

PUBLIC INTEREST LAW INITIATIVE

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

PUBLIC INTEREST LAW INITIATIVE

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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, 2021 and 2020, 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, 2021 and 2020, 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.

October 13, 2021
River Forest, IL

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

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 392,951	\$ 405,909
Prepaid Expenses	13,399	22,778
Contributions and Other Receivables	24,785	20,460
Total Current Assets	<u>431,135</u>	<u>449,147</u>
PROPERTY AND EQUIPMENT		
Equipment	63,672	59,787
Less: Accumulated Depreciation	<u>(39,698)</u>	<u>(33,230)</u>
Total Property and Equipment - Net	<u>23,974</u>	<u>26,557</u>
OTHER ASSETS		
Security Deposit	7,668	7,668
Long-Term Investments	<u>1,793,899</u>	<u>1,418,176</u>
TOTAL ASSETS	<u><u>\$ 2,256,676</u></u>	<u><u>\$ 1,901,548</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 11,078	\$ 3,594
Accrued Bonuses	10,317	-
Paycheck Protection Program Loan Payable	-	99,253
Deferred Revenue	121,145	99,275
Deferred Rent	21,288	18,695
Total Current Liabilities	<u>163,828</u>	<u>220,817</u>
NET ASSETS		
Without Donor Restrictions	518,357	401,981
With Donor Restrictions	1,574,491	1,278,750
Total Net Assets	<u>2,092,848</u>	<u>1,680,731</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,256,676</u></u>	<u><u>\$ 1,901,548</u></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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND GAINS						
Grants						
Foundations and corporations	\$ 369,894	\$ 17,000	\$ 386,894	\$ 475,237	\$ 24,000	\$ 499,237
Law Firms	121,750	-	121,750	109,258	-	109,258
Government	126,364	-	126,364	-	-	-
Board Members	68,428	-	68,428	53,806	-	53,806
Individuals	100,162	15,513	115,675	52,060	-	52,060
Total Grants	<u>786,598</u>	<u>32,513</u>	<u>819,111</u>	<u>690,361</u>	<u>24,000</u>	<u>714,361</u>
Special Events						
Revenue and In-Kind Contribution	325,864	-	325,864	323,012	-	323,012
(Expenses and In-Kind Contribution)	(23,198)	-	(23,198)	(50,971)	-	(50,971)
Special Events – Net of Expenses	<u>302,666</u>	<u>-</u>	<u>302,666</u>	<u>272,041</u>	<u>-</u>	<u>272,041</u>
In-Kind Support	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,833</u>	<u>-</u>	<u>19,833</u>
Total Public Support	<u>1,089,264</u>	<u>32,513</u>	<u>1,121,777</u>	<u>982,235</u>	<u>24,000</u>	<u>1,006,235</u>
Investment Revenue and Gains						
Investment Income	2,399	24,835	27,234	-	31,822	31,822
Unrealized and Realized Gains (Losses) on Investments	<u>-</u>	<u>226,393</u>	<u>226,393</u>	<u>-</u>	<u>74,678</u>	<u>74,678</u>
Total Investment Revenue and Gains	<u>2,399</u>	<u>251,228</u>	<u>253,627</u>	<u>-</u>	<u>106,500</u>	<u>106,500</u>
Net Assets Released from Restrictions						
Board designated Transfer to Endowment	(101,000)	101,000	-	-	-	-
Satisfaction of Program Restrictions	<u>89,000</u>	<u>(89,000)</u>	<u>-</u>	<u>17,000</u>	<u>(17,000)</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>(12,000)</u>	<u>12,000</u>	<u>-</u>	<u>17,000</u>	<u>(17,000)</u>	<u>-</u>
Total Support, Revenue, and Gains	<u>1,079,663</u>	<u>295,741</u>	<u>1,375,404</u>	<u>999,235</u>	<u>113,500</u>	<u>1,112,735</u>
EXPENSES						
Program Services	<u>813,270</u>	<u>-</u>	<u>813,270</u>	<u>845,366</u>	<u>-</u>	<u>845,366</u>
Supporting Services						
Management and General	92,154	-	92,154	86,538	-	86,538
Fundraising	<u>57,863</u>	<u>-</u>	<u>57,863</u>	<u>58,911</u>	<u>-</u>	<u>58,911</u>
Total Supporting Services	<u>150,017</u>	<u>-</u>	<u>150,017</u>	<u>145,449</u>	<u>-</u>	<u>145,449</u>
Total Expenses	<u>963,287</u>	<u>-</u>	<u>963,287</u>	<u>990,815</u>	<u>-</u>	<u>990,815</u>
Change in Net Assets	116,376	295,741	412,117	8,420	113,500	121,920
Net Assets, Beginning of Year	<u>401,981</u>	<u>1,278,750</u>	<u>1,680,731</u>	<u>393,561</u>	<u>1,165,250</u>	<u>1,558,811</u>
Net Assets, End of Year	<u>\$ 518,357</u>	<u>\$ 1,574,491</u>	<u>\$ 2,092,848</u>	<u>\$ 401,981</u>	<u>\$ 1,278,750</u>	<u>\$ 1,680,731</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, 2021 AND 2020

	2021					2020				
	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	\$ 351,806	\$ 39,090	\$ 43,433	\$ 82,523	\$ 434,329	\$ 347,213	\$ 38,579	\$ 42,866	\$ 81,445	\$ 428,658
Payroll Taxes	25,900	2,878	3,198	6,075	31,975	26,463	2,940	3,267	6,207	32,670
Employee Benefits	45,413	5,046	5,607	10,652	56,065	50,883	5,654	6,282	11,935	62,818
Grants	306,000	-	-	-	306,000	322,115	-	-	-	322,115
Marketing & Relationship Management	-	-	-	-	-	1,198	-	-	-	1,198
Professional Fees	-	31,858	-	31,858	31,858	-	27,632	-	27,632	27,632
Education	1,062	-	-	-	1,062	990	-	-	-	990
Postage and Shipping	2,347	261	290	550	2,897	3,167	352	391	743	3,910
Occupancy	31,896	3,544	3,938	7,482	39,378	39,599	4,400	4,889	9,289	48,888
Printing and Publications	3,587	399	443	842	4,429	3,682	409	455	864	4,546
Supplies	1,802	200	-	200	2,002	3,925	436	-	436	4,361
Equipment Rental and Small Purchases	-	-	-	-	-	-	-	-	-	-
Conferences, Meetings and Travel	6,146	-	-	-	6,146	20,713	-	-	-	20,713
Insurance	7,604	845	-	845	8,449	7,466	830	-	830	8,296
Telephone and Internet	7,740	860	956	1,815	9,555	6,171	686	762	1,447	7,618
Dues and Subscriptions	16,146	-	-	-	16,146	8,654	-	-	-	8,654
Other	-	6,528	-	6,528	6,528	-	4,273	-	4,273	4,273
Total Expenses Before Depreciation	807,449	91,508	57,863	149,370	956,819	842,239	86,190	58,911	145,101	987,340
Depreciation	5,821	647	-	647	6,468	3,127	347	-	347	3,474
Total Expenses	\$ 813,270	\$ 92,154	\$ 57,863	\$ 150,017	\$ 963,287	\$ 845,366	\$ 86,538	\$ 58,911	\$ 145,449	\$ 990,815

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, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 412,117	\$ 121,920
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	6,468	3,474
Net Unrealized and Realized (Gains) and Losses on Investments	(226,393)	(74,678)
(Increase) Decrease in Assets:		
Contributions and Other Receivables	(4,325)	(6,118)
Prepaid Expenses	9,379	(8,401)
Security Deposit	-	(7,668)
Increase (Decrease) in Liabilities:		
Accounts Payable	7,484	1,743
Accrued Bonuses	10,317	-
Deferred Revenue	21,870	12,475
Deferred Rent	21,288	18,695
	<u>258,205</u>	<u>61,442</u>
Net Cash Provided by Operating Activities		
INVESTING ACTIVITIES		
Purchase of Equipment	(3,885)	(28,885)
Proceeds from Sale of Investments	-	214,550
Purchase of Investments	(101,000)	(246,369)
	<u>(104,885)</u>	<u>(60,704)</u>
Net Cash Used by Investing Activities		
FINANCING ACTIVITIES		
Paycheck Protection Program Loan Payable	(99,253)	99,253
Grants Restricted for Endowment	(67,025)	-
	<u>(166,278)</u>	<u>99,253</u>
Net Cash Provided (Used) by Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(12,958)	99,991
Beginning Cash and Cash Equivalents	<u>405,909</u>	<u>305,918</u>
Ending Cash and Cash Equivalents	<u>\$ 392,951</u>	<u>\$ 405,909</u>

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 engaged, inspired and empowered those advancing equal access to justice. PILI envisions making equal access to justice a reality through a legal community with a deeply rooted culture of service, where pro bono and public interest law engagement is optimized to best serve people, families and communities in need. 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. Its Alumni Network builds and maintains the connection between past PILI Interns and Fellows and the public interest law community through educational, networking, leadership, and service opportunities. PILI's Pro Bono Program 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

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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

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

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

Revenue and Revenue Recognition

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

Donated 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. There were no donated securities during the year ended August 31, 2021 and 2020.

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 generally accepted accounting principles 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. In certain situations, cash held as short and long-term investments is classified as such.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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

Contributions and Other Receivables

Total contributions and other receivables were \$24,785 and \$20,460 at August 31, 2021 and 2020. 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, 2021 and 2020, 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 \$6,468 for the year ended August 31, 2021, and \$3,474 for the year ended August 31, 2020.

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, 2020 from which the summarized information was derived.

Income Taxes

PILI 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.

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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, 2021			August 31, 2020		
	Cost	Market Value	Accumulated Unrealized Gains/(Losses)	Cost	Market Value	Accumulated Unrealized Gains/(Losses)
Cash Reserve Funds	\$ 111,805	\$ 111,805	\$ -	\$ 35,395	\$ 35,395	\$ -
Certificates of Deposit	235,408	235,408	-	162,488	162,488	-
Equity Funds	498,462	999,032	500,570	498,462	780,605	282,143
Alternative Funds	24,014	51,893	27,879	24,014	39,233	15,219
Fixed Income Funds	382,996	395,761	12,765	382,996	400,455	17,459
	<u>\$ 1,252,685</u>	<u>\$ 1,793,899</u>	<u>\$ 541,214</u>	<u>\$ 1,103,355</u>	<u>\$ 1,418,176</u>	<u>\$ 314,821</u>

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

Liquidity and Availability

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

Financial assets:	
Cash and cash equivalents	\$ 392,951
Total financial assets available within one year	<u>392,951</u>
Liquidity resources	<u>-</u>
Total financial assets and liquidity resources	
Available within one year	<u>\$ 392,951</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.

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The valuation techniques required by FASB ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the 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 STATEMENT

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 August 31, 2021 and 2020.

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

Certificates of Deposit: 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 PILI 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.

Description	August 31, 2021			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	999,032	-	-	999,032
Alternative Funds	51,893	-	-	51,893
Fixed Income Funds	395,761	-	-	395,761
	<u>\$ 1,446,686</u>	<u>\$ -</u>	<u>\$ -</u>	1,446,686
		Cash Reserve Funds		111,805
		Certificates of Deposit		235,408
				<u>\$ 1,793,899</u>

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description	August 31, 2020			Total
	Assets at Fair Value			
	Level 1	Level 2	Level 3	
Equity Funds	780,605	-	-	780,605
Alternative Funds	39,233	-	-	39,233
Fixed Income Funds	400,455	-	-	400,455
	<u>\$ 1,220,293</u>	<u>\$ -</u>	<u>\$ -</u>	1,220,293
		Cash Reserve Funds		35,395
		Certificates of Deposit		162,488
				<u>\$ 1,418,176</u>

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

NOTE D – NET ASSETS

With Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or periods:

	<u>August 31,</u>	
	<u>2021</u>	<u>2020</u>
Fiscal Year 2021 Operations	\$ -	\$ 24,000
Fiscal Year 2022 Operations	17,000	-
Endowment	1,261,750	1,278,750
	<u>\$ 1,278,750</u>	<u>\$ 1,302,750</u>

Endowment

The Endowment Funds 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 the Francis Beidler Foundation to establish the Alfred C. Tisdahl, Jr. Internship in Public Interest Law Initiative Endowment Fund and from the estate of Florence E. Miller. The stipulations of the Alfred C. Tisdahl, Jr. Internship in Public Interest Law Initiative 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 FY2021, PILI received a gift from a former board member who wished to remain anonymous to establish the Pro Bono Program Endowment Fund. The gift was made in honor of former PILI board member and president Thomas Nicholson. PILI contributed additional funds to the Pro Bono Program Endowment Fund as well. The purpose of the Pro Bono Program Endowment Fund is to sustain and grow PILI's Pro Bono Program. Initially, PILI intends to grow the principal before investing the funds in order to generate sufficient annual income to be used to support PILI's Pro Bono Program on an annual basis. The PILI Board of Directors intends to establish an investment policy to direct the use of these funds but has not currently done so.

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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

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.

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.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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

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

August 31, 2021	With Donor Restrictions	Total
Donor-restricted Endowment Funds	<u>\$ 1,558,491</u>	<u>\$ 1,558,491</u>
Total Funds	<u><u>\$ 1,558,491</u></u>	<u><u>\$ 1,558,491</u></u>

August 31, 2020	With Donor Restrictions	Total
Donor-restricted Endowment Funds	<u>\$ 1,254,750</u>	<u>\$ 1,254,750</u>
Total Funds	<u><u>\$ 1,254,750</u></u>	<u><u>\$ 1,254,750</u></u>

Reconciliation of the Beginning and Ending Balances of Endowment Funds

	Year Ended August 31,	
	2021	2020
Balance at Beginning of the Year	\$ 1,254,750	\$ 1,153,990
Contributions	122,513	-
Investment Return	251,228	100,760
Transfer (to) Unrestricted Restricted Funds	<u>(70,000)</u>	<u>-</u>
Balance at End of the Year	<u><u>\$ 1,558,491</u></u>	<u><u>\$ 1,254,750</u></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, 2021 or August 31, 2020.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

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. The gross receipts and related costs of these events were as follows:

	<u>August 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 325,864	\$ 323,012
(Expenses)	<u>(23,198)</u>	<u>(50,971)</u>
Net Total	<u>\$ 302,666</u>	<u>\$ 272,041</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, 2021 and 2020, totaled \$121,145 and \$99,275, 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, 2021 and 2020 were \$23,162 and \$20,960, respectively.

NOTE I – LEASE

PILI entered into a rental agreement for office space in February 2020 under a 7-year and 7-month, non-cancellable operating lease, which expires August 31, 2027, with lease payments commencing in July 2020. The Organization has provided the landlord with a security deposit of \$7,668 per the rental agreement. PILI is also responsible for its share of common area maintenance costs and real estate taxes.

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

NOTE I – LEASE (continued)

The landlord provided a credit for seven months of rent per the lease. Committed future minimum lease payments are as follows:

<u>Year Ending</u> <u>August 31,</u>	
2022	43,381
2023	48,209
2024	49,061
2025	49,913
2026	<u>46,860</u>
	<u>\$ 237,424</u>

NOTE J – PAYCHECK PROTECTION PROGRAM

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 the 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 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 Covered Period.

On May 1, 2020, the Organization obtained a PPP loan totaling \$99,253. Subject to the PPP loan terms, the forgiven balance will reduce the loan's principal balance. The remaining principal will be subject to an annual fixed interest rate of 1% and must be fully repaid within five years from the note's date. All payments of principal and interest are deferred for ten months. Organization believes it satisfied the conditions for full loan forgiveness during the year ended August 31, 2021 and the forgiveness is included in government grants in this year.

NOTE K – SIGNIFICANT CONCENTRATIONS

Cash

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

PUBLIC INTEREST LAW INITIATIVE

NOTES TO FINANCIAL STATEMENT

NOTE L – UNCERTAIN TAX POSITIONS

As of August 31, 2021, 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 M – SUBSEQUENT EVENTS

The management of PILI has evaluated events subsequent to the statement of financial position date of August 31, 2021, through October 13, 2021 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, 2021 or August 31, 2020 financial statements or related note disclosures in accordance with FASB ASC No. 855, *Subsequent Events*.