evaluated events subsequent to the statement of financial position date of June 30, 2019, through November 25, 2019 the date the financial statements were available to be issued. It has concluded that there are no effects that provide additional evidence about conditions that existed at the statement of financial position date that require recognition in the June 30, 2019, financial statements or related note disclosures in accordance with FASB ASC No. 855, *Subsequent Events*.