

**PRAIRIE STATE LEGAL  
SERVICES, INC.**

**FINANCIAL REPORT**

December 31, 2016

## **C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Prairie State Legal Services, Inc.  
Rockford, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of Prairie State Legal Services, Inc. (an Illinois not-for-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prairie State Legal Services, Inc. as of December 31, 2016, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

We have previously audited Prairie State Legal Services, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2017, on our consideration of Prairie State Legal Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie State Legal Services, Inc.'s internal control over financial reporting and compliance.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

April 14, 2017

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2016

(With Comparative Totals for 2015)

ASSETS	2016	2015
Cash and cash equivalents	\$ 3,535,651	\$ 4,231,680
Support receivables, net	3,778,557	2,023,044
Prepaid expenses and other assets	154,094	146,759
Funds held in trust at Community Foundation of Northern Illinois	225,515	216,686
Client escrow deposits	11,762	22,334
Property and equipment, net	147,781	200,946
Total assets	\$ 7,853,360	\$ 6,841,449
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 68,649	\$ 86,288
Accrued expenses	579,843	606,212
Liability under operating leases	82,504	-
Client deposits	11,762	22,334
Refundable advances	169,551	416,591
Total liabilities	912,309	1,131,425
<b>NET ASSETS</b>		
Unrestricted:		
Board designated	225,515	215,160
Property and equipment	147,781	200,946
Other	2,859,975	3,257,177
Total unrestricted	3,233,271	3,673,283
Temporarily restricted:		
Will County Legal Assistance Program, Inc. (WCLAP)	184,899	207,230
Donor restricted	3,522,881	1,829,511
Total temporarily restricted	3,707,780	2,036,741
Total net assets	6,941,051	5,710,024
Total liabilities and net assets	\$ 7,853,360	\$ 6,841,449

The accompanying notes are an integral part of these financial statements.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	Unrestricted					Temporarily Restricted				Total	
	Fee For Service Grants	Board Designated	Property and Equipment	Other	Total	Legal Services Corporation	WCLAP	Donor Restricted	Total	2016	2015
<b>SUPPORT AND REVENUE:</b>											
Federal Grants:											
Legal Services Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	3,687,784	\$ -	\$ -	\$ 3,687,784	\$ 3,687,784	\$ 3,790,850
Older Americans Act - Title III	725,588	-	-	-	725,588	-	-	-	-	725,588	670,835
HIV grants	190,980	-	-	-	190,980	-	-	-	-	190,980	179,052
Legal Assistance for Victims	26,346	-	-	-	26,346	-	-	-	-	26,346	145,174
Crime Victim Assistance	283,396	-	-	-	283,396	-	-	-	-	283,396	257,973
Housing & Urban Development	345,357	-	-	-	345,357	-	-	-	-	345,357	366,497
Community Development	166,630	-	-	-	166,630	-	-	-	-	166,630	172,869
Other Grants	170,608	-	-	-	170,608	-	-	-	-	170,608	183,489
State Grants:											
Illinois Equal Justice Foundation	403,333	-	-	-	403,333	-	-	-	-	403,333	326,933
Illinois Attorney General	539,968	-	-	-	539,968	-	-	-	-	539,968	1,148,309
Other Grants	195,714	-	-	-	195,714	-	-	-	-	195,714	197,430
Miscellaneous grants	134,042	-	-	-	134,042	-	-	462,731	462,731	596,773	393,075
United Way allocations	-	-	-	-	-	-	-	711,636	711,636	711,636	768,473
Lawyers Trust Fund of Illinois	-	-	-	-	-	-	-	3,643,000	3,643,000	3,643,000	2,102,500
Cy Pres awards	-	-	-	62,664	62,664	-	-	-	-	62,664	317
Contributions, net of provision for uncollectible pledges	-	-	-	385,709	385,709	-	-	-	-	385,709	457,538
Special events - fundraising	-	-	-	28,369	28,369	-	-	-	-	28,369	57,273
Donated services and materials	-	-	-	65,750	65,750	-	-	-	-	65,750	60,433
Interest and dividends	-	-	-	5,700	5,700	630	403	-	1,033	6,733	8,820
Miscellaneous revenue	-	-	-	300	300	34,607	-	-	34,607	34,907	8,234
Unrealized gain (loss) on investment securities, net of fees	-	10,355	-	-	10,355	-	-	-	-	10,355	(1,390)
Gain on involuntary conversion	-	-	-	-	-	-	-	-	-	-	6,590
Net assets released from restrictions:											
Satisfaction of equipment acquisition restrictions	-	-	2,599	-	2,599	-	-	(2,599)	(2,599)	-	-
Satisfaction of donor restrictions	-	-	-	22,734	22,734	-	(22,734)	-	(22,734)	-	-
Satisfaction of program restrictions	-	-	-	3,723,021	3,723,021	(3,723,021)	-	-	(3,723,021)	-	-
Expiration of time restrictions	-	-	-	3,121,398	3,121,398	-	-	(3,121,398)	(3,121,398)	-	-
<b>Total support and revenue</b>	<b>3,181,962</b>	<b>10,355</b>	<b>2,599</b>	<b>7,415,645</b>	<b>10,610,561</b>	<b>-</b>	<b>(22,331)</b>	<b>1,693,370</b>	<b>1,671,039</b>	<b>12,281,600</b>	<b>11,301,274</b>
<b>EXPENSES:</b>											
Program services - provision of legal services	2,672,479	-	47,721	6,625,482	9,345,682	-	-	-	-	9,345,682	9,638,139
Management and general	273,183	-	5,141	782,551	1,060,875	-	-	-	-	1,060,875	1,048,816
Fund raising	236,300	-	2,902	404,814	644,016	-	-	-	-	644,016	535,014
<b>Total expenses</b>	<b>3,181,962</b>	<b>-</b>	<b>55,764</b>	<b>7,812,847</b>	<b>11,050,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,050,573</b>	<b>11,221,969</b>
<b>Increase (decrease) in net assets</b>	<b>-</b>	<b>10,355</b>	<b>(53,165)</b>	<b>(397,202)</b>	<b>(440,012)</b>	<b>-</b>	<b>(22,331)</b>	<b>1,693,370</b>	<b>1,671,039</b>	<b>1,231,027</b>	<b>79,305</b>
<b>Net assets, beginning of year</b>	<b>-</b>	<b>215,160</b>	<b>200,946</b>	<b>3,257,177</b>	<b>3,673,283</b>	<b>-</b>	<b>207,230</b>	<b>1,829,511</b>	<b>2,036,741</b>	<b>5,710,024</b>	<b>5,630,719</b>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 225,515</b>	<b>\$ 147,781</b>	<b>\$ 2,859,975</b>	<b>\$ 3,233,271</b>	<b>\$ -</b>	<b>\$ 184,899</b>	<b>\$ 3,522,881</b>	<b>\$ 3,707,780</b>	<b>\$ 6,941,051</b>	<b>\$ 5,710,024</b>

The accompanying notes are an integral part of these financial statements.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	Program Services	Management and General	Fund Raising	Total	
				2016	2015
Salaries and wages:					
Lawyers	\$ 4,695,746	\$ 402,195	\$ 117,601	\$ 5,215,542	\$ 5,314,206
Nonlawyers	1,493,172	302,729	266,341	2,062,242	2,083,222
Employee benefits	1,632,114	149,514	112,650	1,894,278	1,928,792
Consultant and professional services (including private attorney involvement)	73,903	27,005	-	100,908	84,149
Contract services	46,935	39,548	18,633	105,116	129,140
Travel and training	133,293	12,994	14,788	161,075	237,851
Space and occupancy	695,914	74,276	56,558	826,748	740,178
Office supplies	100,546	10,216	9,296	120,058	125,111
Telephone/Internet	132,084	17,781	5,210	155,075	147,937
Library	113,216	-	-	113,216	111,856
Postage	35,312	2,212	1,439	38,963	38,952
Equipment rental and maintenance	38,345	9,548	9,475	57,368	70,307
Insurance	30,788	2,175	896	33,859	33,669
Depreciation	47,721	5,141	2,902	55,764	75,412
Miscellaneous	76,593	5,541	28,227	110,361	101,187
	\$ 9,345,682	\$ 1,060,875	\$ 644,016	\$ 11,050,573	\$ 11,221,969

The accompanying notes are an integral part of these financial statements.

**PRAIRIE STATE LEGAL SERVICES, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,231,027	\$ 79,305
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	55,764	75,412
Unrealized gain (loss) on investment securities, net of fees	(10,355)	1,390
Gain on involuntary conversion	-	(6,590)
Provision for uncollectible pledges	387	5,202
Change in liability under operating leases	82,504	-
Change in assets and liabilities:		
Support receivables, net	(1,755,900)	(148,593)
Prepaid expenses and other assets	(7,335)	1,902
Client escrow deposits	10,572	(11,134)
Accounts payable	(17,639)	(9,051)
Accrued expenses	(26,369)	(15,369)
Client deposits	(10,572)	11,134
Refundable advances	(247,040)	(250,212)
Net cash used in operating activities	(694,956)	(266,604)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment securities	1,526	15,266
Insurance proceeds from involuntary conversion	-	6,590
Purchase of property and equipment	(2,599)	(12,934)
Net cash provided by (used in) investing activities	(1,073)	8,922
Change in cash and cash equivalents	(696,029)	(257,682)
Cash and cash equivalents:		
Beginning of year	4,231,680	4,489,362
End of year	\$ 3,535,651	\$ 4,231,680

The accompanying notes are an integral part of these financial statements.



**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 1. Nature of Operations and Significant Accounting Policies**

Nature of operations:

Prairie State Legal Services, Inc. (PSLS/Organization) is an Illinois not-for-profit corporation since May, 1977, providing legal assistance in non-criminal proceedings or legal matters to low-income and elderly persons in Northern and Central Illinois. PSLS is principally funded through the Legal Services Corporation (LSC) awards, Lawyers Trust Fund of Illinois awards, contributions, grants, and the United Way.

A summary of the Organization's significant accounting policies follows:

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Use of estimates:

The preparation of financial statements 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 revenue and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The Organization may classify its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and the changes therein are classified and reported as follows:

Unrestricted net assets:

Net assets that are not subject to donor-imposed stipulations are unrestricted. Grants and contract support received for services provided to eligible persons are recognized to the extent expenses are incurred. Excess funds received and not spent under these grants or contracts are reflected as refundable advances. In addition, the Board of Directors has designated certain unrestricted net assets for future use.

Temporarily restricted net assets:

Legal Services Corporation (LSC) - To provide support for organizations offering civil legal advice, education and representation for persons who meet federal poverty guidelines as annually defined by the LSC. LSC funds cannot be used for criminal, abortion or military cases and certain other prohibited cases. Also, funds may be used for capital expenditures and other items subject to restrictions.

Donor restricted - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Financial statement presentation (continued):

Permanently restricted net assets:

Net assets that are subject to donor-imposed stipulations that the donations are maintained permanently by the Organization are permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general purposes. There were no permanently restricted assets at year end.

Cash and cash equivalents:

For purposes of reporting the statements of cash flows, PSLS includes all cash accounts and certificates of deposit, which are not subject to significant withdrawal restrictions or penalties, as cash and cash equivalents on the accompanying Statement of Financial Position. Throughout the year, the Organization may have amounts on deposit with financial institutions in excess of those insured by FDIC. Management does not believe that this concentration represents any significant risk to the Organization.

Certificates of deposit included in cash and cash equivalents were \$1,672,061 and \$2,222,991 as of December 31, 2016 and 2015, respectively. The certificates bear interest ranging from .15% to .25% and .15% to .25% as of December 31, 2016 and 2015, respectively, and have initial maturities ranging from six to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Support receivables:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give to be received more than one year from December 31 are recorded at the present value of their net realizable value, using a risk-free interest rate applicable to the year in which the promises are received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restricted contribution expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible support. The allowance is based on prior years' experience and management's analysis of specific promises to give.

Investments:

The Organization has managed investments through an agreement with the Community Foundation of Northern Illinois (CFNI). The Organization shares in CFNI's pooled investments based on pro rata share of invested dollars. These investments are valued at fair value as provided by CFNI, which represents the market value of the underlying investments in the pool. CFNI states investments in mutual funds are recorded at readily available quoted market values. Investments in

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Investments (continued):

alternative investments are reflected at net asset value per share (NAV) as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these securities existed. The CFNI alternative investments consist of an open-ended private investment company, a real estate investment partnership and a limited partnership invested in commodity-related derivative instruments. CFNI, with the assistance of an investment consultant who does not participate in managing the alternative investment funds, has reviewed and evaluated the fair values provided by the alternative investment fund managers and agrees with the valuation methods and assumptions used in determining fair value. Unrealized gains (losses) reported include changes in the fair value of the alternative investments held by CFNI. Earnings (losses) are allocated to the Organization based on the pro rata invested dollars.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could be material in relation to amounts reported in the Statement of Financial Position.

Accounting principles generally accepted in the United States of America (U.S. GAAP) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under U.S. GAAP are described below:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liabilities either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The table in Note 3 sets forth the level within the fair value hierarchy that the Organization's CFNI investment assets fall at year end.

Client escrow deposits:

Client funds received by PSLS, acting as a trustee agent, are maintained in separate, interest-bearing checking accounts in the name of the Organization. These funds are restricted to client-related expense.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Property and equipment:

Property and equipment are stated at cost. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment, including software	4 - 5
Leasehold improvements	5 - 10

All property and equipment acquired with LSC funds is considered to be owned by PSLs while used in the program or in future authorized programs. However, LSC retains a reversionary interest in these assets, as well as the right to determine the use of any proceeds from the sale of such assets.

The Organization's policy is to capitalize leasehold improvements, property and equipment with a cost of \$2,500 or greater and a useful life of more than one year.

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

The Organization reviews its fixed assets to evaluate prominent events or changes in circumstances affecting them to determine whether impairment has occurred. Fixed assets generally should be considered impaired if both (a) the decline in service utility of the equipment is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the fixed asset. To date, the Organization has not recorded any fixed asset impairment changes.

Liability under operating leases:

Under generally accepted accounting principles in the United States of America, operating lease agreements that contain scheduled rent increases shall be recognized by lessors and lessees on the straight-line method over the lease term. See Note 7 for related disclosures. The liability on the statement of financial position called, "Liability under operating leases" represents the cumulative difference between rent expense on the straight-line method and the actual lease payments to be paid under the lease agreements.

Refundable advances:

Refundable advances primarily consist of unearned service revenues. These funds are recognized as revenue when PSLs renders the applicable service required.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Donated services and other noncash assets:

The Organization records support for contributed professional services when performed. Contributed professional services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Support from donated legal services for 2016 and 2015 in the amount of \$65,750 and \$60,433, respectively, has been recognized in the accompanying financial statements.

Donations of marketable securities and other noncash assets are recognized as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent any explicit donor-imposed time requirement, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Cost allocation:

Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of management's estimated proportional use of the service provided or resource consumed.

Income taxes:

PSLS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code (Code) and from State of Illinois income taxes. In addition, PSLS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after April 14, 2017, which is the date these financial statements were available to be issued. PSLS has no responsibility to update these financial statements for events and circumstances occurring after this date.

Comparative Amounts:

The amounts shown for 2015 in the accompanying Statements of Financial Position, Activities, Functional Expenses, and Cash Flows, are included to provide a basis for comparison with 2016 and are not intended to present all information necessary for fair presentation of 2015 information in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the comparative totals were derived.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

**Note 2. Support Receivables, Net**

Support receivables, net consist of the following at December 31:

	2016	2015
Lawyer's Trust Fund of Illinois	\$2,746,250	\$928,750
Campaign for legal services	69,700	72,286
United Way agencies	386,308	412,521
Other, program services reimbursement	592,283	620,384
	3,794,541	2,033,941
Less present value of unconditional promises to give	(4,700)	-
	3,789,841	2,033,941
Allowance for uncollectible support	(11,284)	(10,897)
	\$3,778,557	\$2,023,044

Estimates of the timing of fulfillment of the conditions, and consequently of recognizing the contributions, are as follows:

	2016	2015
Less than one year	\$2,854,541	\$2,033,941
One year to five years	940,000	-
Beyond five years	-	-
	\$3,794,541	\$2,033,941

**Note 3. Investments**

The Organization's investments are reported at fair value in the accompanying Statement of Financial Position. The fair value of the CFNI investment is based upon the Organization's proportionate ownership of pooled investments held by CFNI and the fair value of the underlying investments held in the pool as provided by CFNI.

		Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical inputs (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>CFNI Investments</u>	<u>Fair value</u>			
12/31/2016	\$ 225,515	\$ -	\$ -	\$ 225,515
12/31/2015	\$ 216,686	\$ -	\$ -	\$ 216,686

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 3. Investments (Continued)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) as of December 31, are as follows:

	2016	2015
Beginning balance	\$216,686	\$233,342
Unrealized gain	12,539	968
Satisfaction of donor restrictions for employee law school loans	(1,526)	(15,266)
Investment management fees	(2,184)	(2,358)
Ending balance	\$225,515	\$216,686

**Note 4. Property and Equipment, Net**

Property and equipment, net consists of the following at December 31:

	2016	2015
Furniture and equipment, including software	\$700,754	\$726,432
Leasehold improvements	190,302	190,302
	891,056	916,734
Less accumulated depreciation	743,275	715,788
	\$147,781	\$200,946

Depreciation expense for the years ended December 31, 2016 and 2015 was \$55,764 and \$75,412, respectively.

**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

**Note 5. Accrued Expenses**

Accrued expenses are as follows as of December 31:

	2016	2015
Retirement benefits	\$236,583	\$246,506
Payroll expense	300,624	313,409
Other	42,636	46,297
	\$579,843	\$606,212

**Note 6. Other Donor Restrictions on Net Assets**

Temporarily other donor restricted net assets are available for the following purposes or periods as of December 31:

	2016	2015
For periods after December 31	\$3,299,507	\$1,673,131
For specific program expenses	223,374	156,380
	\$3,522,881	\$1,829,511



**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**Note 7. Lease Commitments and Rental Expense**

Prairie State Legal Services, Inc. leases office space under various non-cancelable long-term lease agreements. The total minimum rental commitment under these leases as of December 31, 2016 is \$2,645,020, which is due as follows:

Year Ending December 31:

2017	\$634,577
2018	605,568
2019	534,631
2020	326,911
2021	222,050
Thereafter	321,283

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\$2,645,020

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Total rental expense for the years ended December 31, 2016 and 2015 was approximately \$715,000 and \$626,000, respectively.

**Note 8. Concentration of Support and Contingency**

Approximately 30% and 34% of the Organization's support for the years ended December 31, 2016 and 2015, respectively, came from Legal Services Corporation (LSC), a not-for-profit corporation established and funded by the U.S. Government to administer a nationwide legal assistance program. Approximately 30% and 19% of the Organization's support for the years ended December 31, 2016 and 2015, respectively, came from Lawyers Trust Fund of Illinois (LTF). Any substantial loss of funding from LSC and/or LTF could significantly affect the Organization's range of program services provided.

Federal and state grants-in-aid received by the Organization are subject to audit by grantor agencies. If grant revenues are received for expenditures which are subsequently disallowed, the Organization may be required to repay the revenues. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material.

**Note 9. Retirement Plan**

The Organization has established a 403(b) retirement plan which covers all full-time employees. Employees become eligible for the plan upon initial employment with the Organization and are eligible to contribute employee elective deferrals. The plan was amended effective January 1, 2009 to institute an employer match on employee elective deferrals and for the plan to accept employer contributions for employees with one year of eligible service, defined as one thousand hours or more of service for an active employee within the preceding twelve months. The total amount contributed by the employer, including the elective deferral match was \$435,220 and \$442,063 for the years ended December 31, 2016 and 2015, respectively.