

PUBLIC INTEREST LAW INITIATIVE

FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 8, 2018
River Forest, IL

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

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 267,408	\$ 235,324
Prepaid Expenses	7,275	14,847
Contributions and Other Receivables	20,304	15,416
Total Current Assets	<u>294,987</u>	<u>265,587</u>
PROPERTY AND EQUIPMENT		
Equipment	30,902	30,168
Less: Accumulated Depreciation	(29,181)	(27,682)
Total Property and Equipment - Net	<u>1,721</u>	<u>2,486</u>
OTHER ASSETS		
Long-Term Investments	<u>1,370,150</u>	<u>1,322,472</u>
TOTAL ASSETS	<u>\$ 1,666,858</u>	<u>\$ 1,590,545</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,746	\$ 4,759
Deferred Revenue	74,225	101,690
Total Current Liabilities	<u>80,971</u>	<u>106,449</u>
NET ASSETS		
Unrestricted	324,300	296,374
Temporarily Restricted	45,625	18,000
Permanently Restricted	1,215,962	1,169,722
Total Net Assets	<u>1,585,887</u>	<u>1,484,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,666,858</u>	<u>\$ 1,590,545</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, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND GAINS								
Grants								
Foundations and corporations	\$ 249,380	\$ 45,625	\$ 6,000	\$ 301,005	\$ 223,275	\$ 18,000	\$ 5,500	\$ 246,775
Law Firms	114,300	-	-	114,300	125,750	-	-	125,750
Board Members	50,538	-	-	50,538	60,109	-	-	60,109
Individuals	52,535	-	-	52,535	22,697	-	-	22,697
Total Grants	<u>466,753</u>	<u>45,625</u>	<u>6,000</u>	<u>518,378</u>	<u>431,831</u>	<u>18,000</u>	<u>5,500</u>	<u>455,331</u>
Special Events								
Revenue and In-Kind Contribution	451,082	-	-	451,082	280,226	-	-	280,226
(Expenses and In-Kind Contribution)	(119,531)	-	-	(119,531)	(57,793)	-	-	(57,793)
Special Events – Net of Expenses	<u>331,551</u>	<u>-</u>	<u>-</u>	<u>331,551</u>	<u>222,433</u>	<u>-</u>	<u>-</u>	<u>222,433</u>
In-Kind Support	<u>45,500</u>	<u>-</u>	<u>-</u>	<u>45,500</u>	<u>45,500</u>	<u>-</u>	<u>-</u>	<u>45,500</u>
Total Public Support	<u>843,804</u>	<u>45,625</u>	<u>6,000</u>	<u>895,429</u>	<u>699,764</u>	<u>18,000</u>	<u>5,500</u>	<u>723,264</u>
Investment Revenue and Gains								
Investment Income	1,724	-	26,815	28,539	377	-	22,757	23,134
Unrealized and Realized Gains (Losses) on Investments	<u>-</u>	<u>-</u>	<u>68,425</u>	<u>68,425</u>	<u>-</u>	<u>-</u>	<u>66,714</u>	<u>66,714</u>
Total Investment Revenue and Gains	<u>1,724</u>	<u>-</u>	<u>95,240</u>	<u>96,964</u>	<u>377</u>	<u>-</u>	<u>89,471</u>	<u>89,848</u>
Net Assets Released from Restrictions								
Satisfaction of Program Restrictions	<u>73,000</u>	<u>(18,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>65,500</u>	<u>(10,500)</u>	<u>(55,000)</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>73,000</u>	<u>(18,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>65,500</u>	<u>(10,500)</u>	<u>(55,000)</u>	<u>-</u>
Total Support, Revenue, and Gains	<u>918,528</u>	<u>27,625</u>	<u>46,240</u>	<u>992,393</u>	<u>765,641</u>	<u>7,500</u>	<u>39,971</u>	<u>813,112</u>
EXPENSES								
Program Services	<u>772,933</u>	<u>-</u>	<u>-</u>	<u>772,933</u>	<u>674,635</u>	<u>-</u>	<u>-</u>	<u>674,635</u>
Supporting Services								
Management and General	67,721	-	-	67,721	54,738	-	-	54,738
Fundraising	49,948	-	-	49,948	44,224	-	-	44,224
Total Supporting Services	<u>117,669</u>	<u>-</u>	<u>-</u>	<u>117,669</u>	<u>98,962</u>	<u>-</u>	<u>-</u>	<u>98,962</u>
Total Expenses	<u>890,602</u>	<u>-</u>	<u>-</u>	<u>890,602</u>	<u>773,597</u>	<u>-</u>	<u>-</u>	<u>773,597</u>
Change in Net Assets	27,926	27,625	46,240	101,791	(7,956)	7,500	39,971	39,515
Net Assets, Beginning of Year	<u>296,374</u>	<u>18,000</u>	<u>1,169,722</u>	<u>1,484,096</u>	<u>304,330</u>	<u>10,500</u>	<u>1,129,751</u>	<u>1,444,581</u>
Net Assets, End of Year	<u>\$ 324,300</u>	<u>\$ 45,625</u>	<u>\$ 1,215,962</u>	<u>\$ 1,585,887</u>	<u>\$ 296,374</u>	<u>\$ 18,000</u>	<u>\$ 1,169,722</u>	<u>\$ 1,484,096</u>

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, 2018 AND 2017

	2018					2017				
	Supporting Services				Total Expenses	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services		Program Services	Management and General	Fundraising	Total Supporting Services	
EXPENSES										
Salaries	\$ 298,575	\$ 33,175	\$ 36,861	\$ 70,036	\$ 368,611	\$ 262,181	\$ 29,131	\$ 32,368	\$ 61,499	\$ 323,680
Payroll Taxes	22,503	2,500	2,778	5,278	27,781	20,778	2,309	2,565	4,874	25,652
Employee Benefits	36,282	4,031	4,479	8,510	44,792	27,828	3,092	3,436	6,528	34,356
Grants	309,000	-	-	-	309,000	259,366	-	-	-	259,366
Marketing & Relationship Management	2,979	-	-	-	2,979	-	-	-	-	-
Professional Fees	-	11,043	-	11,043	11,043	-	5,554	-	5,554	5,554
Education	9,559	-	-	-	9,559	8,711	-	-	-	8,711
Postage and Shipping	3,966	441	490	930	4,896	3,259	362	402	765	4,024
Occupancy	36,855	4,095	4,550	8,645	45,500	36,855	4,095	4,550	8,645	45,500
Printing and Publications	5,340	593	659	1,253	6,593	5,662	629	699	1,328	6,990
Supplies	1,618	180	-	180	1,798	2,017	224	-	224	2,241
Equipment Rental and Small Purchases	263	29	33	62	325	923	103	114	217	1,140
Conferences, Meetings and Travel	31,003	-	-	-	31,003	29,668	-	-	-	29,668
Insurance	8,654	962	-	962	9,616	10,969	1,219	-	1,219	12,188
Telephone and Internet	795	88	98	186	981	727	81	90	170	897
Dues and Subscriptions	4,192	-	-	-	4,192	4,249	-	-	-	4,249
Other	-	10,434	-	10,434	10,434	-	7,779	-	7,779	7,779
Total Expenses Before Depreciation	771,584	67,571	49,948	117,519	889,103	673,193	54,577	44,224	98,801	771,994
Depreciation	1,349	150	-	150	1,499	1,442	160	-	160	1,602
Total Expenses	\$ 772,933	\$ 67,721	\$ 49,948	\$ 117,669	\$ 890,602	\$ 674,635	\$ 54,738	\$ 44,224	\$ 98,962	\$ 773,597

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, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 101,791	\$ 39,515
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	1,499	1,602
Net Unrealized and Realized (Gains) and Losses on Investments	(68,425)	(58,503)
Grants Restricted for Endowment	(6,000)	(5,500)
(Increase) Decrease in Assets:		
Contributions and Other Receivables	(4,888)	(11,666)
Prepaid Expenses	7,572	(5,172)
Increase (Decrease) in Liabilities:		
Accounts Payable	1,987	339
Deferred Revenue	(27,465)	35,440
Net Cash Provided (Used) by Operating Activities	6,071	(3,945)
INVESTING ACTIVITIES		
Purchase of Equipment	(734)	(563)
Proceeds from Sale of Investments	20,746	461,454
Purchase of Investments	-	(440,522)
Net Cash Provided (Used) by Investing Activities	20,012	20,369
FINANCING ACTIVITIES		
Grants Restricted for Endowment	6,000	5,500
Net Cash Provided by Financing Activities	6,000	5,500
Net Increase in Cash and Cash Equivalents	32,083	21,924
Beginning Cash and Cash Equivalents	235,324	213,400
Ending Cash and Cash Equivalents	\$ 267,407	\$ 235,324

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 Program, PILI works to increase the availability of pro bono legal help for those who cannot afford an attorney in Illinois by developing innovative pro bono opportunities, offering pro bono programming and resources, cultivating best practices, and celebrating the life-changing pro bono performed throughout the state.

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 Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation and adjusted to market value at the end of the year. Donated securities during the year ended August 31, 2018 and 2017 were valued at \$0, and \$1,065, respectively.

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 \$20,304 and \$15,416 at August 31, 2018 and 2017. 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, 2018 and 2017, 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 \$1,499 for the year ended August 31, 2018, and \$1,602 for the year ended August 31, 2017.

PUBLIC INTEREST LAW INITIATIVE
NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2017 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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENTS

NOTE B – LONG-TERM INVESTMENTS (continued)

Investments consisted of the following:

	August 31, 2018			August 31, 2017		
	Cost	Market Value	Accumulated Unrealized Gains/(Losses)	Cost	Market Value	Accumulated Unrealized Gains/(Losses)
Cash Reserve Funds	\$ 8,037	\$ 8,037	\$ -	\$ 10,080	\$ 10,080	\$ -
Certificates of Deposit	154,475	154,475	-	152,750	152,750	-
Equity Funds	470,140	730,955	260,815	470,140	654,940	184,800
Alternative Funds	65,437	70,079	4,642	67,636	70,115	2,479
Fixed Income Funds	415,181	406,604	(8,577)	436,331	434,587	(1,744)
	<u>\$ 1,113,270</u>	<u>\$ 1,370,150</u>	<u>\$ 256,880</u>	<u>\$ 1,136,937</u>	<u>\$ 1,322,472</u>	<u>\$ 185,535</u>

Investment return was as follows:

	August 31, 2018			August 31, 2017		
	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	\$ 12	\$ -	\$ 12	\$ 2	\$ -	\$ 2
Certificates of Deposit	1,724	-	1,724	75	-	75
Equity Funds	14,161	76,016	90,177	11,749	107,064	118,813
Alternative Funds	3,717	36	3,753	3,616	(28,928)	(25,312)
Fixed Income Funds	8,925	(7,627)	1,298	7,692	(11,422)	(3,730)
	<u>\$ 28,539</u>	<u>\$ 68,425</u>	<u>\$ 96,964</u>	<u>\$ 23,134</u>	<u>\$ 66,714</u>	<u>\$ 89,848</u>

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENTS

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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.

Description	August 31, 2018			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	730,955	-	-	730,955
Alternative Funds	70,079	-	-	70,079
Fixed Income Funds	406,604	-	-	406,604
	<u>\$ 1,207,638</u>	<u>\$ -</u>	<u>\$ -</u>	1,207,638
				Cash Reserve Funds 8,037
				Certificates of Deposit 154,475
				<u>\$ 1,370,150</u>

Description	August 31, 2017			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	654,940	-	-	654,940
Alternative Funds	70,115	-	-	70,115
Fixed Income Funds	434,587	-	-	434,587
	<u>\$ 1,159,642</u>	<u>\$ -</u>	<u>\$ -</u>	1,159,642
				Cash Reserve Funds 10,080
				Certificates of Deposit 152,750
				<u>\$ 1,322,472</u>

PUBLIC INTEREST LAW INITIATIVE
NOTES TO FINANCIAL STATEMENTS

NOTE D – NET ASSETS

Temporarily Restricted

Temporarily restricted net assets were as follows:

	August 31,	
	2018	2017
Fiscal Year 2018 Operations	\$ -	\$ 18,000
Fiscal Year 2019 Operations	45,625	-
	\$ 45,625	\$ 18,000

Permanently Restricted

Permanently restricted net assets of \$1,215,961 and \$1,169,722 at August 31, 2018 and 2017, respectively, were restricted to investment in perpetuity, the income from which is expendable to support Internships.

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2018	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted Endowment Funds	\$ -	\$ 1,215,962	\$ 1,215,962
Total Funds	<u>\$ -</u>	<u>\$ 1,215,962</u>	<u>\$ 1,215,962</u>

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August 31, 2017	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted Endowment Funds	\$ -	\$ 1,169,722	\$ 1,169,722
Total Funds	<u>\$ -</u>	<u>\$ 1,169,722</u>	<u>\$ 1,169,722</u>

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>2018</u>	<u>2017</u>
Balance at Beginning of the Year	\$ 1,169,722	\$ 1,129,751
Contributions	6,000	5,500
Investment Return	95,240	89,471
Transfer (to) Unrestricted Restricted Funds	<u>(55,000)</u>	<u>(55,000)</u>
Balance at End of the Year	<u>\$ 1,215,962</u>	<u>\$ 1,169,722</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, 2018 or August 31, 2017.

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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 annual awards event, pro bono celebration, alumni reunion and young professionals board event. To celebrate the Organization’s 40th anniversary, PILI hosted an awards gala during FY 2018. The gross receipts and related costs of these events were as follows:

	<u>August 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 451,082	\$ 280,226
(Expenses)	<u>(119,531)</u>	<u>(57,793)</u>
Net Total	<u>\$ 331,551</u>	<u>\$ 222,433</u>

NOTE G– DEFERRED REVENUE

Deferred revenue includes amounts received prior to year-end related to the Organization’s annual awards event held subsequent to the fiscal year end. Deferred revenue for the years ended August 31, 2018 and 2017, totaled \$74,225 and \$101,690, respectively.

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, 2018 and 2017 were \$17,372 and \$14,086, respectively.

NOTE I – IN-KIND SUPPORT

PILI occupies office space at major law firms in Chicago and Peoria at no charge. Market rents for the space for the years ended August 31, 2018 and 2017 are valued at \$44,000 and \$1,500, respectively. The market rents are 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.

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NOTE K – UNCERTAIN TAX POSITIONS

As of August 31, 2018, 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, 2018, through November 8, 2018, 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, 2018 or August 31, 2017 financial statements or related note disclosures in accordance with FASB ASC No. 855, *Subsequent Events*.