

**PUBLIC INTEREST LAW INITIATIVE**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2016 AND 2015**

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Public Interest Law Initiative  
Chicago, IL

We have audited the accompanying financial statements of Public Interest Law Initiative (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, 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

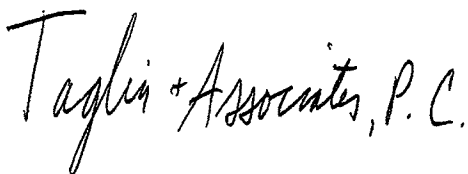
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditor's 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 Public Interest Law Initiative as of August 31, 2016 and 2015, 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.



November 18, 2016  
River Forest, IL

**PUBLIC INTEREST LAW INITIATIVE**  
(a not-for-profit corporation)

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 213,400	\$ 208,402
Certificates of Deposit	-	-
Prepaid Expenses	9,675	9,381
Contributions and Other Receivables	3,750	3,750
Total Current Assets	<u>226,825</u>	<u>221,533</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	29,605	28,433
Less: Accumulated Depreciation	( 24,646)	( 24,646)
Total Property and Equipment - Net	<u>4,959</u>	<u>3,787</u>
<b>OTHER ASSETS</b>		
Long-Term Investments	<u>1,282,501</u>	<u>1,291,727</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,514,285</u>	<u>\$ 1,517,047</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,454	\$ 1,188
Deferred Revenue	66,250	65,250
Total Current Liabilities	<u>69,704</u>	<u>66,438</u>
<b>NET ASSETS</b>		
Unrestricted	304,330	296,132
Temporarily Restricted	10,500	40,500
Permanently Restricted	1,129,751	1,113,977
Total Net Assets	<u>1,444,581</u>	<u>1,450,609</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,514,285</u>	<u>\$ 1,517,047</u>

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

**PUBLIC INTEREST LAW INITIATIVE**  
(a not-for-profit corporation)

**STATEMENTS OF ACTIVITIES**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>								
Grants								
Foundations and corporations	\$ 187,011	\$ 10,500	\$ 5,500	\$ 203,011	\$ 170,150	\$ 40,500	\$ 5,000	\$ 215,650
Law Firms	118,100	-	-	118,100	112,250	-	-	112,250
Board Members	48,211	-	-	48,211	41,719	-	-	41,719
Individuals	20,716	-	-	20,716	21,056	-	-	21,056
Total Grants	374,038	10,500	5,500	390,038	345,175	40,500	5,000	390,675
Special Events								
Revenue and In-Kind Contribution (Expenses and In-Kind Contribution)	267,107	-	-	267,107	269,877	-	-	269,877
Special Events – Net of Expenses	(50,021)	-	-	(50,021)	(49,074)	-	-	(49,074)
	217,086	-	-	217,086	220,803	-	-	220,803
In-Kind Support	44,000	-	-	44,000	44,000	-	-	44,000
Total Public Support	635,124	10,500	5,500	651,124	609,978	40,500	5,000	655,478
<b>Investment Revenue and Gains</b>								
Investment Income	33	-	23,510	23,543	993	-	24,099	25,092
Unrealized and Realized Gains (Losses) on Investments	-	-	41,764	41,764	-	-	(69,909)	(69,909)
Total Investment Revenue and Gains	33	-	65,274	65,307	993	-	(45,810)	(44,817)
<b>Net Assets Released from Restrictions</b>								
Satisfaction of Program Restrictions	95,500	(40,500)	(55,000)	-	35,500	(10,500)	(25,000)	-
Total Net Assets Released from Restrictions	95,500	(40,500)	(55,000)	-	35,500	(10,500)	(25,000)	-
<b>Total Support, Revenue, and Gains</b>	730,657	(30,000)	15,774	716,431	646,471	30,000	(65,810)	610,661
<b>EXPENSES</b>								
Program Services	628,968	-	-	628,968	561,690	-	-	561,690
Supporting Services								
Management and General Fundraising	52,543	-	-	52,543	46,599	-	-	46,599
Total Supporting Services	40,948	-	-	40,948	38,631	-	-	38,631
	93,491	-	-	93,491	85,230	-	-	85,230
Total Expenses	722,459	-	-	722,459	646,920	-	-	646,920
<b>Change in Net Assets</b>	8,198	(30,000)	15,774	(6,028)	(449)	30,000	(65,810)	(36,259)
<b>Net Assets, Beginning of Year</b>	296,132	40,500	1,113,977	1,450,609	296,581	10,500	1,179,787	1,486,868
<b>Net Assets, End of Year</b>	\$ 304,330	\$ 10,500	\$ 1,129,751	\$ 1,444,581	\$ 296,132	\$ 40,500	\$ 1,113,977	\$ 1,450,609

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

**PUBLIC INTEREST LAW INITIATIVE**  
(a not-for-profit corporation)

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016					2015				
	Supporting Services			Total		Supporting Services			Total	
	Program Services	Management and General	Fundraising	Supporting Services	Total Expenses	Program Services	Management and General	Fundraising	Supporting Services	Total Expenses
<b>EXPENSES</b>										
Salaries	\$ 236,848	\$ 26,316	\$ 29,241	\$ 55,557	\$ 292,405	\$ 225,066	\$ 25,007	\$ 27,786	\$ 52,793	\$ 277,859
Payroll Taxes	18,135	2,015	2,239	4,254	22,389	17,464	1,940	2,156	4,097	21,561
Employee Benefits	32,383	3,598	3,998	7,596	39,979	27,500	3,056	3,395	6,451	33,951
Grants	256,625	-	-	-	256,625	215,000	-	-	-	215,000
Contract Labor	4,080	-	-	-	4,080	2,000	-	-	-	2,000
Professional Fees	-	5,525	-	5,525	5,525	-	5,515	-	5,515	5,515
Education	7,731	-	-	-	7,731	5,737	-	-	-	5,737
Postage and Shipping	3,747	416	463	879	4,626	3,009	334	372	706	3,715
Occupancy	35,640	3,960	4,400	8,360	44,000	35,640	3,960	4,400	8,360	44,000
Printing and Publications	4,306	478	532	1,010	5,316	3,331	370	411	781	4,112
Supplies	1,028	114	-	114	1,142	805	89	-	89	894
Equipment Rental and Small Purchases	-	-	-	-	-	197	22	24	46	243
Conferences, Meetings and Travel	18,696	-	-	-	18,696	17,647	-	-	-	17,647
Insurance	4,903	545	-	545	5,448	3,285	365	-	365	3,650
Telephone and Internet	617	69	76	145	762	702	78	87	165	867
Dues and Subscriptions	2,938	-	-	-	2,938	3,155	-	-	-	3,155
Other	-	9,363	-	9,363	9,363	-	5,734	-	5,734	5,734
Total Expenses Before Depreciation	627,677	52,400	40,948	93,348	721,025	560,538	46,471	38,631	85,102	645,640
Depreciation	1,291	143	-	143	1,434	1,152	128	-	128	1,280
<b>Total Expenses</b>	<b>\$ 628,968</b>	<b>\$ 52,543</b>	<b>\$ 40,948</b>	<b>\$ 93,491</b>	<b>\$ 722,459</b>	<b>\$ 561,690</b>	<b>\$ 46,599</b>	<b>\$ 38,631</b>	<b>\$ 85,230</b>	<b>\$ 646,920</b>

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

**PUBLIC INTEREST LAW INITIATIVE**  
(a not-for-profit corporation)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	(\$ 6,028)	(\$ 36,259)
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	1,434	1,280
Net Unrealized and Realized (Gains) and Losses on Investments	8,758	40,810
Transfers to Long Term Investment	-	( 152,750)
Grants Restricted for Endowment	( 5,500)	( 5,000)
(Increase) Decrease in Assets:		
Contributions and Other Receivables	-	4,000
Prepaid Expenses	( 294)	( 534)
Increase (Decrease) in Liabilities:		
Accounts Payable	1,300	157
Deferred Revenue	1,000	22,750
	670	( 125,546)
<b>INVESTING ACTIVITIES</b>		
Purchase of Equipment	( 1,172)	-
Purchase of Investments	-	152,750
	( 1,172)	152,750
<b>FINANCING ACTIVITIES</b>		
Grants Restricted for Endowment	5,500	5,000
	5,500	5,000
Net Cash Provided by Financing Activities	5,500	5,000
Net Increase (Decrease) in Cash and Cash Equivalentents	4,998	32,204
<b>Beginning Cash and Cash Equivalentents</b>	208,402	176,198
<b>Ending Cash and Cash Equivalentents</b>	\$ 213,400	\$ 208,402

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

## **PUBLIC INTEREST LAW INITIATIVE**

### **NOTES TO FINANCIAL STATEMENTS**

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

##### **Nature of Activities**

Since its founding in 1977, the Public Interest Law Initiative (“PILI”) has cultivated a lifelong commitment to public interest law and pro bono service within the Illinois legal community to expand the availability of legal services for people, families and communities in need. PILI envisions a legal community with a deeply rooted culture of service, where law students, lawyers and legal professionals at all stages of their careers engage in public interest law or pro bono work, and remain committed to addressing the unmet legal needs of the poor and underrepresented. PILI’s Law Student Internship and Graduate Fellowship Programs place law students and recent law school graduates at public interest law organizations, with PILI providing supplemental educational, networking and mentoring opportunities. PILI’s Alumni Network builds and maintains the connection between past PILI Interns and Fellows and the public interest law community through educational, networking and leadership opportunities. Through its Pro Bono Initiative Program, PILI enhances the scope and quantity of pro bono legal assistance in Illinois for those who lack access to justice by offering a range of pro bono programming and resources, by developing innovative projects and cultivating best practices, and by celebrating ongoing pro bono contributions.

PILI’s support comes primarily from foundations and corporate contributions, law firms, and individuals, as well as fundraising activities.

##### **Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s Accounting Standards Codification (“FASB ASC”). As specified in FASB ASC 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets are net assets not subject to donor-imposed stipulations on their use in the Organization’s operations, as reported in the statements of activities.

Temporarily restricted net assets are donor contributions with stipulations that are to be met by actions of the Organization or others and/or the passage of time. When a donor restriction expires, temporarily restricted net asset are reclassified to unrestricted net assets and reported in the Statement of Activities as released from restrictions. Restrictions fulfilled in the same period as the funds were received are classified as unrestricted net assets.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments and/or unrestricted income for the Organization’s operations.



**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

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

Contributions

Contributions are recognized when the donor makes a promise to give to PILI that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Donated Services

The programs of PILI utilize volunteered services, which are provided directly to beneficiaries of PILI. No amounts have been reflected in the financial statements for donated volunteers' time because the criteria under FASB ASC 958, *Not-for-Profit Entities*, have not been satisfied. However, a substantial number of volunteers have donated significant amounts of time towards activities of PILI.

Cash

Cash includes petty cash and amounts deposited in the checking account.

Contributions and Other Receivables

Total contributions and other receivables were \$3,750 at both August 31, 2016 and 2015. They are composed primarily of contributions and grants and are deemed to be fully collectable by management based on historical experience.

Equipment

Equipment is reported at original cost. All equipment purchases in excess of \$500 for the years ended August 31, 2016 and 2015, 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 years).

Depreciation expense was \$1,434 for the year ended August 31, 2016, and \$1,280 for the year ended August 31, 2015.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been detailed in the statements of functional expenses. The costs have been summarized in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by detail and net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with PILI’s financial statements for the year ended August 31, 2015 from which the summarized information was derived.

Income Taxes

PILI is 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.

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.

**NOTE B – LONG-TERM INVESTMENTS**

Long-Term Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investment income is reported as increases in permanently restricted net assets in the reporting period in which the income is recognized. Unrealized and realized gains and losses are reported as increases and decreases in permanently restricted net assets.

Investments consisted of the following:

	August 31, 2016			August 31, 2015		
	Cost	Market Value	Accumulated Unrealized Gains/(Losses)	Cost	Market Value	Accumulated Unrealized Gains/(Losses)
Cash Reserve Funds	\$ 16,371	\$ 16,371	\$ -	\$ 67,361	\$ 67,361	\$ -
Certificates of Deposit	152,750	152,750	-	152,750	152,750	-
Equity Funds	465,586	667,931	202,345	467,796	627,411	159,615
Alternative Funds	169,857	144,885	(24,972)	169,857	149,078	(3,364)
Fixed Income Funds	307,659	300,563	(7,096)	307,677	295,127	(12,550)
	<u>\$ 1,112,223</u>	<u>\$ 1,282,500</u>	<u>\$ 170,277</u>	<u>\$ 1,165,441</u>	<u>\$ 1,291,727</u>	<u>\$ 126,286</u>

**PUBLIC INTEREST LAW INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – LONG-TERM INVESTMENTS (continued)**

Investment return was as follows:

	August 31, 2016			August 31, 2015		
	Investment Income	Net Unrealized and Realized Gains/(Losses)	Total Investment Return	Investment Income	Net Unrealized and Realized Gains/(Losses)	Total Investment Return
Cash Reserve Funds	\$ 5	\$ -	\$ 5	\$ 7	\$ -	\$ 7
Certificates of Deposit	75	-	75	966	-	966
Equity Funds	15,709	40,520	56,229	15,079	(37,737)	(22,658)
Alternative Funds	492	(4,193)	(3,701)	1,395	(21,439)	(20,044)
Fixed Income Funds	7,262	5,437	12,699	7,534	(10,733)	(3,199)
	\$ 23,543	\$ 41,764	\$ 65,307	\$ 24,981	\$ (69,909)	\$ (44,928)

**NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Effective January 1, 2008, PILI 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 Organization'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.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

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

Description	August 31, 2016			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	667,931	-	-	667,931
Alternative Funds	144,885	-	-	144,885
Fixed Income Funds	300,563	-	-	300,563
	<u>\$ 1,113,379</u>	<u>\$ -</u>	<u>\$ -</u>	1,113,379
			Cash Reserve Funds	16,371
			Certificates of Deposit	152,751
				<u>\$ 1,282,501</u>

Description	August 31, 2015			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	627,411	-	-	627,411
Alternative Funds	149,078	-	-	149,078
Fixed Income Funds	295,127	-	-	295,127
	<u>\$ 1,071,616</u>	<u>\$ -</u>	<u>\$ -</u>	1,071,616
			Cash Reserve Funds	67,361
			Certificates of Deposit	152,750
				<u>\$ 1,291,727</u>

**NOTE D – NET ASSETS**

Temporarily Restricted

Temporarily restricted net assets were as follows:

	August 31,	
	2016	2015
Fiscal Year 2016 Operations	\$ -	\$ 40,500
Fiscal Year 2017 Operations	10,500	-
	<u>\$ 10,500</u>	<u>\$ 40,500</u>

Permanently Restricted

Permanently restricted net assets of \$1,129,751 and \$1,113,977 at August 31, 2016 and 2015, respectively, were restricted to investment in perpetuity, the income from which is expendable to support Internships.

**PUBLIC INTEREST LAW INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE E – PERMANENTLY RESTRICTED NET ASSETS AND FSP FASB ASC 958**

PILI received two initial endowments, from Alfred C. Tisdahl, Jr. to establish the Alfred C. Tisdahl, Jr. Internship in Public Interest Law Endowment Fund and from the estate of Florence E. Miller. The stipulations of the Alfred C. Tisdahl, Jr. Internship in Public Interest Law Endowment Fund and gift received from the estate of Florence E. Miller dictate the income therefrom to be used to fund Internships for law students attending law school in the United States of America. The will of Florence E. Miller recognizes that the principal of the funds may be invested from time to time in a manner that generates little or no income as defined in the Illinois Principal and Income Act. Accordingly, in the event that annual income is less than five percent of the value of the principal fund, then principal may be used to the extent necessary to make up the shortfall in income so that five percent of the fund is available each year for Internships.

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.

The Organization classifies as permanently restricted net assets (a) the original value of the funds donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets would be classified as temporarily restricted net assets until those amounts were approved for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers 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.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E – PERMANENTLY RESTRICTED NET ASSETS AND FSP FASB ASC 958 (continued)**

Description of the Organization's Endowment Spending Policy

The Board of PILI's endowment spending policy provides that the changes in realized and unrealized value of investments are restricted, and interest and dividend income is to be available to be spent as unrestricted funds per the terms of the donor instrument gifts referenced above.

Description of the Organization's Investment Policies

The Endowment is invested in cash and the investments described in Notes B and C, with the objective of maintaining and improving the real purchasing power of the permanent endowment above and beyond the income necessary to fund the Internships prescribed by the initial endowment. 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 Year

August 31, 2016	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted Endowment Funds	\$ -	\$ 1,129,751	\$ 1,129,751
Total Funds	<u>\$ -</u>	<u>\$ 1,129,751</u>	<u>\$ 1,129,751</u>
August 31, 2015	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted Endowment Funds	\$ -	\$ 1,113,977	\$ 1,113,977
Total Funds	<u>\$ -</u>	<u>\$ 1,113,977</u>	<u>\$ 1,113,977</u>

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E – PERMANENTLY RESTRICTED NET ASSETS AND FSP FASB ASC 958 (continued)**

Reconciliation of the Beginning and Ending Balances of Endowment Funds

	<u>Year Ended August 31,</u>	
	<u>2016</u>	<u>2015</u>
Balance at Beginning of the Year	\$ 1,113,977	\$ 1,179,787
Contributions	5,500	5,000
Investment Return	65,274	(45,810)
Transfer (to) from Unrestricted Restricted Funds	<u>(55,000)</u>	<u>(25,000)</u>
Balance at End of the Year	<u>\$ 1,129,751</u>	<u>\$ 1,113,977</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 August 31, 2016 or August 31, 2015.

**NOTE F – SPECIAL EVENTS**

PILI sponsors several special events during the year to raise funds to support the Organization's mission. Special events include an awards luncheon, pro bono celebration and alumni reunion. The gross receipts and related costs of these events were as follows.

	<u>August 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenue	\$ 267,107	\$ 269,877
(Expenses)	<u>( 50,021)</u>	<u>( 49,074)</u>
Net Total	<u>\$ 217,086</u>	<u>\$ 220,803</u>

**NOTE G– DEFERRED REVENUE**

Deferred revenue includes amounts received prior to year-end related to the Organization's annual awards luncheon held subsequent to the fiscal year end. Deferred revenue for the years ended August 31, 2016 and 2015, totaled \$66,250 and \$65,250, respectively.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H – EMPLOYEE 403(b) PLAN**

The Organization 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. PILI contributes five percent of eligible employees' salaries into the plan. The Organization's contributions to the Plan for the years ended August 31, 2016 and 2015 were \$13,552 and \$12,575, respectively.

**NOTE I – IN-KIND SUPPORT**

PILI occupies office space at a major law firm at no charge. Market rent for the space for the years ended August 31, 2016 and 2015 is valued at \$44,000 and is included in the accompanying statement of activities as both in-kind support and occupancy expense.

**NOTE J – SIGNIFICANT CONCENTRATIONS**

Cash

PILI maintains its cash balances at financial institutions in the Chicago metropolitan area.

**NOTE K – UNCERTAIN TAX POSITIONS**

As of August 31, 2016, PILI did not have any uncertain tax positions that it is obligated to disclose in accordance with FASB ASC 740, *Income Taxes*. Additionally, there were no returns open to review or under review by taxing authorities in excess of annual statutory periods. PILI follows a conservative approach of research and open disclosure in regard to its tax-exempt status and positions held.

**NOTE L – SUBSEQUENT EVENTS**

The management of PILI has evaluated events subsequent to the statement of financial position date of August 31, 2016, through November 18, 2016, 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 August 31, 2016 or August 31, 2015 financial statements or related note disclosures in accordance with FASB ASC No. 855, *Subsequent Events*.