

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2018

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
Coordinated Advice and Referral  
Program for Legal Services

***Report on the Financial Statements***

We have audited the accompanying financial statements of Coordinated Advice and Referral Program for Legal Services (CARPLS), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 in the first paragraph present fairly, in all material respects, the financial position of Coordinated Advice and Referral Program for Legal Services as of June 30, 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 accepting in the United States of America.

*Legacy Professionals LLP*

Westchester, Illinois

November 16, 2018

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 664,406	\$ 520,972
Accounts receivable	8,750	8,750
Grants and contributions receivable	1,118,194	1,389,103
Prepaid expenses	10,841	11,628
Property and equipment - net	145,085	193,374
Security deposits	<u>9,343</u>	<u>9,343</u>
Total assets	<u>\$ 1,956,619</u>	<u>\$ 2,133,170</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 5,535	\$ 27,277
Accrued expenses	34,925	32,714
Deferred lease incentive	15,694	25,477
Capital lease obligations	<u>-</u>	<u>838</u>
Total liabilities	<u>56,154</u>	<u>86,306</u>
<b>NET ASSETS</b>		
Unrestricted	762,273	559,662
Temporarily restricted	<u>1,138,192</u>	<u>1,487,202</u>
Total net assets	<u>1,900,465</u>	<u>2,046,864</u>
Total liabilities and net assets	<u>\$ 1,956,619</u>	<u>\$ 2,133,170</u>

See accompanying notes to financial statements.

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>						
Grants and contributions	\$ 539,932	\$ 1,100,692	\$ 1,640,624	\$ 640,672	\$ 1,464,302	\$ 2,104,974
Cy pres awards	107,325	-	107,325	40,422	-	40,422
Fundraising events	541,517	-	541,517	449,068	18,400	467,468
In-kind donations	352,115	-	352,115	276,731	-	276,731
Client fees	13,796	-	13,796	18,004	-	18,004
Investment income	950	-	950	455	-	455
Miscellaneous	17	-	17	1,421	-	1,421
Total revenue and other support	<u>1,555,652</u>	<u>1,100,692</u>	<u>2,656,344</u>	<u>1,426,773</u>	<u>1,482,702</u>	<u>2,909,475</u>
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>1,449,702</u>	<u>(1,449,702)</u>	<u>-</u>	<u>935,784</u>	<u>(935,784)</u>	<u>-</u>
	<u>3,005,354</u>	<u>(349,010)</u>	<u>2,656,344</u>	<u>2,362,557</u>	<u>546,918</u>	<u>2,909,475</u>
<b>EXPENSES</b>						
Program services	<u>2,408,752</u>	<u>-</u>	<u>2,408,752</u>	<u>2,022,345</u>	<u>-</u>	<u>2,022,345</u>
Supporting services						
Management and general	113,293	-	113,293	102,534	-	102,534
Fundraising	280,698	-	280,698	272,956	-	272,956
Total supporting services	<u>393,991</u>	<u>-</u>	<u>393,991</u>	<u>375,490</u>	<u>-</u>	<u>375,490</u>
Total expenses	<u>2,802,743</u>	<u>-</u>	<u>2,802,743</u>	<u>2,397,835</u>	<u>-</u>	<u>2,397,835</u>
<b>CHANGE IN NET ASSETS</b>	202,611	(349,010)	(146,399)	(35,278)	546,918	511,640
<b>NET ASSETS</b>						
Beginning of year	<u>559,662</u>	<u>1,487,202</u>	<u>2,046,864</u>	<u>594,940</u>	<u>940,284</u>	<u>1,535,224</u>
End of year	<u>\$ 762,273</u>	<u>\$ 1,138,192</u>	<u>\$ 1,900,465</u>	<u>\$ 559,662</u>	<u>\$ 1,487,202</u>	<u>\$ 2,046,864</u>

See accompanying notes to financial statements.

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

**STATEMENTS OF FUNCTIONAL EXPENSES**

YEARS ENDED JUNE 30, 2018 AND 2017

	2018					2017				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services		Program Services	Management and General	Fundraising	Total Supporting Services	
Bad debt expense	\$ -	\$ 6,150	\$ -	\$ 6,150	\$ 6,150	\$ -	\$ 10,700	\$ -	\$ 10,700	\$ 10,700
Computer support and maintenance	93,723	11,026	5,513	16,539	110,262	46,362	5,454	2,727	8,181	54,543
Consultants	-	-	-	-	-	-	-	7,920	7,920	7,920
Depreciation	63,394	7,458	3,729	11,187	74,581	54,493	6,411	3,205	9,616	64,109
Donated services	338,145	-	-	-	338,145	255,211	-	-	-	255,211
Dues and subscriptions	5,140	102	393	495	5,635	5,475	102	439	541	6,016
Employee benefits	118,616	2,922	11,232	14,154	132,770	85,013	1,922	8,180	10,102	95,115
Equipment rental and maintenance	38,545	4,535	2,267	6,802	45,347	35,520	4,179	2,089	6,268	41,788
Fundraising events	-	-	78,571	78,571	78,571	-	-	86,418	86,418	86,418
Insurance	11,062	219	845	1,064	12,126	12,080	227	968	1,195	13,275
Interest	-	-	-	-	-	-	200	-	200	200
Library	50	-	-	-	50	409	-	-	-	409
Marketing and promotion	-	-	17,968	17,968	17,968	-	-	17,825	17,825	17,825
Meetings	5,674	637	1,100	1,737	7,411	5,674	637	2,145	2,782	8,456
Occupancy	86,967	10,231	5,116	15,347	102,314	84,907	9,988	4,995	14,983	99,890
Office supplies and expense	10,319	1,214	607	1,821	12,140	11,559	1,360	680	2,040	13,599
Payroll taxes	119,440	2,941	11,310	14,251	133,691	103,548	2,340	9,963	12,303	115,851
Postage	4,814	566	283	849	5,663	3,530	415	208	623	4,153
Printing	2,828	333	166	499	3,327	3,374	397	198	595	3,969
Professional fees	-	22,075	-	22,075	22,075	-	20,191	-	20,191	20,191
Salaries	1,471,172	36,228	139,312	175,540	1,646,712	1,273,763	28,788	122,559	151,347	1,425,110
Telephone	38,863	4,572	2,286	6,858	45,721	41,427	4,874	2,437	7,311	48,738
Travel and conference	-	2,084	-	2,084	2,084	-	4,349	-	4,349	4,349
Total	<u>\$ 2,408,752</u>	<u>\$ 113,293</u>	<u>\$ 280,698</u>	<u>\$ 393,991</u>	<u>\$ 2,802,743</u>	<u>\$ 2,022,345</u>	<u>\$ 102,534</u>	<u>\$ 272,956</u>	<u>\$ 375,490</u>	<u>\$ 2,397,835</u>

See accompanying notes to financial statements.

**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (146,399)	\$ 511,640
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	74,581	64,109
Bad debt expense	6,150	10,700
Amortization of deferred lease incentive	(9,783)	(7,407)
Donated investments	(8,335)	(7,768)
(Gain) on donated investments	(484)	(234)
Changes in assets and liabilities		
Grants and contributions receivable	264,759	(459,519)
Prepaid expenses	787	3,699
Accounts payable and accrued expenses	(19,531)	22,229
Net cash provided by operating activities	<u>161,745</u>	<u>137,449</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	8,819	8,002
Purchases of property and equipment	(26,292)	(55,756)
Net cash (used in) investing activities	<u>(17,473)</u>	<u>(47,754)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	(838)	(4,864)
<b>NET INCREASE IN CASH</b>	143,434	84,831
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>520,972</u>	<u>436,141</u>
End of year	<u>\$ 664,406</u>	<u>\$ 520,972</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u>\$ -</u>	<u>\$ 200</u>

See accompanying notes to financial statements.



**COORDINATED ADVICE AND REFERRAL  
PROGRAM FOR LEGAL SERVICES**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

**NOTE 1. NATURE OF THE ORGANIZATION AND TAX STATUS**

Coordinated Advice and Referral Program for Legal Services (CARPLS) provides pro bono legal advice and coordinates referrals for indigent clients to legal aid offices in Cook County, Illinois.

CARPLS is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and thus is generally not subject to tax. In addition, the Internal Revenue Service has determined that CARPLS is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require CARPLS to evaluate tax positions taken by CARPLS and recognize a tax liability if CARPLS has taken an uncertain position that more likely than not would not be sustained upon examination by tax authorities. CARPLS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting** - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation** - To conform with generally accepted accounting principles, CARPLS is required to report information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of CARPLS. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of CARPLS, the environment in which it operates and the purposes specified in its bylaws.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Presentation (continued)

**Temporarily Restricted** - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by CARPLS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CARPLS pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of CARPLS pursuant to those stipulations.

**Permanently Restricted** - Permanently restricted net assets (generally referred to as endowment funds) result from (a) contributions and other inflows of assets, the use of which by CARPLS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CARPLS, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations. At June 30, 2018 and 2017, CARPLS does not have any permanently restricted net assets.

**Basis of Revenue Recognition** - Unconditional promises to give are recognized as revenue in the period the promise is received and are included as assets, decreases of liabilities or expenses, depending on the form of benefits received.

Donor-restricted support is reported as an increase in temporarily restricted net assets. Restrictions generally expire when a stipulated time restriction ends or purpose restriction is accomplished, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, CARPLS reports the support as unrestricted.

**Cash and Cash Equivalents** - CARPLS considers all highly liquid investments with an initial maturity of three months or less at the date of acquisition to be cash equivalents.

**Receivables** - CARPLS uses the direct write-off method for receivables deemed uncollectible. CARPLS wrote off \$6,150 and \$10,700 in receivables during the years ended June 30, 2018 and 2017, respectively. At June 30, 2018, grants and contributions receivable of \$1,118,194 is due entirely in the year ending June 30, 2019. At June 30, 2017, grants and contributions receivable of \$1,389,103 was due entirely in the year ended June 30, 2018.

**Property and Equipment** - Property and equipment are carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by the straight-line method over estimated three to seven year useful lives.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Internal-Use Software** - Customized software that has been developed for internal use and is maintained under hosting arrangements where CARPLS does not have a right to the software at the end of the term are considered service contracts and are not capitalized. During the year ended June 30, 2018, CARPLS recognized \$60,310 in such service contracts.

**Deferred Lease Incentive** - As part of a leasing arrangement, CARPLS received an incentive in the form of free rent from the landlord. CARPLS recognizes this incentive as a reduction of rental expense on a straight-line basis over the term of the lease.

**Public Support** - Periodically, CARPLS hosts various fundraising events. There are no restrictions from this support, and the funds are used for the primary activity and general operations of CARPLS.

**Functional Allocation of Expenses** - The costs of providing the various program services are summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs are allocated based on hours and labor dollars incurred and programs and supporting services benefited.

**Donated Investments, Property and Equipment and Services** - Donated investments are recorded at fair value at the date of contribution. Donated property and equipment are recorded at fair value at the date of contribution and are depreciated over their estimated useful lives.

Contributions of donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provide by donation. CARPLS recorded donated services at fair value and included hours donated from attorneys and law school students, as well as other professional services. Donations of in-kind services are presented in the statements of activities as support with an equal amount shown as expense.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Subsequent Events** - Subsequent events have been evaluated through November 16, 2018, which is the date the financial statements were available to be issued.

## **NOTE 3. CONCENTRATION OF CASH**

Cash consists of monies held in interest bearing checking and money market accounts without significant withdrawal restrictions. CARPLS maintains its cash balances at financial institutions deemed to be creditworthy. Balances are insured by FDIC up to \$250,000 per financial institution and may at times exceed insured limits.

#### NOTE 4. LEASE COMMITMENTS

CARPLS leases office space under an agreement expiring on September 30, 2019. As an incentive to extend the lease, the landlord provided free rent for five months of the lease. This lease incentive is being amortized on a straight-line basis over the term of the lease. CARPLS also leases a copier under a lease agreement with an expiration date of December 31, 2019, as well as its phone system, which expired in December 2017 and was renewed for a two-year term through December 2019. The following is a schedule of future minimum payments required under the terms of the leases:

	<u>Office</u>	<u>Phone</u>	<u>Copier</u>	<u>Total</u>
Year ending June 30,				
2019	\$ 107,364	\$ 25,200	\$ 2,922	\$ 135,486
2020	<u>27,336</u>	<u>12,600</u>	<u>1,461</u>	<u>41,397</u>
Total	<u>\$ 134,700</u>	<u>\$ 37,800</u>	<u>\$ 4,383</u>	<u>\$ 176,883</u>

Office rent expense was \$99,099 for year ended June 30, 2018 and \$95,682 for 2017. Phone equipment and copier rent expense was \$43,422 for the year ended June 30, 2018 and \$38,943 for 2017.

#### NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 65,086	\$ 65,086
Office equipment and software	130,025	105,251
Externally developed software	<u>323,064</u>	<u>321,546</u>
	518,175	491,883
Less accumulated depreciation	<u>(373,090)</u>	<u>(298,509)</u>
Net property and equipment	<u>\$ 145,085</u>	<u>\$ 193,374</u>

CARPLS capitalized \$26,292 and \$55,756 in property and equipment during the years ended June 30, 2018 and 2017, respectively. No assets were disposed of during the years ended June 30, 2018 and 2017.

Depreciation expense was \$74,581 for the year ended June 30, 2018 and \$64,109 for 2017.

**NOTE 6. CAPITAL LEASE OBLIGATIONS**

In October 2015, CARPLS entered into a capital lease for computer equipment. The capitalized cost of the equipment was \$13,928 and is included in property and equipment in the statements of financial position. The leases required monthly payments of \$422 and included interest at 5.73%. This lease was paid off in full during the year ended June 30, 2018.

**NOTE 7. MAJOR CONTRIBUTORS**

During the year ended June 30, 2018, two contributors accounted for approximately 50% of total revenue and support. During the year ended June 30, 2017, three contributors accounted for approximately 63% of total revenue and support.

**NOTE 8. PENSION PLAN**

CARPLS sponsors a 401(k) plan available to all full-time employees. Employees can elect to defer a percentage of salary subject to Internal Revenue Service limitations. The cy pres doctrine is a legal doctrine that is applied when the original objective of the settlor becomes impossible, impracticable, or illegal to perform. The doctrine allows the court to amend the terms as closely as possible to the original intention of the settlor. CARPLS can elect to match a percentage of the employee's deferral. CARPLS did not elect to match any employee deferrals during either 2018 or 2017.

**NOTE 9. CY PRES AWARDS**

Cy pres awards are residual funds in class action cases that are unclaimed or cannot be distributed to the class members or beneficiaries who were the intended recipients. The cy pres doctrine is a legal doctrine that is applied when the original objective of the settlor becomes impossible, impracticable, or illegal to perform. The doctrine allows the court to amend the terms as closely as possible to the original intention of the settlor. CARPLS received cy pres awards totaling \$107,325 and \$40,422 for the years ended June 30, 2018 and 2017, respectively.