

**PUBLIC INTEREST LAW INITIATIVE**

**FINANCIAL STATEMENTS**  
**For the year ended**  
**August 31, 2023**  
**(with summarized comparative**  
**totals for 2022)**

# **PUBLIC INTEREST LAW INITIATIVE**

## **Annual Financial Report**

### Table of Contents

|  |        |
|--|--------|
| Independent Auditor’s Report.....      | 1 - 2  |
| Financial Statements                   |        |
| Statement of Financial Position .....  | 3      |
| Statement of Activities.....           | 4      |
| Statement of Functional Expenses ..... | 5      |
| Statement of Cash Flows .....          | 6      |
| Notes to Financial Statements.....     | 7 - 19 |

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of Public Interest Law Initiative (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Public Interest Law Initiative and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Interest Law Initiative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Public Interest Law Initiative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Interest Law Initiative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited Public Interest Law Initiative financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

April 30, 2024  
Chicago, IL

**PUBLIC INTEREST LAW INITIATIVE**  
**STATEMENT OF FINANCIAL POSITION**  
**August 31, 2023 and 2022**

|  | 2023             | 2022             |
|--|------------------|------------------|
| <b><u>Assets</u></b>                             |                  |                  |
| Current Assets                                   |                  |                  |
| Cash and equivalents                             | \$ 529,546       | \$ 623,463       |
| Certificates of deposit                          | 395,666          | 243,484          |
| Investments                                      | 1,233,449        | 1,213,911        |
| Contributions receivable, current portion        | 202,457          | 101,033          |
| Prepaid expenses                                 | 13,649           | 13,114           |
|  | 2,374,767        | 2,195,005        |
| Property and Equipment                           |                  |                  |
| Furniture and equipment                          | 67,595           | 66,420           |
| Less accumulated depreciation                    | (54,005)         | (46,623)         |
| Net property and equipment                       | 13,590           | 19,797           |
| Other Assets                                     |                  |                  |
| Contributions receivable, net of current portion | 48,000           | 72,000           |
| Operating lease, right-of-use asset              | 169,362          | -                |
| Security deposit                                 | 7,668            | 7,668            |
| <b>Total Assets</b>                              | <b>2,613,387</b> | <b>2,294,470</b> |
| Current Liabilities                              |                  |                  |
| Accounts payable                                 | 7,732            | 15,370           |
| Accrued Expenses                                 | -                | 5,757            |
| Deferred rent                                    | -                | 21,288           |
| Deferred revenue                                 | 153,000          | 155,800          |
| Operating lease, current portion                 | 43,495           | -                |
| Total current liabilities                        | 204,227          | 198,215          |
| Operating lease, net of current portion          | 144,502          | -                |
| Total liabilities                                | 348,729          | 198,215          |
| Net Assets                                       |                  |                  |
| Without donor restrictions                       |                  |                  |
| Undesignated                                     | 779,241          | 635,667          |
| Board designated                                 | 114,930          | 100,000          |
| With donor restrictions                          |                  |                  |
| Purpose restricted                               | 588,670          | 578,771          |
| Perpetual in nature                              | 781,817          | 781,817          |
| Total net assets                                 | 2,264,658        | 2,096,255        |
| <b>Total Liabilities and Net Assets</b>          | <b>2,613,387</b> | <b>2,294,470</b> |

See independent auditor's report and notes to financial statements.

**PUBLIC INTEREST LAW INITIATIVE  
STATEMENT OF ACTIVITIES**

**For the Years Ended August 31, 2023 (with summarized comparative totals for 2022)**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2023<br>Total | 2022<br>Total |
|--|-------------------------------|----------------------------|---------------|---------------|
| <b><u>Public Support and Revenue</u></b> |                               |                            |               |               |
| Grants                                   |                               |                            |               |               |
| Foundations and corporations             | \$ 491,583                    | \$ 49,692                  | \$ 541,275    | \$ 608,598    |
| Law Firms                                | 115,565                       | -                          | 115,565       | 112,250       |
| Government                               | 107,264                       | -                          | 107,264       | 118,177       |
| Board Members                            | 68,041                        | -                          | 68,041        | 68,005        |
| Individuals                              | 42,926                        | 12,425                     | 55,351        | 64,078        |
| Special Events                           |                               |                            |               |               |
| Contributions                            | 529,465                       | -                          | 529,465       | 378,648       |
| Less cost of direct benefits to donors   | (125,059)                     | -                          | (125,059)     | (59,776)      |
| Net revenues from special events         | 404,406                       | -                          | 404,406       | 318,872       |
| Donated services                         | -                             | -                          | -             | 30,865        |
| Other revenue                            | -                             | -                          | -             | 350           |
| Investment income (loss)                 | 11,557                        | 110,782                    | 122,339       | (179,721)     |
| Net assets released from restrictions    | 163,000                       | (163,000)                  | -             | -             |
| Total public support and revenue         | 1,404,342                     | 9,899                      | 1,414,241     | 1,141,474     |
| <b><u>Expenses</u></b>                   |                               |                            |               |               |
| Program services                         | 1,036,254                     | -                          | 1,036,254     | 947,409       |
| Management and general                   | 132,353                       | -                          | 132,353       | 121,417       |
| Fundraising                              | 77,231                        | -                          | 77,231        | 69,241        |
| Total expenses                           | 1,245,838                     | -                          | 1,245,838     | 1,138,067     |
| <b>Change in net assets</b>              | 158,504                       | 9,899                      | 168,403       | 3,407         |
| <b>Net assets, beginning of year</b>     | 735,667                       | 1,360,588                  | 2,096,255     | 2,092,848     |
| <b>Net assets, end of year</b>           | \$ 894,171                    | \$ 1,370,487               | \$ 2,264,658  | \$ 2,096,255  |

See independent auditor's report and notes to financial statements.

**PUBLIC INTEREST LAW INITIATIVE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2023 (with summarized compared totals for 2022)**

|                                   | Program<br>Services | Management<br>and General | Fundraising   | Total<br>2023    | Total<br>2022    |
|-----------------------------------|---------------------|---------------------------|---------------|------------------|------------------|
| <b><u>Functional Expenses</u></b> |                     |                           |               |                  |                  |
| Salaries                          | \$ 458,643          | \$ 50,744                 | \$ 56,382     | \$ 565,769       | \$ 490,734       |
| Payroll Taxes and Fringe Benefits | 95,954              | 10,661                    | 11,847        | 118,462          | 102,957          |
| Grants and Scholarships           | 345,768             | -                         | -             | 345,768          | 322,800          |
| Program Expense                   | 18,217              | -                         | -             | 18,217           | 15,451           |
| Professional Fees                 | -                   | 45,007                    | -             | 45,007           | 79,336           |
| Occupancy                         | 44,195              | 2,258                     | 5,456         | 51,909           | 39,083           |
| Supplies                          | 3,412               | 379                       | -             | 3,791            | 2,535            |
| Repairs and Maintenance           | -                   | 345                       | -             | 345              | 295              |
| Insurance                         | 10,996              | 1,221                     | 1,358         | 13,575           | 10,324           |
| Travel and Meetings               | 24,264              | 2,696                     | -             | 26,960           | 20,833           |
| Marketing                         | -                   | 1,215                     | -             | 1,215            | 1,790            |
| Staff Development                 | -                   | 3,688                     | -             | 3,688            | 1,211            |
| Dues and Subscriptions            | 16,437              | -                         | -             | 16,437           | 16,766           |
| Information Technology            | 97                  | 11                        | 12            | 120              | 459              |
| Postage and Shipping              | 4,137               | 460                       | 511           | 5,108            | 4,297            |
| Printing and Copying              | 6,143               | 683                       | 758           | 7,584            | 7,129            |
| Telephone                         | 7,346               | 816                       | 907           | 9,069            | 10,836           |
| Taxes, fees, and licenses         | -                   | 4,191                     | -             | 4,191            | 3,073            |
| Miscellaneous                     | -                   | 1,241                     | -             | 1,241            | 1,233            |
| Depreciation                      | 645                 | 6,737                     | -             | 7,382            | 6,925            |
| <b>Total Expenses</b>             | <b>1,036,254</b>    | <b>132,353</b>            | <b>77,231</b> | <b>1,245,838</b> | <b>1,138,067</b> |

See independent auditor's report and notes to financial statements.

**PUBLIC INTEREST LAW INITIATIVE  
STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2023 and 2022**

|   | <u>2023</u>              | <u>2022</u>           |
|---|--------------------------|-----------------------|
| <b><u>Cash Flows from Operating Activities</u></b>  |                          |                       |
| Change in net assets  | \$ 168,403               | \$ 3,407              |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                          |                       |
| Depreciation  | 7,382                    | 6,925                 |
| Realized/Unrealized losses  | (82,491)                 | 213,966               |
| Noncash lease expense   | (2,653)                  | -                     |
| Decrease (increase) in:   |                          |                       |
| Contributions receivable  | (77,424)                 | (148,248)             |
| Prepaid expenses  | (535)                    | 285                   |
| Increase (decrease) in:   |                          |                       |
| Accounts Payable  | (7,638)                  | 4,292                 |
| Accrued Expenses  | (5,757)                  | (4,560)               |
| Deferred Revenue  | (2,800)                  | 34,655                |
| Net cash provided by (used in) operating activities   | <u>(3,513)</u>           | <u>110,722</u>        |
| <b><u>Cash Flows from Investing Activities</u></b>  |                          |                       |
| Purchase of furniture and equipment   | (1,175)                  | (2,748)               |
| Purchases of certificates of deposit  | (152,182)                | (8,076)               |
| Purchases of investments  | (12,425)                 | (8,780)               |
| Proceeds from sales of investments  | 75,378                   | 27,589                |
| Net cash provided by (used in) investing activities   | <u>(90,404)</u>          | <u>7,985</u>          |
| <b>Net increase (decrease) in cash and equivalents</b>                                      | <b>(93,917)</b>          | <b>118,707</b>        |
| <b>Cash and equivalents, beginning of year</b>  | <b><u>623,463</u></b>    | <b><u>504,756</u></b> |
| <b>Cash and equivalents, end of year</b>  | <b><u>\$ 529,546</u></b> | <b><u>623,463</u></b> |

See independent auditor's report and notes to financial statements.



**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

**Organization**

Public Interest Law Initiative (the “Organization” or “PILI”) is a not for profit organization founded in 1977. PILI is committed to providing equal access to justice for families and communities in need. 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. The Organization provides the following programs and services:

*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 Organizations and corporate contributions, law firms, and individuals, as well as fundraising activities.

**Basis of Accounting**

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities in conformity with accounting principles generally accepted in the U.S. and applicable to non-profit Organizations.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Organization.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2023**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Income Tax Status

Public Interest Law Initiative was granted an exemption from federal income tax by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private Organization under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. Management believes the Organization operates in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of August 31, 2023.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination generally for three years after they are filed. All filings are current.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the year. Actual results could differ from those estimates.

Cash and Equivalents

Cash and cash equivalents consist of deposits in federally and privately insured Securities Investment Protection Corporation (SIPC) accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) and (SIPC) insurance limit.

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Cash and Equivalents (cont.)

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased or donated with an original maturity or anticipated liquidation of three months or less to be cash equivalents. No cash was paid for taxes or interest for the years ending August 31, 2023.

Certificates of Deposit

The Organization has four certificates of deposit (“CDs”) through various financial institutions that generally mature within three years. CDs are reported at cost, which approximates fair value. Interest income is accrued at each fiscal year end.

Investments

Investments, whether purchased or donated, are recorded at fair value. All gains and losses are included in the statement of activities. Unrealized gains or losses on such securities are based on the change in the market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in the market value of the assets from the beginning of the fiscal year to the date of sale.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Organization and the amounts reported in the statement of activities.

Contributions Receivable

Contributions receivable represent amounts promised by sponsor benefactors reflecting unconditional promises to give, net of allowance for doubtful accounts. The allowance is evaluated by management based on existing economic conditions and the historical relationships with the sponsors. Management closely reviews its outstanding receivables and follows up on a timely basis for all delinquent amounts. Accounts are written off when management deems contributions uncollectible. For the year ending August 31, 2023 an allowance for doubtful accounts was not deemed necessary.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give – that is those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend on have been met. There were no conditional promises to give for the year ending August 31, 2023.

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Property and Equipment

Property and equipment are recorded at cost or at the estimated fair value at the date of gift, if donated. Purchases of property and equipment in excess of \$500 with a useful life of greater than one year are capitalized. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets over 5 years. The cost of maintenance and repairs is charged to expense as incurred.

Depreciation expense for the year ended August 31, 2023 was \$7,382.

Donated Services and In-Kind Contributions

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated legal services included in management and general, are valued at the standard hourly rates charged for those services. During the year ending August 31, 2023, the Organization had no donated legal services.

In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. There were no in-kind contributions during the year ended August 31, 2023 and during the year ended August 31, 2023 the Organization had no in-kind contributions.

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment 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 or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending August 31, 2023 no such gifts of land, buildings, or equipment were received.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**PUBLIC INTEREST LAW INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2023**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Functional Allocation of Expenses (cont.)

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services as the basis of periodic time and expense reviews made by management. The expenses that are allocated include depreciation and occupancy, as well as salaries and benefits which are all allocated on the basis of estimates of time.

Comparative Information

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended August 31, 2022, from which the summarized information was derived.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through April 30, 2024, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842.

Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (a) a lease liability of \$229,205, which represents the present value of the remaining lease payments of \$249,068, discounted using the risk-free discount rate of 3.39%, and (b) a right-of-use asset of \$207,917, which represents the lease liability of \$229,205 adjusted for deferred rent of \$21,288.

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 2 – Financial Assets and Liquidity Resources**

As of August 31, 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

|  |                   |
|--|-------------------|
| Financial assets at year-end   |                   |
| Cash and equivalents   | \$ 529,546        |
| Investments  | 1,233,449         |
| Accounts receivable, current   | 202,457           |
| Prepaid Expenses   | 13,649            |
| Total financial asset, at year-end   | <u>1,979,101</u>  |
| Less amounts not available to be used within one year:                                   |                   |
| Restricted by donor with time or purpose restrictions<br>greater than one year           | (48,000)          |
| Endowments restricted with purpose and perpetuity  | (1,248,794)       |
| Board designated endowment fund  | <u>(114,930)</u>  |
| Financial assets available to meet cash need for<br>general expenditures within one year | <u>\$ 567,377</u> |

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of education & outreach, research and technical, and market as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financials assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 3 – Investments and Investment Return**

At August 31, 2023 , the aggregate amounts of investments by major type recorded at fair value were as follows:

|                    | Fair Market<br>Value | Cost              |
|--------------------|----------------------|-------------------|
| Cash Reserve Funds | \$ 130,275           | \$ 130,275        |
| Equity Funds       | 858,968              | 455,434           |
| Alternative Funds  | 40,707               | 24,014            |
| Fixed Income Funds | 333,774              | 364,481           |
|                    | <u>\$ 1,363,724</u>  | <u>\$ 974,204</u> |

The following summarizes the investment return for the year ending August 31, 2023 and its classification on the Statement of Activities:

|  |                   |
|--|-------------------|
| Interest and dividends                                 | \$ 39,848         |
| Net realized gains                                     | 19,924            |
| Net unrealized gains                                   | <u>62,567</u>     |
| Net investment income                                  | <u>\$ 122,339</u> |
| Statement of Activities                                |                   |
| Investment return from operations and board designated | \$ 11,557         |
| Investment return on endowment                         | <u>110,782</u>    |
| Total investment return                                | <u>\$ 122,339</u> |

**Note 4 – Fair Value Measurements**

GAAP define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. These standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value of the Organizations investments in certain alternative funds are determined using the net asset value (NAV) per share and are not included in the valuation hierarchy. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 4 – Fair Value Measurements (cont.)**

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Valuation derived from valuation techniques, in which one or more significant inputs are unobservable.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to ASC Topic, Fair Value Measurements and Disclosures.

The Organization assesses the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the period ended August 31, 2023, there were no such transfers.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the period ended August 31, 2023.

*Mutual Funds:* (Equity, alternative, and fixed income funds) are 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.

**Assets Measured on a Recurring Basis**

Assets measured at fair value on a recurring basis are summarized below as of August 31, 2023:

| Description        | Level 1             | Level 2     | Level 3            | Total               |
|--------------------|---------------------|-------------|--------------------|---------------------|
| Equity Funds       | \$ 858,968          | \$ -        | \$ -               | \$ 858,968          |
| Alternative Funds  | 40,707              | -           | -                  | 40,707              |
| Fixed Income Funds | 333,774             | -           | -                  | 333,774             |
|                    | <u>\$ 1,233,449</u> | <u>\$ -</u> | <u>\$ -</u>        | 1,233,449           |
|                    |                     |             | Cash Reserve Funds | 130,275             |
|                    |                     |             |                    | <u>\$ 1,363,724</u> |



**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 5 – Net Assets with donor restrictions**

Net assets with donor restrictions for the year ended August 31, 2023 available in future periods are as follows:

|  |                     |
|--|---------------------|
| Internships                              | \$ 49,693           |
| Endowment                                | 1,248,794           |
| Future periods                           | <u>72,000</u>       |
| Total net assets with donor restrictions | <u>\$ 1,370,487</u> |

**Note 6 – Endowment Funds**

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. PILI drew down and transferred \$90,500 in the fiscal year 2023 for named internships.

In the fiscal year end 2021, PILI received a gift without restriction from a former board member who wished to remain anonymous that was used in conjunction with excess funds from PILI to establish

the Pro Bono Program Endowment Fund which is considered a board designated endowment fund without donor restriction. The gift was made in honor of former PILI board member and president Thomas Nicholson. 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 once invested.

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

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 6 – Endowment Funds (cont.)**

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.

**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 Note 4, 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 STATEMENTS  
August 31, 2023**

**Note 6 – Endowment Funds (cont.)**

Endowment net asset composition by type of funds as of August 31, 2023:

|                                   | Without Donor<br>Restrictions | With Donor Restrictions            |                                    | Total               |
|-----------------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------|
|                                   |                               | Temporary<br>Donor<br>Restrictions | Perpetual<br>Donor<br>Restrictions |                     |
| Donor-Restricted Endowment Funds: |                               |                                    |                                    |                     |
| Donor-restricted endowment funds  | \$ -                          | \$ 466,977                         | \$ 781,817                         | \$ 1,248,794        |
| Board designated endowment funds  | 114,930                       | -                                  | -                                  | 114,930             |
| Total Funds                       | <u>\$ 114,930</u>             | <u>\$ 466,977</u>                  | <u>\$ 781,817</u>                  | <u>\$ 1,363,724</u> |

|  | Without Donor<br>Restrictions | With Donor Restrictions            |                                    | Total               |
|--|-------------------------------|------------------------------------|------------------------------------|---------------------|
|  |                               | Temporary<br>Donor<br>Restrictions | Perpetual<br>Donor<br>Restrictions |                     |
| Endowment net assets beginning of year                         | \$ 110,575                    | \$ 434,271                         | \$ 781,817                         | \$ 1,326,663        |
| Investment return  |                               |                                    |                                    |                     |
| Investment income, net of fees                                 | 4,355                         | 28,291                             | -                                  | 32,646              |
| Realized and unrealized losses<br>in fair value of investments | -                             | 82,491                             | -                                  | 82,491              |
| Contributions  | -                             | 12,424                             | -                                  | 12,424              |
| Net transfers of drawdown to cover<br>internships              | -                             | (90,500)                           | -                                  | (90,500)            |
| Endowment net assets, end of year                              | <u>\$ 114,930</u>             | <u>\$ 466,977</u>                  | <u>\$ 781,817</u>                  | <u>\$ 1,363,724</u> |

**Note 7 – Contributions Receivable**

The Organization records pledges in the period in which the promise is received. Contributions receivable as of August 31, 2023 were comprised of the following:

|                                |                   |
|--------------------------------|-------------------|
| Within one year                | \$ 202,457        |
| One to five years              | 48,000            |
| Total contributions receivable | <u>\$ 250,457</u> |

The Organization believes that all pledge receivables are fully collectible; therefore, no reserve has been recorded as of August 31, 2023.

**Note 8 – Operating Leases**

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

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 8 – Operating Leases (cont.)**

taxes. The landlord provided a credit for seven months of rent per the lease. This lease falls under ASC 842.

The Organization assesses whether an arrangement qualified as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position.

The impact of the adoption of ASC 842 on the balance sheet as of September 1, 2022 is as follows:

|   |                     |
|---|---------------------|
| Noncurrent Operating right-of-use asset | \$ 207,917          |
| Assets                                  | <u>\$ 207,917</u>   |
| Current lease liability                 | \$ (41,208)         |
| Noncurrent lease liability              | (187,997)           |
| Accrued/deferred rent (ASC 840)         | 21,288              |
| Liabilities                             | <u>\$ (207,917)</u> |
| Cumulative effect                       | \$ -                |

Operating right-of-use (“ROU”) assets and lease liabilities as of August 31, 2023 are as follows:

|   |                   |
|---|-------------------|
| Operating lease right-of-use assets     | \$ 207,917        |
| Accumulated amortization                | (38,555)          |
| Net operating lease right-of-use assets | <u>\$ 169,362</u> |
| Current operating lease liabilities     | \$ 43,495         |
| Noncurrent operating lease liabilities  | 144,502           |
| Total operating lease liabilities       | <u>\$ 187,997</u> |

Rental expense for these leases, included in the Statement of Activities for the year ended August 31, 2023, was \$51,909. The components are as follows:

|                      |                  |
|----------------------|------------------|
| Operating lease cost | \$ 45,556        |
| Variable lease cost  | 6,353            |
| Total lease cost     | <u>\$ 51,909</u> |

**PUBLIC INTEREST LAW INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023**

**Note 8 – Operating Leases (cont.)**

The following summarizes the weighted average remaining lease term and discount rate as of August 31, 2023:

|   |       |
|---|-------|
| Weighted-average remaining lease term (years) |       |
| Operating leases                              | 4.0   |
| Weighted-average discount rate                |       |
| Operating leases                              | 3.39% |

The Organization has made the election afforded in the guidance under ASC Topic 842 which allows the use of the risk-free discount rate for these leases, which is based on the borrowing rate for the United States Federal Government for a period comparable to the lease terms.

The following summarizes cash flow information related to the leases for the year ended August 31, 2023:

|   |            |
|---|------------|
| Cash paid for amounts included in the measurement of lease liabilities: |            |
| Operating cash flows from operating leases                              | \$ 60,914  |
| Lease assets obtained in exchange for lease obligations                 |            |
| Operating lease   | \$ 207,917 |

The maturities of operating lease liabilities are as follows for the years ending August 31, 2023:

|  |                   |
|--|-------------------|
| 2024                                     | \$ 49,061         |
| 2025                                     | 49,913            |
| 2026                                     | 50,765            |
| 2027                                     | 51,120            |
| Total future undiscounted lease payments | <u>200,859</u>    |
| Less: interest                           | <u>(12,862)</u>   |
| Present value of lease liabilities       | <u>\$ 187,997</u> |

**Note 9 – 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, 2023 was \$26,162.