

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

FINANCIAL STATEMENTS

JUNE 30, 2019

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, of functional expenses, 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, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, CARPLS adopted new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

*Legacy Professionals LLP*

Westchester, Illinois

January 29, 2020

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

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,344,410	\$ 664,406
Accounts receivable	21,743	8,750
Grants and contributions receivable	1,014,490	1,118,194
Prepaid expenses	14,716	10,841
Property and equipment - net	64,841	145,085
Security deposits	<u>9,343</u>	<u>9,343</u>
Total assets	<u>\$ 2,469,543</u>	<u>\$ 1,956,619</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,413	\$ 5,535
Accrued expenses	57,601	34,925
Deferred lease incentive	<u>3,535</u>	<u>15,694</u>
Total liabilities	<u>71,549</u>	<u>56,154</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,154,677	762,273
With donor restrictions	<u>1,243,317</u>	<u>1,138,192</u>
Total net assets	<u>2,397,994</u>	<u>1,900,465</u>
Total liabilities and net assets	<u>\$ 2,469,543</u>	<u>\$ 1,956,619</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Grants and contributions	\$ 821,403	\$ 1,198,317	\$ 2,019,720	\$ 539,932	\$ 1,100,692	\$ 1,640,624
Cy pres awards	26,899	-	26,899	107,325	-	107,325
Fundraising events	1,066,806	-	1,066,806	541,517	-	541,517
In-kind donations	337,776	-	337,776	352,115	-	352,115
Client fees	11,050	-	11,050	13,796	-	13,796
Investment income	505	-	505	950	-	950
Miscellaneous	-	-	-	17	-	17
Total revenue and other support	2,264,439	1,198,317	3,462,756	1,555,652	1,100,692	2,656,344
Net assets released from restrictions - satisfaction of time and purpose restrictions	1,093,192	(1,093,192)	-	1,449,702	(1,449,702)	-
	3,357,631	105,125	3,462,756	3,005,354	(349,010)	2,656,344
<b>EXPENSES</b>						
Program services	2,551,278	-	2,551,278	2,408,752	-	2,408,752
Supporting services						
Management and general	99,318	-	99,318	113,293	-	113,293
Fundraising	314,631	-	314,631	280,698	-	280,698
Total supporting services	413,949	-	413,949	393,991	-	393,991
Total expenses	2,965,227	-	2,965,227	2,802,743	-	2,802,743
CHANGE IN NET ASSETS	392,404	105,125	497,529	202,611	(349,010)	(146,399)
<b>NET ASSETS</b>						
Beginning of year	762,273	1,138,192	1,900,465	559,662	1,487,202	2,046,864
End of year	\$ 1,154,677	\$ 1,243,317	\$ 2,397,994	\$ 762,273	\$ 1,138,192	\$ 1,900,465

See accompanying notes to financial statements.

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

YEARS ENDED JUNE 30, 2019 AND 2018

	2019					2018				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fundraising	Supporting Services		Program Services	Management and General	Fundraising	Supporting Services	
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,150	\$ -	\$ 6,150	\$ 6,150
Computer support and maintenance	53,009	6,236	3,118	9,354	62,363	93,723	11,026	5,513	16,539	110,262
Depreciation	69,786	8,210	4,105	12,315	82,101	63,394	7,458	3,729	11,187	74,581
Donated services	330,310	-	-	-	330,310	338,145	-	-	-	338,145
Dues and subscriptions	4,024	75	328	403	4,427	5,140	102	393	495	5,635
Employee benefits	123,392	2,783	12,190	14,973	138,365	118,616	2,922	11,232	14,154	132,770
Equipment rental and maintenance	46,339	5,452	2,726	8,178	54,517	38,545	4,535	2,267	6,802	45,347
Fundraising events	-	-	89,185	89,185	89,185	-	-	78,571	78,571	78,571
Insurance	13,123	244	1,070	1,314	14,437	11,062	219	845	1,064	12,126
Library	510	-	-	-	510	50	-	-	-	50
Marketing and promotion	-	-	13,617	13,617	13,617	-	-	17,968	17,968	17,968
Meetings	5,674	637	5,331	5,968	11,642	5,674	637	1,100	1,737	7,411
Miscellaneous	-	2,640	-	2,640	2,640	-	-	-	-	-
Occupancy	89,373	10,514	5,257	15,771	105,144	86,967	10,231	5,116	15,347	102,314
Office supplies and expense	9,757	1,148	574	1,722	11,479	10,319	1,214	607	1,821	12,140
Payroll taxes	129,082	2,909	12,752	15,661	144,743	119,440	2,941	11,310	14,251	133,691
Postage	5,730	674	337	1,011	6,741	4,814	566	283	849	5,663
Printing	1,998	235	118	353	2,351	2,828	333	166	499	3,327
Professional fees	-	17,213	-	17,213	17,213	-	22,075	-	22,075	22,075
Salaries	1,644,840	37,073	162,492	199,565	1,844,405	1,471,172	36,228	139,312	175,540	1,646,712
Telephone	24,331	2,863	1,431	4,294	28,625	38,863	4,572	2,286	6,858	45,721
Travel and conference	-	412	-	412	412	-	2,084	-	2,084	2,084
Total	<u>\$ 2,551,278</u>	<u>\$ 99,318</u>	<u>\$ 314,631</u>	<u>\$ 413,949</u>	<u>\$ 2,965,227</u>	<u>\$ 2,408,752</u>	<u>\$ 113,293</u>	<u>\$ 280,698</u>	<u>\$ 393,991</u>	<u>\$ 2,802,743</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 497,529	\$ (146,399)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	82,101	74,581
Bad debt expense	-	6,150
Amortization of deferred lease incentive	(12,159)	(9,783)
Donated investments	(28,316)	(8,335)
(Gain) on donated investments	(42)	(484)
Changes in assets and liabilities		
Accounts receivable	(12,993)	-
Grants and contributions receivable	103,704	264,759
Prepaid expenses	(3,875)	787
Accounts payable and accrued expenses	27,554	(19,531)
Net cash provided by operating activities	<u>653,503</u>	<u>161,745</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	28,358	8,819
Purchases of property and equipment	<u>(1,857)</u>	<u>(26,292)</u>
Net cash provided by (used in) investing activities	<u>26,501</u>	<u>(17,473)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	<u>-</u>	<u>(838)</u>
<b>NET INCREASE IN CASH</b>	680,004	143,434
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>664,406</u>	<u>520,972</u>
End of year	<u>\$ 1,344,410</u>	<u>\$ 664,406</u>

See accompanying notes to financial statements.



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

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**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.

**New Accounting Pronouncement** - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for CARPLS's financial statements for the year ended June 30, 2019. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

**Basis of Presentation** - In order to conform with generally accepted accounting principles, CARPLS is required to report information regarding its financial position and activities in two classes of net assets: without donor restriction and with donor restriction.

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of CARPLS. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of CARPLS, the environment in which it operates and the purposes specified in its articles of incorporation.

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

### Basis of Presentation (continued)

**Net Assets with Donor Restrictions** - Net assets that are subject to donor-imposed or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019 and 2018, there were no perpetual donor restrictions.

**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 net assets with donor restrictions. Restrictions generally expire when a stipulated time restriction ends or purpose restriction is accomplished, at which time 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. If a restriction is fulfilled in the same time period in which the contribution is received, CARPLS reports the support as net assets without donor restrictions.

**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 \$0 and \$6,150 in receivables during the years ended June 30, 2019 and 2018, respectively. At June 30, 2019, grants and contributions receivable of \$1,014,490 are due entirely in the year ending June 30, 2020. At June 30, 2018, grants and contributions receivable of \$1,118,194 were due entirely in the year ended June 30, 2019.

**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 useful lives of three to seven years.

**Accrued Paid Time Off** - CARPLS has established a policy for paid time off (PTO). PTO offered under this policy includes both vacation and paid sick leave and varies based on tenure and employee status. In accordance with City of Chicago ordinances, a portion of the PTO related to paid sick leave may be carried over to subsequent periods. The obligation for accrued PTO was \$26,065 and \$16,641 as of June 30, 2019 and 2018, respectively.

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

**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 activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are allocated based on estimates of time and effort.

**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 January 29, 2020, 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, 2020. 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,				
2020	\$ 111,126	\$ 12,600	\$ 1,461	\$ 125,187
2021	<u>27,930</u>	<u>-</u>	<u>-</u>	<u>27,930</u>
Total	<u>\$ 139,056</u>	<u>\$ 12,600</u>	<u>\$ 1,461</u>	<u>\$ 153,117</u>

Office rent expense was \$102,277 for year ended June 30, 2019 and \$99,099 for 2018. Phone equipment and copier rent expense was \$52,613 for the year ended June 30, 2019 and \$43,422 for 2018.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 65,086	\$ 65,086
Office equipment and software	131,883	130,025
Externally developed software	<u>323,064</u>	<u>323,064</u>
	520,033	518,175
Less accumulated depreciation	<u>(455,192)</u>	<u>(373,090)</u>
Net property and equipment	<u>\$ 64,841</u>	<u>\$ 145,085</u>

CARPLS capitalized \$1,857 and \$26,292 in property and equipment during the years ended June 30, 2019 and 2018, respectively. No assets were disposed of during the years ended June 30, 2019 and 2018.

Depreciation expense was \$82,101 for the year ended June 30, 2019 and \$74,581 for 2018.

**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 in full during the year ended June 30, 2018.

**NOTE 7. MAJOR CONTRIBUTORS**

During the years ended June 30, 2019 and 2018, two contributors accounted for approximately 42% and 50% respectively, 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. CARPLS can elect to match a percentage of the employee's deferral. CARPLS did not elect to match any employee deferrals during either 2019 or 2018.

**NOTE 9. CY PRES AWARDS**

Cy pres awards represent 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 \$26,899 and \$107,325 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 10. LIQUIDITY AND AVAILABILITY OF RESOURCES**

CARPLS receives significant grants restricted by grantors. CARPLS considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. CARPLS manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged.

**NOTE 10. LIQUIDITY AND AVAILABILITY FOR RESOURCES (CONTINUED)**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,344,410
Receivables (due within one year)	<u>1,036,233</u>
	2,380,643
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,243,317)</u>
Financial assets available for general expenditures within one year	<u><u>\$ 1,137,326</u></u>

**NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods as directed by the donors at June 30, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 1,027,067	\$ 1,053,192
Time and purpose restricted for various projects	<u>216,250</u>	<u>85,000</u>
Total	<u><u>\$ 1,243,317</u></u>	<u><u>\$ 1,138,192</u></u>

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or periods, as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 1,015,692	\$ 1,119,112
Time and purpose restricted for various projects	<u>77,500</u>	<u>330,590</u>
Total	<u><u>\$ 1,093,192</u></u>	<u><u>\$ 1,449,702</u></u>

**NOTE 12. RELATED PARTIES**

During the years ended June 30, 2019 and 2018, there were numerous contributions made by members of the Board of Directors to CARPLS. These transactions totaled \$124,100 in the year ended June 30, 2019 and were \$74,170 in the year ended June 30, 2018.