

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

December 8, 2020

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 329,278	\$ 209,817
Short-Term Investments	679,147	372,956
Prepaid Expenses and Other Current Assets	81,285	86,848
Total Current Assets	<u>1,089,710</u>	<u>669,621</u>
PROPERTY AND EQUIPMENT		
Furniture, Equipment, and Leasehold Improvements	202,197	202,197
Less: Accumulated Depreciation	(187,965)	(183,899)
Total Property and Equipment - Net	<u>14,232</u>	<u>18,298</u>
OTHER ASSETS		
Long-Term Investments	<u>926,912</u>	<u>1,175,432</u>
TOTAL ASSETS	<u>\$ 2,030,854</u>	<u>\$ 1,863,351</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 49,355	\$ 52,557
Deferred Revenue	-	32,194
Deferred Rent	217,896	243,931
Deposit Payable	5,737	5,168
Total Current Liabilities	<u>272,988</u>	<u>333,850</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	<u>1,228,077</u>	<u>870,801</u>
With Donor Restrictions		
Perpetual in Nature	326,549	326,549
Time Restricted	203,240	332,151
	<u>529,789</u>	<u>658,700</u>
Total Net Assets	<u>1,757,866</u>	<u>1,529,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,030,854</u>	<u>\$ 1,863,351</u>

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020		Total
	Without Donor Restriction	With Donor Restriction	
SUPPORT, REVENUE, AND CHANGE IN INVESTMENTS			
Public Support			
Individual Contributions	\$ 252,468	\$ -	\$ 252,468
Government Grants	322,369	-	322,369
Corporate Contributions	227,831	-	227,831
Foundation Grants	1,456,608	-	1,456,608
Law Firms	95,632	-	95,632
United Way	270	-	270
Net Assets Released from Restrictions	332,151	(332,151)	-
Total Public Support Revenue	<u>2,687,329</u>	<u>(332,151)</u>	<u>2,355,178</u>
Special Event			
Revenue and In-Kind Contributions	269,225	203,240	472,465
(Expenses and In-Kind Contributions)	(347,324)	-	(347,324)
Special Event – Net	<u>(78,099)</u>	<u>203,240</u>	<u>125,141</u>
Total Public Support	<u>2,609,230</u>	<u>(128,911)</u>	<u>2,480,319</u>
Investment Revenue and Gains			
Investment Income, Net of Expenses	24,706	-	24,706
Unrealized and Realized Gains (Losses) on Investments	24,784	-	24,784
Net Investment Revenue	<u>49,490</u>	<u>-</u>	<u>49,490</u>
Total Support, Revenue, and Change in Investments	<u>2,658,720</u>	<u>(128,911)</u>	<u>2,529,809</u>
EXPENSES			
Program Services	<u>1,806,866</u>	<u>-</u>	<u>1,806,866</u>
Supporting Services			
Management and General	455,374	-	455,374
Fundraising	39,204	-	39,204
Total Supporting Services	<u>494,578</u>	<u>-</u>	<u>494,578</u>
Total Expenses	<u>2,301,444</u>	<u>-</u>	<u>2,301,444</u>
Change in Net Assets	357,276	(128,911)	228,365
Net Assets, Beginning of Year	<u>870,801</u>	<u>658,700</u>	<u>1,529,501</u>
Net Assets, End of Year	<u>\$ 1,228,077</u>	<u>\$ 529,789</u>	<u>\$ 1,757,866</u>

2019		
Without Donor Restriction	With Donor Restriction	Total
\$ 138,961	\$ -	\$ 138,961
18,797	54,000	72,797
1,587,157	-	1,587,157
58,894	26,000	84,894
-	-	-
245,525	(245,525)	-
<u>2,049,334</u>	<u>(165,525)</u>	<u>1,883,809</u>
432,663	252,151	684,814
(315,441)	-	(315,441)
<u>117,222</u>	<u>252,151</u>	<u>369,373</u>
2,166,556	86,626	2,253,182
26,582	-	26,582
28,975	-	28,975
<u>55,557</u>	<u>-</u>	<u>55,557</u>
<u>2,222,113</u>	<u>86,626</u>	<u>2,308,739</u>
<u>1,787,769</u>	<u>-</u>	<u>1,787,769</u>
478,924	-	478,924
31,594	-	31,594
<u>510,518</u>	<u>-</u>	<u>510,518</u>
<u>2,298,287</u>	<u>-</u>	<u>2,298,287</u>
(76,174)	86,626	10,452
<u>946,975</u>	<u>572,074</u>	<u>1,519,049</u>
<u>\$ 870,801</u>	<u>\$ 658,700</u>	<u>\$ 1,529,501</u>

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

**STATEMENTS OF PROGRAM FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Programs											Supporting Services		Total Expenses	
	Financial Issues	Guardian AD Litem Minors	Attorney Manual	Clinic	Family Law	Immigration	Incarceration	Levine Center Access to Justice	Guardian AD Litem Adults	Veterans	Interns	Total Program Services	Management and General		Fundraising
EXPENSES															
Salaries	\$ 79,137	\$ 182,958	\$ 17,950	\$ 72,800	\$ 170,786	\$ 62,267	\$ 138,442	\$ 157,094	\$ 117,607	\$ 103,879	\$ 7,800	\$ 1,110,720	\$ 289,478	\$ 23,830	\$ 1,424,028
Fringe Benefits and Payroll Taxes	17,658	42,393	3,611	17,586	39,006	15,558	34,427	38,869	24,902	23,790	3,263	261,063	67,992	6,267	335,322
Rent and Utilities	13,172	32,906	2,025	12,931	35,329	9,946	27,243	31,682	21,071	20,593	5,134	212,032	44,518	4,831	261,381
Telephone	1,062	2,438	180	924	2,507	1,333	2,865	2,247	1,311	1,472	245	16,584	4,217	269	21,070
Printing	1,561	3,755	309	1,510	3,683	1,587	3,575	3,289	2,206	2,099	271	23,845	6,273	470	30,588
Supplies	819	1,923	160	758	1,895	855	1,887	1,705	1,128	1,105	154	12,389	3,191	230	15,810
Professional Fees	1,949	4,388	486	1,732	3,938	1,188	2,619	3,704	2,956	2,527	376	25,863	6,473	634	32,970
Consulting Fees	1,101	1,102	838	1,101	1,101	-	263	1,101	1,101	1,101	-	8,809	1,102	-	9,911
Conferences and Travel	942	2,113	273	857	1,749	265	624	1,693	1,594	1,172	144	11,426	2,812	327	14,565
Postage	392	971	76	395	962	404	934	846	535	535	81	6,131	1,695	144	7,970
Dues, Memberships, and Publications	1,642	3,818	339	1,500	3,698	1,560	3,442	3,355	2,278	2,206	333	24,171	6,233	498	30,902
Equipment Rental and Maintenance	2,649	6,114	577	2,409	5,809	2,281	5,037	5,316	3,776	3,522	521	38,011	9,726	813	48,550
Insurance	2,174	5,046	477	2,005	4,769	1,839	4,080	4,365	3,188	2,870	379	31,192	7,934	639	39,765
Other	2,119	3,376	924	1,591	3,067	515	1,613	2,974	2,901	2,336	26	21,442	2,918	186	24,546
Total Expenses Before Depreciation	126,377	293,301	28,225	118,099	278,299	99,598	227,051	258,240	186,554	169,207	18,727	1,803,678	454,562	39,138	2,297,378
Depreciation	223	517	49	205	488	186	414	446	327	294	39	3,188	812	66	4,066
Total Expenses	\$ 126,600	\$ 293,818	\$ 28,274	\$ 118,304	\$ 278,787	\$ 99,784	\$ 227,465	\$ 258,686	\$ 186,881	\$ 169,501	\$ 18,766	\$ 1,806,866	\$ 455,374	\$ 39,204	\$ 2,301,444

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

CHICAGO VOLUNTEER LEGAL SERVICES FOUNDATION

**STATEMENTS OF PROGRAM FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR 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

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 228,365	\$ 10,452
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	4,066	2,780
Net Unrealized and Realized (Gains) Losses on Investments	(24,784)	(28,975)
(Increase) Decrease in Assets:		
Contributions Receivable and Other Receivables	-	3,635
Prepaid Expenses and Other Assets	5,563	(16,683)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(3,202)	1,934
Deferred Revenue	(32,194)	11,371
Deferred Rent	(26,035)	(21,579)
Deposit Payable	569	(6,130)
	<u>152,348</u>	<u>(43,195)</u>
Net Cash Provided by (Used) in Operating Activities		
INVESTING ACTIVITIES		
Proceeds from Sale of Investments	464,598	421,203
Purchase of Investments	(497,485)	(354,554)
Purchases of Property and Equipment	-	(20,331)
	<u>(32,887)</u>	<u>46,318</u>
Net Cash Provided by (Used) in Investing Activities		
	119,461	3,123
Net Increase in Cash and Cash Equivalents		
Beginning Cash and Cash Equivalents	<u>209,817</u>	<u>206,694</u>
Ending Cash and Cash Equivalents	<u>\$ 329,278</u>	<u>\$ 209,817</u>

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

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles (GAAP).

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for recognizing revenue and supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition. ASU 2014-09 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. On June 3, 2020 the FASB issued guidance (ASU 2020-05) that defers the effective date of the revenue standard ASC 606 for entities that have not yet issued financial statements adopting the standards. Early adoption is still permitted. The deferral is intended to provide relief to nonpublic companies and not-for-profit entities that have had their implementation efforts delayed by the COVID-19 pandemic. The company adopted ASU 2014-09 during the fiscal year ended June 30, 2020.

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Topic 606 and all the related amendments and Subtopic 340-40 ("new revenue standard") did not have a significant impact on the Organization's results of operations. The Organization adopted the new revenue standard to all contracts using the modified retrospective approach and did not record a cumulative catch-up adjustment as the timing and measurement of revenue are similar to its prior revenue recognition model. However, certain government contract revenues recognized under Topic 605 in prior years were recognized under ASU 2018-08 in the current year, with no impact on the net income. 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. Therefore, those contract revenues continue to be recognized as increases in net assets without donor restrictions.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Organization adopted ASU 2018-08 in the fiscal year ended June 30, 2020, using a modified prospective basis. The comparative information has not been restated, and it continues to be reported under the accounting standards in effect for those periods. There was no cumulative-effect adjustment to the opening balance of net assets at the beginning of the year of adoption.

Basis of 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.

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.

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

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 from Grants and Contracts

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Revenue from Contributions

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, that is, those with a measurable performance or another barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes the contribution element of special event revenue immediately unless there is a right to return if the special event does not occur. Advance registration fee 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 expense at the time of event.

Revenue from Donated Services and In-Kind Contributions

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Donated securities at June 30, 2020 and 2019, were valued at \$10,227, and \$8,412, respectively.

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization annually receives a significant amount of donated services from volunteers. Because the majority of these donated services do not meet the U.S. GAAP requirements for recognition of professional services or creation or enhancement of non-financial assets, no value has been reflected in the accompanying consolidated financial statements.

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.

Financial Instruments and Credit Risk

The Organization manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with high credit quality financial institutions. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds.

Because a significant portion of the Organization's assets are market investments, there is an inherent concentration of risk for associated income and loss tied to market performance. However, the Organization's Board of Directors seeks to mitigate this risk through diversification of investment portfolio, ongoing monitoring, and consultation with third-party investment professionals.

Investments

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

Accounts Receivable

Receivables from grants and contracts are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

**CHICAGO VOLUNTEER LEGAL
SERVICES FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Support from wills and estates are recognized when probate declares the will valid, and the Organization is notified of the approximate amount of the bequest. Because the beneficiary designation can be revoked at any time, such trusts and bequests associated therewith are thus conditional promises to give and are not included in the consolidated financial statements.

Property and Equipment

Property and equipment have been capitalized at stated cost or at the fair market value at the date of contribution. Purchases of property and equipment in excess of \$750 for the years ended June 30, 2020 and 2019, 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 \$4,066 and \$2,780 for the years ended June 30, 2020 and 2019, respectively.

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.

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.

**CHICAGO VOLUNTEER LEGAL
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE B – INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, certificates of deposit are valued at the bank valuation, in the statements of financial position. Investments consisted of the following:

	<u>June 30, 2020</u>			<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Accumulated Unrealized Gains/ (Losses)</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accumulated Unrealized Gains/ (Losses)</u>
Cash/Money Market Funds	\$ 679,147	\$ 679,147	\$ -	\$ 372,956	\$ 372,956	\$ -
Mutual Funds	735,837	926,912	191,075	687,779	863,419	175,640
Certificates of Deposit	-	-	-	312,013	312,013	-
	<u>\$1,414,984</u>	<u>\$1,606,059</u>	<u>\$ 191,075</u>	<u>\$1,372,748</u>	<u>\$1,548,388</u>	<u>\$ 175,640</u>

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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, comprise as following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 329,278	\$ 209,817
Short-term investments	679,147	372,956
Total financial assets and liquidity resources		
Available within one year	<u>\$ 1,008,425</u>	<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. In addition to financial assets available to meet general expenditures over the year, the Organization has long term investments without donor restrictions of \$600,363 and \$848,883 as of June 30, 2020 and 2019, that could be made available if necessary.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE D – 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 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.

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, 2020 and 2019.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Description	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Stock Funds	\$ 466,192	\$ -	\$ -	\$ 466,192
Bond Funds	450,852	-	-	450,852
Exchange Traded Products	9,868	-	-	9,868
	<u>\$ 926,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>926,912</u>
Cash/Money Market Funds				<u>679,147</u>
Total Investments				<u>\$ 1,606,059</u>

Description	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Stock Funds	\$ 456,848	\$ -	\$ -	\$ 456,848
Bond Funds	406,571	-	-	406,571
	<u>\$ 863,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>863,419</u>
Certificates of Deposit				312,013
Cash/Money Market Funds				<u>372,956</u>
				<u>684,969</u>
Total Investments				<u>\$ 1,548,388</u>

**CHICAGO VOLUNTEER LEGAL
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE E - 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 as follows:

<u>June 30,</u>	<u>2020</u>	<u>2019</u>
Subject to the passage of time For periods after June 30	\$ 203,240	\$ 332,151
Permanently Restricted Net Assets Perpetual in Nature	<u>326,549</u>	<u>326,549</u>
Total net assets with donor restrictions	<u>\$ 529,789</u>	<u>\$ 658,700</u>

See Note F for detailed information regarding Permanently Restricted Net Assets.

NOTE F – 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE F – 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, 2020 and 2019, the Organization had \$326,549 of donor restricted endowment funds.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE F – ENDOWMENT (continued)

Reconciliation of the Beginning and Ending Balances of Endowment Funds

	FYE June 30th	
	<u>2020</u>	<u>2019</u>
Balance at Beginning of the Year	\$ 326,549	\$ 326,549
Investment return, net	20,204	24,209
Appropriation of endowment funds	<u>(20,204)</u>	<u>(24,209)</u>
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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Such deficiencies result from unfavorable market fluctuations and are evaluated by the Organization in accordance with principles of prudent fiscal oversight. Any accumulated losses for underwater endowments are included together with that fund in net assets with donor restrictions. There were no significant deficiencies as of June 30, 2020 and 2019.

NOTE G – GOVERNMENT GRANT

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. Section 1102 of the Act temporarily permits Small Business Administration (SBA) to guarantee 100 percent of 7(a) loans under a new program titled the "Paycheck Protection Program." Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program (PPP). The actual amount of loan forgiveness depends, in part, on the total amount spent over the covered period that begins on the date the lender makes the first disbursement of the PPP loan to the borrower on certain expenses as defined on the Act. The Covered Period is either (1) the twenty-four week (168-day) period beginning on the PPP loan disbursement date, or (2) if the borrower received its PPP loan before June 5, 2020, the borrower may elect to use an eight-week (56-day) Covered Period.

On April 15, 2020, the Organization obtained a PPP loan totaling \$204,000 and elected the twenty-four weeks as the covered period. Subject to the PPP loan terms, the forgiven balance will reduce the loan's principal balance and the related accrued interest balance. The remaining principal and accrued interest at a 1% fixed rate are due and payable five years from the note's date. All payments of principal and interest are deferred for the ten months. As of June 30, 2020, the Organization reduced the PPP loan liability of \$204,000 with the offset through earnings as it recognized the related costs to which the loan relates.

**CHICAGO VOLUNTEER LEGAL
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE H – 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, 2020 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,	
2021	\$ 241,637
2022	241,637
2023	241,637
2024	241,637
2025	241,637
2026 and after	<u>150,682</u>
	<u>\$ 1,358,867</u>

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

	FYE June 30th	
	<u>2020</u>	<u>2019</u>
Total Building Rent Expense under all Leases	\$ 302,107	\$ 303,517
Less Reimbursed Rents Received	<u>(45,115)</u>	<u>(60,309)</u>
Net Total Rental Expense	<u>\$ 256,992</u>	<u>\$ 243,208</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 \$26,191 and \$20,694 for the fiscal years ending June 30, 2020 and 2019, respectively.

Committed future minimum lease payments are as follows.

For the Fiscal Year Ending June 30,	
2021	\$ 15,666
2022	2,610

**CHICAGO VOLUNTEER LEGAL
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE I – 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 shown below and include in-kind revenue and expenses in the amount of \$2,250 for 2020 and \$14,040 for 2019, respectively.

	<u>FYE June 30th</u>	
	<u>2020</u>	<u>2019</u>
Revenue and In-Kind Contributions	\$ 472,465	\$ 684,814
(Expenses and In-Kind Contributions)	<u>(347,324)</u>	<u>(315,441)</u>
Net Total	<u>\$ 125,141</u>	<u>\$ 369,373</u>

NOTE J – DEPOSITS PAYABLE

Deposits payable represent the Foundation's client retainers for case settlement and court costs. Deposits payable for the year ended June 30, 2020 and 2019, totaled \$5,737 and \$5,168, respectively.

NOTE K – 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, 2020 and 2019, were \$48,000 for both years, respectively.

NOTE L – SIGNIFICANT CONCENTRATIONS

The Foundation had two donors who contributed approximately 48.6% of the total Foundation support for the fiscal year ended June 30, 2020, and two donors who contributed 52.5% for the fiscal year ended June 30, 2019.

NOTE M – 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, 2020 and 2019. 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 2017.

**CHICAGO VOLUNTEER LEGAL
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE N – SUBSEQUENT EVENTS

The 5k run/walk race fundraising event to be held in September 2020, was suspended due to the Covid-19 pandemic. The Board has decided to retain the entry fees received until the event can be held.

The management of the Foundation has evaluated events subsequent to the statement of financial position date of June 30, 2020, through December 8, 2020, 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, 2020, financial statements or related note disclosures in accordance with FASB ASC No. 855, *Subsequent Events*.