

**CHICAGO LEGAL CLINIC, INC.
AND AFFILIATES
Chicago, Illinois**

**CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chicago Legal Clinic, Inc. and Affiliates
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chicago Legal Clinic, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
July 20, 2018

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 476,005	\$ 661,098
Restricted cash, client deposits	279,455	273,925
Unconditional promises to give	1,110,455	600,545
Client fees and awards receivable, less allowance for doubtful accounts of \$35,601 in 2017 and \$19,047 in 2016	20,073	27,927
Costs recoverable under grants and awards	11,694	24,631
Note receivable	219,000	-
Other receivables	64,236	65,238
Investments	66,738	58,937
Prepaid expenses and other assets	84,580	78,181
Property and equipment, net	<u>709,434</u>	<u>1,127,754</u>
TOTAL ASSETS	<u>\$ 3,041,670</u>	<u>\$ 2,918,236</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 78,274	\$ 180,186
Client deposits	279,455	273,925
Mortgage note payable	<u>171,526</u>	<u>204,676</u>
Total liabilities	<u>529,255</u>	<u>658,787</u>

NET ASSETS

Unrestricted:		
Undesignated	1,449,781	1,725,405
Board-designated for endowment	<u>67,346</u>	<u>60,102</u>
Total unrestricted net assets	1,517,127	1,785,507
Temporarily restricted	<u>995,288</u>	<u>473,942</u>
Total net assets	<u>2,512,415</u>	<u>2,259,449</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,041,670</u>	<u>\$ 2,918,236</u>
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The accompanying notes are an integral part of the consolidated financial statements.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support:		
Foundations	\$ 431,950	\$ 513,051
Community funds	5,308	3,192
Corporations	1,130	20,919
Law firms/lawyers	24,964	30,667
Religious organizations	50	-
Individuals	21,579	20,402
Cy Pres awards	9,680	12,381
Awards	42,406	57,025
Client fees	364,569	431,880
Contracts for services and other	155,622	336,775
Bar associations	338,255	510,477
In-kind legal services	782,925	594,005
Rental income	17,700	8,025
Interest and dividend income	2,399	2,308
Net gains on investments	7,472	7,597
LASPD program fees	183,855	183,902
LACD program fees	14,786	17,081
Special events and other	<u>385,923</u>	<u>279,338</u>
Total unrestricted support	2,790,573	3,029,025
Net assets released from restrictions	<u>403,942</u>	<u>579,000</u>
Total unrestricted support and reclassifications	<u>3,194,515</u>	<u>3,608,025</u>
Expenses:		
Program services:		
Legal services (includes in-kind legal services of \$668,175 in 2017 and \$357,822 in 2016)	1,601,108	1,221,831
Educational seminars	-	10,663
Chancery programs (includes in-kind legal services of \$77,250 in 2017 and \$100,551 in 2016)	558,111	883,044
Domestic Violence	125,758	155,983
Environmental Law (includes in-kind legal services of \$6,500 in 2017 and \$-0- in 2016)	129,803	115,202
Pro Bono legal services (includes in-kind legal services of \$31,000 in 2017 and \$25,829 in 2016)	118,801	93,169

	<u>2017</u>	<u>2016</u>
Expenses: (continued)		
Program services: (continued)		
Parentage and Child Support Pro Se Advice Desk	\$ 131,570	\$ 118,811
Municipal Advice Desk Referral Project (includes in-kind legal services of \$-0- in 2017 and \$51,657 in 2016)	110,901	141,620
Law Library Help Desks (includes in-kind legal services of \$-0- in 2017 and \$58,146 in 2016)	-	99,050
LACD	10,848	14,532
LASPD	203,076	180,987
Supporting services:		
Management and general	284,680	111,200
Fundraising	<u>188,240</u>	<u>160,621</u>
Total expenses	<u>3,462,895</u>	<u>3,306,714</u>
Increase (decrease) in unrestricted net assets	<u>(268,380)</u>	<u>301,311</u>
TEMPORARILY RESTRICTED NET ASSETS		
Support:		
Foundations	707,500	322,500
Religious organizations	7,000	7,100
Law firms/lawyers	-	4,800
Bar associations	<u>210,788</u>	<u>139,542</u>
Total temporarily restricted support	925,288	473,942
Net assets released from restrictions	<u>(403,942)</u>	<u>(579,000)</u>
Increase (decrease) in temporarily restricted net assets	<u>521,346</u>	<u>(105,058)</u>
CHANGE IN NET ASSETS	252,966	196,253
NET ASSETS, BEGINNING OF YEAR	<u>2,259,449</u>	<u>2,063,196</u>
NET ASSETS, END OF YEAR	<u>\$ 2,512,415</u>	<u>\$ 2,259,449</u>

The accompanying notes are an integral part of the consolidated financial statements.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services										
	Legal Services					Domestic Violence					
	South Chicago	Downtown	Pilsen	Austin	Total	Chancery Programs	South Chicago	Downtown	Pilsen	Austin	Total
Compensation and related expenses:											
Compensation	\$ 135,355	\$ 147,042	\$ 169,027	\$ 183,490	\$ 634,914	\$ 329,251	\$ 15,452	\$ 23,006	\$ 15,172	\$ 24,614	\$ 78,244
Payroll taxes	11,320	12,399	14,160	15,573	53,452	24,212	1,229	1,779	1,163	1,915	6,086
Benefits	15,871	15,247	16,443	17,661	65,222	32,615	1,329	2,996	1,598	1,633	7,556
Total compensation and related expenses	162,546	174,688	199,630	216,724	753,588	386,078	18,010	27,781	17,933	28,162	91,886
Occupancy	31,548	4,829	4,723	9,836	50,936	5,276	5,622	3,319	777	3,052	12,770
In-kind legal	6,500	-	485,775	175,900	668,175	77,250	-	-	-	-	-
Equipment repairs and maintenance	-	420	-	787	1,207	-	192	140	-	-	332
Office supplies and expense	2,078	1,679	2,389	2,445	8,591	4,970	229	432	238	327	1,226
Postage	1,390	985	1,126	1,634	5,135	1,350	158	326	181	459	1,124
Forms and printing	38	31	8	11	88	9	1	2	1	3	7
Telephone and fax	3,247	1,526	3,718	4,084	12,575	709	609	447	346	451	1,853
Travel	3,412	2,871	7,219	5,882	19,384	5,380	544	175	116	1,070	1,905
Books and publications	91	597	1,221	597	2,506	-	-	-	-	-	-
Insurance	1,291	1,617	1,419	1,930	6,257	3,867	177	184	334	195	890
Dues	480	217	753	424	1,874	1,329	32	69	40	55	196
Audit and accounting	2,674	1,928	2,232	3,648	10,482	12,042	288	627	362	644	1,921
Consulting	2,526	2,074	2,394	3,261	10,255	11,338	311	599	350	824	2,084
Advertising	-	-	-	-	-	-	-	-	-	-	-
Equipment lease	3,878	3,732	6,027	4,399	18,036	1,667	192	1,277	672	1,365	3,506
Other	-	-	1,500	-	1,500	4,182	-	-	-	-	-
Fundraising event expense	-	-	-	-	-	-	-	-	-	-	-
Grants and payments to others	-	-	-	-	-	36,405	-	-	-	-	-
Depreciation	22,564	2,864	1,591	3,500	30,519	6,259	5,103	318	318	318	6,057
TOTAL FUNCTIONAL EXPENSES	\$ 244,263	\$ 200,058	\$ 721,725	\$ 435,062	\$ 1,601,108	\$ 558,111	\$ 31,469	\$ 35,696	\$ 21,668	\$ 36,925	\$ 125,758

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

	Program Services					Supporting Services			
	Environmental Law Program	Pro Bono Legal Services	Parentage and Child Support Pro Se Advice Desk	Municipal Advice Desk Referral Project	LACD	LASPD	Management and General	Fundraising	Total
Compensation and related expenses:									
Compensation	\$ 66,128	\$ 57,851	\$ 101,935	\$ 82,188	\$ 1,520	\$ 121,242	\$ 185,025	\$ 76,051	\$ 1,734,349
Payroll taxes	5,594	4,870	8,376	6,756	272	11,036	12,772	6,784	140,210
Benefits	6,413	6,221	10,348	-	-	13,075	11,760	7,941	161,152
Total compensation and related expenses	78,135	68,942	120,659	88,944	1,792	145,353	209,557	90,776	2,035,711
Occupancy	8,889	6,126	-	5,700	-	30,476	3,373	3,715	127,261
In-kind legal	6,500	31,000	-	-	-	-	-	-	782,925
Equipment repairs and maintenance	192	119	-	1,202	-	830	2,950	-	6,832
Office supplies and expense	1,022	426	1,316	837	-	382	12,497	1,326	32,593
Postage	450	382	947	-	-	-	313	1,862	11,563
Forms and printing	3	3	-	526	-	-	526	2,463	3,625
Telephone and fax	612	609	-	709	-	6,597	2,717	355	26,736
Travel	4,260	1,300	2,605	60	12	-	1,951	401	37,258
Books and publications	-	-	-	-	-	-	-	-	2,506
Insurance	490	508	329	9,077	12	1,500	954	674	24,558
Dues	99	38	198	115	2	595	84	-	4,530
Audit and accounting	899	925	1,813	1,033	1,621	6,190	712	721	38,359
Consulting	941	630	1,794	1,107	-	3,736	7,657	840	40,382
Advertising	-	-	-	-	-	-	755	340	1,095
Equipment lease	1,038	385	-	-	5,775	5,508	19,458	426	55,799
Other	-	-	-	-	1,605	-	18,276	960	26,523
Fundraising event expense	-	-	-	-	-	-	-	81,790	81,790
Grants and payments to others	25,000	-	-	-	-	-	-	-	61,405
Depreciation	1,273	7,407	1,909	1,591	29	1,909	2,900	1,591	61,444
TOTAL FUNCTIONAL EXPENSES	\$ 129,803	\$ 118,801	\$ 131,570	\$ 110,901	\$ 10,848	\$ 203,076	\$ 284,680	\$ 188,240	\$ 3,462,895

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

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services											
	Legal Services					Domestic Violence						
	South Chicago	Downtown	Pilsen	Austin	Total	Educational Seminars	Chancery Programs	South Chicago	Downtown	Pilsen	Austin	Total
Compensation and related expenses:												
Compensation	\$ 104,279	\$ 130,142	\$ 169,049	\$ 181,769	\$ 585,239	\$ 7,700	\$ 599,838	\$ 23,662	\$ 29,756	\$ 14,604	\$ 32,652	\$ 100,674
Payroll taxes	8,177	9,309	12,554	14,607	44,647	611	45,949	1,858	2,282	1,120	2,503	7,763
Benefits	17,275	12,083	3,596	26,073	59,027	1,200	49,793	3,387	5,310	849	2,826	12,372
Total compensation and related expenses	129,731	151,534	185,199	222,449	688,913	9,511	695,580	28,907	37,348	16,573	37,981	120,809
Occupancy	30,370	7,572	5,173	10,060	53,175	-	6,700	5,323	2,624	827	2,828	11,602
In-kind legal	61,886	-	220,121	75,815	357,822	-	100,551	-	-	-	-	-
In-kind services and supplies	-	-	-	-	-	-	-	-	-	-	-	-
Equipment repairs and maintenance	-	999	-	-	999	153	208	-	333	-	-	333
Office supplies and expense	2,399	2,245	3,262	3,423	11,329	-	5,817	268	556	465	458	1,747
Postage	1,103	949	1,084	1,574	4,710	87	1,446	152	314	174	443	1,083
Forms and printing	24	19	60	32	135	2	30	3	6	4	9	22
Telephone and fax	4,057	2,135	3,051	2,731	11,974	-	900	761	711	488	768	2,728
Travel	1,895	1,929	5,284	7,505	16,613	9	7,018	9	31	9	1,177	1,226
Books and publications	444	491	2,386	491	3,812	-	-	-	-	-	-	-
Insurance	1,268	748	814	1,273	4,103	9	3,181	105	207	106	220	638
Dues	407	209	1,964	410	2,990	-	1,284	31	67	38	53	189
Audit and accounting	2,525	2,248	2,578	4,331	11,682	354	13,820	330	722	412	647	2,111
Consulting	1,997	1,617	1,844	2,677	8,135	-	10,022	339	535	295	752	1,921
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Equipment lease	3,077	2,507	6,509	5,572	17,665	-	2,292	577	1,825	1,041	1,566	5,009
Other	24	29	47	17	117	5	19,917	3	-	6	5	14
Fundraising event expense	-	-	-	-	-	-	-	-	-	-	-	-
Grants and payments to others	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	18,941	2,323	2,344	4,049	27,657	533	14,278	4,283	746	426	1,095	6,550
TOTAL FUNCTIONAL EXPENSES	\$ 260,148	\$ 177,554	\$ 441,720	\$ 342,409	\$ 1,221,831	\$ 10,663	\$ 883,044	\$ 41,092	\$ 46,025	\$ 20,864	\$ 48,002	\$ 155,983

	Program Services						Supporting Services			
	Environmental Law Program	Pro Bono Legal Services	Parentage and Child Support Pro Se Advice Desk	Municipal Referral Project	Library Help Desks	LACD	LASPD	Management and General	Fundraising	Total
Compensation and related expenses:										
Compensation	\$ 58,208	\$ 43,584	\$ 91,884	\$ 64,592	\$ 30,975	\$ 1,656	\$ 95,646	\$ 67,879	\$ 58,918	\$ 1,806,793
Payroll taxes	4,870	3,382	7,048	4,954	2,375	132	7,317	10,594	4,517	144,159
Benefits	6,177	5,156	6,714	-	3,764	-	15,984	3,321	3,751	167,259
Total compensation and related expenses	69,255	52,122	105,646	69,546	37,114	1,788	118,947	81,794	67,186	2,118,211
Occupancy	8,966	5,442	-	5,000	-	-	30,764	3,332	4,074	129,054
In-kind legal	-	25,829	-	51,657	58,146	-	-	-	-	594,005
In-kind services and supplies	-	-	-	-	-	-	-	-	-	-
Equipment repairs and maintenance	457	-	1,300	1,718	-	-	2,220	3,238	119	10,745
Office supplies and expense	1,296	499	1,569	997	460	-	306	5,153	605	29,778
Postage	434	282	963	-	260	-	-	411	627	10,303
Forms and printing	9	6	-	512	5	-	-	394	6	1,121
Telephone and fax	975	761	-	1,129	-	-	4,950	2,287	444	26,148
Travel	4,050	1,773	3,310	-	1,155	-	-	834	622	36,610
Books and publications	-	-	-	-	-	-	-	-	-	3,812
Insurance	337	201	162	7,651	145	849	1,863	-	81	19,220
Dues	96	111	192	111	58	2	575	137	-	5,745
Audit and accounting	1,031	661	2,063	1,196	619	4,020	6,453	1,002	826	45,838
Consulting	737	556	1,475	855	443	-	1,660	6,597	624	33,026
Advertising	-	-	-	-	-	-	-	85	-	85
Equipment lease	1,483	577	-	-	-	6,260	6,482	3,793	719	44,280
Other	10	6	-	12	6	1,587	374	1,291	1,873	25,214
Fundraising event expense	-	-	-	-	-	-	-	-	81,963	81,963
Grants and payments to others	25,000	-	-	-	-	-	-	-	-	25,000
Depreciation	1,066	4,343	2,131	1,236	639	26	6,393	852	852	66,556
TOTAL FUNCTIONAL EXPENSES	\$ 115,202	\$ 93,169	\$ 118,811	\$ 141,620	\$ 99,050	\$ 14,532	\$ 180,987	\$ 111,200	\$ 160,621	\$ 3,306,714

The accompanying notes are an integral part of the consolidated financial statements.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 252,966	\$ 196,253
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	61,444	66,556
Provision for bad debts, net	16,554	-
Net gains on investments	(7,472)	(7,597)
Gain on sale of property and equipment	(55,804)	-
Effects of changes in operating assets and liabilities:		
Unconditional promises to give	(509,910)	(33,295)
Client fees and awards receivable	(8,700)	2,678
Costs recoverable under grants and awards	12,937	(612)
Other receivables	1,002	(18,273)
Prepaid expenses and other assets	(6,399)	(909)
Accounts payable and accrued liabilities	(101,912)	90,398
Deferred revenue	-	(63,900)
Client deposits	5,530	11,252
	<u>(339,764)</u>	<u>242,551</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,256)	(133,393)
Proceeds from sale of property and equipment	200,936	-
Proceeds from sale or maturity of investments	21,592	13,755
Purchases of investments	(21,921)	(14,181)
	<u>193,351</u>	<u>(133,819)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage note payable	(33,150)	(34,997)
	<u>(33,150)</u>	<u>(34,997)</u>
Net cash provided by (used in) financing activities		
NET INCREASE (DECREASE) IN CASH	(179,563)	73,735
CASH, BEGINNING OF YEAR	<u>935,023</u>	<u>861,288</u>
CASH, END OF YEAR	<u>\$ 755,460</u>	<u>\$ 935,023</u>

The accompanying notes are an integral part of the consolidated financial statements.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chicago Legal Clinic, Inc. (the Organization) was incorporated in 1982 under the Illinois General Not-For-Profit Act and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization provides community-based legal services and education to the under-served and disadvantaged in the Chicago Metropolitan area.

CLCET, Inc., a consolidated affiliate, incorporated under the Illinois General Not-for-Profit Act in 1997, owned, leased, and managed real property in South Chicago and the Organization was one of the lessees. In March of 2017, CLCET, Inc. sold this property to an unrelated third party and discontinued further operations. See Note 7.

Serenedebt, LLC, a consolidated affiliate, was organized on July 2, 2004 in the state of Illinois as a single member limited liability corporation with the Organization as its sole member. Through a joint venture agreement with an independent third party, Serenedebt, LLC operates a program (LASPD) to assist senior citizens and disabled people on a fixed income to reduce or eliminate their debt.

The Organization is primarily supported through donor contributions and grants. The fiscal year-end for each organization is June 30. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization, CLCET, Inc. and Serenedebt, LLC, its consolidated affiliates. Interorganization transactions and balances have been eliminated in consolidation.

Basis of Accounting

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

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Consolidated financial statement presentation follows accounting standards established by the Financial Accounting Standards Board (FASB). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Accounts Receivable

Client fees, awards, and rent receivables are stated at the amount management expects to collect from outstanding balances. Management provides for potential uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance, based on its assessment of the current status of individual receivables from clients, awarding agencies, and tenants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Investments

Investments in equity securities are carried at market value. Investment income is reported in the Consolidated Statements of Activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as net assets or decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Property, Equipment, and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property, Equipment, and Services (Continued)

Donations of services are recorded as revenue and expense at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as "Net assets released from restrictions".

Property and Equipment

Acquired property and equipment in excess of \$750 are recorded at cost and are depreciated using the straight-line method from 3 to 10 years for office equipment and furnishings, including donated property and equipment and 15 to 35 years for buildings and improvements.

Impairment of Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Functional Allocation of Expenses

Salaries and related employee expenses are allocated to program and support service functions based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on salaries or space utilization.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board-Designated Unrestricted Net Assets

The Chicago Legal Clinic Endowment Fund has been designated by the board of directors (board) to support the general operating expenses of the Organization. The Organization may use all or any part of the net income and appreciation of this designation for the general purpose of the Organization.

Income Tax Status

The Organization and its affiliate, Serenedebt, LLC, are exempt from federal income tax under Section 501(c)(3) of the IRC. They qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2). The Organization's affiliate CLCET, Inc. is exempt from federal income tax under Section 501(c)(2) of the IRC.

Accounting principles generally accepted in the United States of America addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded and disclosed in the consolidated financial statements. The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management has determined that the Organization has no material uncertain tax positions that would require disclosure or adjustment as of June 30, 2017 and 2016.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

Financial Statements of Nonprofit Entities

In August 2016, the FASB issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.

Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.

- Enhanced disclosures in the following areas:
- Board-designated net assets
- Donor restricted net assets
- Qualitative and quantitative information on liquidity
- Amounts of expenses by both their natural and functional classification
- Methods used to allocate costs among program and supporting functions
- Underwater endowments

Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for annual periods beginning after December 15, 2017. Early adoption is permitted.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 - DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying consolidated financial statements:

Legal Services

Provides legal assistance for the poor and working poor, through the establishment of accessible and affordable bilingual legal services in the areas of law essential to individual well-being and specifically, housing, consumer, family law, and entitlements.

Educational Seminars

To conduct free seminars on various aspects of law; educating individuals on their legal rights and responsibilities before problems arise.

Chancery Programs

The Organization has implemented an Advice Desk for the Chancery Division of the Circuit Court of Cook County, involving matters such as foreclosures, injunctions, name changes, and those where specific performance is sought. The Advice Desk and other Clinic Chancery attorneys assist litigants who do not know how to utilize the procedural and substantive safeguards the law affords them prior to losing their homes, by advising them of the process, potential defenses, or alternative courses of action, such as refinancing or sale of their homes. Additionally, clients are referred to attorneys for more substantive representation as appropriate for their circumstances. The Clinic also staffs an information line.

Domestic Violence Program

Created to effectively combat the nightmare of domestic violence, through a comprehensive approach to victim assistance. The program also focuses on forging linkages among interdisciplinary resources, involving lawyers, doctors, social workers, law enforcement officials, and battered women's shelters, and helps prevent instances of domestic violence and resolve the problems associated with domestic violence.

Environmental Law Program

Focuses on neighborhood environmental problems, offering both education and direct services. In addition to direct legal services, this program conducts seminars in cooperation with community organizations and publishes community accessible manuals.

The Organization has generated support for a specific fund at Chicago-Kent College of Law (Chicago-Kent). Those funds are applied to the Organization's Environmental Law Program, which has a formal service learning partnership with Chicago-Kent, whereby students receive academic credit by participating in environmental projects. The Organization invoices Chicago-Kent for reimbursement of program expenses.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 - DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES (Continued)

Pro Bono Legal Services

Enlists the services of volunteer attorneys for low income Chicago area residents who require representation in civil legal matters. The program also offers pro bono representation, panel attorneys who provide legal education seminars to community groups, and attorneys who serve as a resource to the Organization's staff.

Parentage and Child Support Pro Se Advice Desk

The Organization has established an Advice Desk at the Richard J. Daley Center in Chicago, Illinois. This desk will help thousands of pro se litigants address paternity, child support, and related issues.

Municipal Advice Desk Referral Project

The clinic provides an attorney to do substantive pro bono representation for referrals from the Municipal Division Advice Desk operated by the Coordinated Advice and Referral Program for Legal Services (CARPLS). The cases handled include landlord/tenant issues, collection defense, tort, and contract matters.

Law Library Help Desks

Service is provided by a cadre of pro bono attorneys and Clinic staff 1 – 2 days per week on collection matters in the Bridgeview and Markham courthouses. FDCPA violations are identified giving rise to substantive relief. These Help Desks have shown great promise in terms of helping pro se litigants address financial challenges in their lives.

Legal Advocates for Consumers in Debt (LACD)

This initiative, which began in 2007, is an attorney supervised debt management plan that gives clients a chance to eliminate their unsecured debts.

Legal Advocates for Seniors and People with Disabilities (LASPD)

This initiative, which began in 2005, helps senior citizens and disabled people on a fixed income eliminate their debts without having to resort to a bankruptcy.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the office of executive director; secure proper administrative functioning of the board; and manage the financial and budgetary responsibilities of the Organization.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued)

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations, and to organize the annual awards banquet.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give include the following:

	<u>2017</u>	<u>2016</u>
Arie and Ida Crown Memorial - for operations	\$ 25,000	\$ 50,000
IOLTA - for operations	295,000	272,500
IOLTA - for the Chancery Advice Desk	412,500	-
Hoogendorn & Talbot - for operations	-	4,800
The Chicago Bar Foundation - for operations	45,000	139,542
The Chicago Bar Foundation - for the Municipal Advice Desk Referral Project	109,795	-
The Chicago Bar Foundation - for the Chancery Advice Desk	163,055	-
Sisters of Mercy Ministry	7,000	7,100
United Way	2,405	156
Public Interest Law Initiative	8,250	8,250
City of Chicago - for Capital Improvement	-	100,000
Other Unconditional Promises to Give	-	3,447
Various - for operations - fundraiser	<u>42,450</u>	<u>14,750</u>
Total	<u>\$ 1,110,455</u>	<u>\$ 600,545</u>

All 2017 and 2016 unconditional promises to give were due within one year. There were no conditional promises to give at June 30, 2017 or 2016.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 - COSTS RECOVERABLE UNDER GRANTS AND AWARDS

Costs recoverable under grants and awards consist of the following:

	<u>2017</u>	<u>2016</u>
Child's Representative Awards	\$ 10,344	\$ 21,289
DCFS Awards	150	1,710
DCFS Costs	-	257
Special Representative Awards	<u>1,200</u>	<u>1,375</u>
Total	<u>\$ 11,694</u>	<u>\$ 24,631</u>

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the FASB's fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The FASB has established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The FASB defines levels within the hierarchy that are based on the reliability of inputs as follows:

- Level 1 - Valuations based on adjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2017 and 2016 are as follows:

<u>June 30, 2017</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Equity securities	\$ 66,738	\$ 66,738	\$ -	\$ -
 <u>June 30, 2016</u>				
Equity securities	\$ 58,937	\$ 58,937	\$ -	\$ -

Equity securities are valued based on quoted prices in active markets.

NOTE 6 - INVESTMENTS

Investments at June 30, 2017 and 2016 were stated at fair value and consisted of the following:

<u>June 30, 2017</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity securities	\$ 58,224	\$ 66,738	\$ 8,514
 <u>June 30, 2016</u>			
Equity securities	\$ 51,463	\$ 58,937	\$ 7,474

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 - INVESTMENTS (Continued)

Investment return is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 2,399	\$ 2,308
Net realized and unrealized gains	<u>7,472</u>	<u>7,597</u>
Total	<u>\$ 9,871</u>	<u>\$ 9,905</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ -	\$ 40,000
Building and improvements	133,394	751,047
Office condominium	651,011	651,011
Office equipment	262,044	254,787
Office furnishings	19,838	19,838
Donated property and equipment	<u>102,505</u>	<u>102,505</u>
Total property and equipment, at cost	1,168,792	1,819,188
Less accumulated depreciation	<u>459,358</u>	<u>691,434</u>
Net property and equipment	<u>\$ 709,434</u>	<u>\$ 1,127,754</u>

In March of 2017, CLCET, Inc. sold the land and building it owned in South Chicago to an unrelated third party for \$429,000. Consideration included cash and a note receivable for \$219,000. The note was due on July 31, 2017 and bore interest at 0% and was paid in full subsequent to June 30, 2017. CLCET, Inc. recognized a gain on the sale of \$55,804 that is included in special events and other on the 2017 consolidated statement of activities.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 - MORTGAGE NOTE PAYABLE

The Organization has a loan agreement with a local bank pertaining to a prior year acquisition of a condominium for program operations. Beginning on May 5, 2013, the loan was payable in monthly installments of \$2,979, including interest at 3.75%, with a final payment due on April 5, 2018. The loan was subsequently extended through July 5, 2018. In addition to the scheduled payments, the Organization made advance payments on the loan totaling approximately \$56,000 during the loan term. The loan is secured by the condominium property. The loan has an outstanding balance of \$171,526 and \$204,676 at June 30, 2017 and 2016, respectively. Interest expense recognized on the loan was \$6,574 and \$8,555 for the years ended June 30, 2017 and 2016, respectively. Management is currently negotiating renewal terms for the loan with the bank.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
IOLTA - promised in 2017 and 2016 for subsequent years' activities - general operating support.	\$ 295,000	\$ 272,500
IOLTA - promised in 2017 for subsequent years' activities - Chancery Programs.	412,500	-
The Chicago Bar Foundation - promised in 2016 for subsequent year activities - general operating support.	45,000	90,000
The Chicago Bar Foundation - promised in 2017 for subsequent year activities - Chancery Advice Desk.	122,291	-

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2017</u>	<u>2016</u>
The Chicago Bar Foundation - promised in 2017 for subsequent year activities - Municipal Advice Desk Referral Project.	\$ 88,497	\$ -
The Chicago Bar Foundation - promised in 2016 for subsequent year activities - Foreclosure Mediation Program.	-	49,542
Arie and Ida Crown Memorial - promised in 2016 for subsequent years' activities - general operating support.	25,000	50,000
The Sisters of Mercy Ministry - promised in 2017 and 2016 for subsequent year's activities- Immigration and Domestic Violence Programs.	7,000	7,100
Hoogendorn & Talbot - promised in 2016 for operations and for subsequent years' activities - Legal Services Program.	-	4,800
Total	<u>\$ 995,288</u>	<u>\$ 473,942</u>

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions are as follows:

	<u>2017</u>	<u>2016</u>
Restrictions satisfied by payments:		
Hoogendorn & Talbot - operations - Legal Services Program	\$ 4,800	\$ 4,800
Chicago Bar Foundation - Municipal Advice Desk	-	27,714
Chicago Bar Foundation - Foreclosure Defense Project	49,542	102,735
Chicago Bar Foundation - general operating support	45,000	-
Sisters of Mercy - Immigration Program	<u>7,100</u>	<u>10,000</u>
Total restrictions satisfied by payments	<u>106,442</u>	<u>145,249</u>
Expiration of time restrictions:		
IOLTA - general operating support.	272,500	405,000
Alvin H. Baum Family Fund - Environmental Law Program	-	10,000
The Albert Pick Jr. Fund - Chancery Advice Desk	-	18,751
Arie and Ida Crown Memorial - general operating support.	<u>25,000</u>	<u>-</u>
Total restrictions satisfied by time restrictions	<u>297,500</u>	<u>433,751</u>
Total	<u><u>\$ 403,942</u></u>	<u><u>\$ 579,000</u></u>

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 11 - BOARD-DESIGNATED ENDOWMENT

Endowment net assets for the years ended June 30 consist of the following unrestricted fund:

	<u>2017</u>	<u>2016</u>
Board-designated endowment fund	\$ <u>67,346</u>	\$ <u>60,102</u>

The changes in unrestricted endowment net assets for the years ended June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Endowment assets, beginning of year	\$ <u>60,102</u>	\$ <u>52,444</u>
Investment return:		
Investment gain, net of fees	1,165	184
Net appreciation	<u>6,079</u>	<u>7,474</u>
Total investment return	7,244	7,658
Net withdrawals	<u>-</u>	<u>-</u>
	<u>7,244</u>	<u>7,658</u>
Endowment net assets, end of year	<u>\$ 67,346</u>	<u>\$ 60,102</u>

In 1995, the Organization's board established an endowment fund for the purpose of providing an alternative source of income for the Organization's operations which would ultimately benefit its participants. As of June 30, 2017 and 2016, none of the endowment fund's net assets are subject to donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act was enacted in Illinois on June 30, 2009. The Organization has adopted an investment policy for its endowment assets which balances an objective of long-term growth with stability of principal. Endowment assets consist entirely of equity securities and cash at June 30, 2017 and 2016.

The Organization's board may determine whether income, if any, will be distributed from the endowment fund to support general operating expenses of the Organization. Under extraordinary circumstances, the endowment fund's corpus also may be designated by the board to fund the Organization's operations in periods of budget shortfalls.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 12 - CONTRIBUTED SERVICES, SPACE, AND PROPERTY

The Organization uses the services of attorneys without charge for various programmatic activities. These services are for the consultation and representation of the clientele served by the Organization. The amount recognized as revenues for the Legal Services, Chancery programs, Environmental, and Pro Bono Legal Services programs was \$668,175, \$77,250, \$6,500, and \$31,000 respectively, for the year ended June 30, 2017, and was based upon 2,673, 309, 26, and 124 hours of volunteer service, respectively. The amount recognized as revenues for the Legal Services, Chancery programs, Pro Bono Legal Services, and Municipal Advice Desk Referral Project, and Law Library Help Desks programs was \$357,822, \$100,551, \$25,829, \$51,657, and \$58,146 respectively, for the year ended June 30, 2016, and was based upon 655, 391, 101, 201 and, 107 hours of volunteer service, respectively.

Donated services of other volunteers have not been recorded.

NOTE 13 - LEASES

The Organization previously leased the South Chicago office space from its affiliate, CLCET, Inc., under a noncancelable operating lease that was renewable annually. Rent expense under this lease was eliminated in consolidation. CLCET, Inc. sold the South Chicago building to another organization in March, 2017. See Note 7. The Organization then entered into an agreement with the building's new owner to lease office space for a five-year period at \$2,400 per month with options to extend the lease term for up to an additional 10 years. Expense recognized under this lease was \$7,657 for the year ended June 30, 2017.

The Organization also leases other office space for the downtown, Pilsen, and Austin operations. The Pilsen and Austin leases are renewed on a month-to-month basis. The Organization is also responsible for its allocable share of building expenses and operating costs as defined in the lease agreements. Total rental expense under these leases was \$20,788 and \$21,288 for the years ended June 30, 2017 and 2016, respectively.

The Organization also leases equipment. Equipment lease agreements in place at June 30, 2017 expire at various times through 2022 and require monthly lease payments ranging from \$1,997 to \$4,235. Total rent expense on equipment leases was \$86,772 and \$78,132 for the years ended June 30, 2017 and 2016, respectively.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 13 - LEASES (Continued)

Future minimum lease payments for lease agreements in place at June 30, 2017 are as follows:

2018	\$ 103,944
2019	105,402
2020	102,939
2021	84,576
2022	50,820
Thereafter	<u>-</u>
Total	<u>\$ 447,681</u>

Through the March 2017 sale of the South Chicago building, CLCET, Inc. leased office space to unrelated organizations. Rental income under these leases with unrelated organizations was \$17,700 and \$8,025 for the years ended June 30, 2017 and 2016, respectively.

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a qualified tax deferred annuity plan under IRC Section 403(b). All employees are eligible to contribute a portion of their eligible compensation to the plan in accordance with plan provisions. The Organization does not provide either direct contributions or matching contributions to the plan.

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 15 - CASH FLOW DISCLOSURES

Cash paid for interest was \$6,574 and \$8,555 for the years ended June 30, 2017 and 2016, respectively. There was no cash paid for income taxes in either year.

Noncash investing and financing transactions:

During the year ended June 30, 2017, CLCET, Inc. disposed of land and building for consideration which included a note receivable of \$219,000. There were no noncash investing and financing transactions during 2016.

NOTE 16 - SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

Donor and Grantor

Approximately 73% and 59% of the Organization's total contribution revenue for 2017 and 2016 was provided by two contributors.

NOTE 17 - SUBSEQUENT EVENTS

Management evaluated subsequent events through July 20, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to July 20, 2018 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the consolidated financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2017.

This information is an integral part of the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATED SCHEDULES OF SELECTED UNRESTRICTED
AND TEMPORARILY RESTRICTED SUPPORT
Years Ended June 30, 2017 and 2016

	<u>2017</u>		<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
FOUNDATIONS				
Alvin H. Baum Family Fund	\$ 50,000	\$ -	\$ 50,000	\$ -
The Bill Bass Foundation	35,000	-	40,000	-
Charles H. and Bertha L. Boothroyd Foundation	6,000	-	8,000	-
Francis Beidler Foundation	5,000	-	2,000	-
Helen Brach Foundation	25,500	-	25,000	-
Arie and Ida Crown Memorial	-	-	25,000	50,000
Illinois Equal Justice Foundation	90,000	-	90,000	-
Lawyers Trust Fund of Illinois	137,500	707,500	192,000	272,500
The Albert Pick, Jr. Fund	25,000	-	25,000	-
The Gertrude Wachtler Cohen Memorial Foundation	3,200	-	3,000	-
Polk Bros. Foundation	50,000	-	50,000	-
Illinois Clean Energy Community Foundation	-	-	1,300	-
Illinois Tool Works	1,500	-	1,500	-
William and Mildred Kaplan Foundation	2,500	-	-	-
Foundations below \$1,000	750	-	251	-
TOTAL FOUNDATIONS	<u>\$ 431,950</u>	<u>\$ 707,500</u>	<u>\$ 513,051</u>	<u>\$ 322,500</u>
COMMUNITY FUNDS				
Environmental Fund of Illinois/EarthShare	\$ 1,562	\$ -	\$ 2,097	\$ -
CFC Community Share	1,341	-	-	-
United Way/Crusade of Mercy, Inc.	2,405	-	1,095	-
TOTAL COMMUNITY FUNDS	<u>\$ 5,308</u>	<u>\$ -</u>	<u>\$ 3,192</u>	<u>\$ -</u>
RELIGIOUS ORGANIZATIONS				
Sisters of Mercy Ministry	\$ -	\$ 7,000	\$ -	\$ 7,100
Religious Organizations below \$500	50	-	-	-
TOTAL RELIGIOUS ORGANIZATIONS	<u>\$ 50</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 7,100</u>
CORPORATIONS				
Open 4 Business Productions	\$ -	\$ -	\$ 17,500	\$ -
Zarzycki Manor Chapel	-	-	900	-
Exelon	500	-	2,000	-
Go To Market Strategy	-	-	500	-
Corporations below \$500	630	-	19	-
TOTAL CORPORATIONS	<u>\$ 1,130</u>	<u>\$ -</u>	<u>\$ 20,919</u>	<u>\$ -</u>

	2017		2016	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
LAW FIRMS/LAWYERS				
Hoogendorn & Talbot LLP	\$ 4,000	\$ -	\$ 3,200	\$ 4,800
John Carlin	-	-	2,800	-
Dan Hefter	1,000	-	1,000	-
Katherine Swift	-	-	1,000	-
Jessie Ruiz	-	-	1,000	-
Caroline Shoenberger	2,164	-	4,700	-
Martha Delgado	10,000	-	10,000	-
Susan Razzano	1,000	-	-	-
Paul Dengel and Paula Morency	1,500	-	-	-
Richard Boonstra	1,500	-	-	-
Law firms/lawyers below \$1,000	3,800	-	6,967	-
TOTAL LAW FIRMS/LAWYERS	<u>\$ 24,964</u>	<u>\$ -</u>	<u>\$ 30,667</u>	<u>\$ 4,800</u>
INDIVIDUALS AND BOARD MEMBERS				
Jennifer Bellini	\$ 1,000	\$ -	\$ -	\$ -
John Doumanian	5,000	-	-	-
Nathan Root	1,000	-	-	-
Rebecca Crown	2,000	-	-	-
Ryan Long	1,000	-	-	-
Various individuals	11,579	-	20,402	-
TOTAL INDIVIDUALS AND BOARD MEMBERS	<u>\$ 21,579</u>	<u>\$ -</u>	<u>\$ 20,402</u>	<u>\$ -</u>
CONTRACTS FOR SERVICES AND OTHER				
Equal Justice America	\$ 3,500	\$ -	\$ 1,000	\$ -
Equal Justice Works	4,200	-	14,855	-
City of Chicago	-	-	100,000	-
Illinois Attorney General	66,422	-	130,295	-
Kent College of Law	60,000	-	60,000	-
Public Interest Law Initiative	21,500	-	30,625	-
TOTAL CONTRACTS FOR SERVICES AND OTHER	<u>\$ 155,622</u>	<u>\$ -</u>	<u>\$ 336,775</u>	<u>\$ -</u>
BAR ASSOCIATIONS				
Association of Legal Administrators	\$ 6,926	\$ -	\$ -	\$ -
The Chicago Bar Foundation	331,329	210,788	510,477	139,542
TOTAL BAR ASSOCIATIONS	<u>\$ 338,255</u>	<u>\$ 210,788</u>	<u>\$ 510,477</u>	<u>\$ 139,542</u>

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2017

	Chicago Legal Clinic, Inc.	CLCET, Inc.	Serenedebt, LLC	Eliminations	Total
ASSETS					
Cash	\$ 470,272	\$ 5,733	\$ -	\$ -	\$ 476,005
Restricted cash, client deposits	279,455	-	-	-	279,455
Unconditional promises to give	1,110,455	-	-	-	1,110,455
Client fees and awards receivable, less allowance or doubtful accounts of \$35,601	20,073	-	-	-	20,073
Costs recoverable under grants and awards	11,694	-	-	-	11,694
Due from Chicago Legal Clinic, Inc.	-	93,227	-	(93,227)	-
Note receivable	-	219,000	-	-	219,000
Other receivables	9,149	-	55,087	-	64,236
Investments	66,738	-	-	-	66,738
Prepaid expenses and other assets	84,159	421	-	-	84,580
Property and equipment, net	707,367	2,067	-	-	709,434
TOTAL ASSETS	\$ 2,759,362	\$ 320,448	\$ 55,087	\$ (93,227)	\$ 3,041,670
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 78,274	\$ -	\$ -	\$ -	\$ 78,274
Due to CLCET, Inc.	93,227	-	-	(93,227)	-
Client deposits	279,455	-	-	-	279,455
Mortgage note payable	171,526	-	-	-	171,526
Total liabilities	622,482	-	-	(93,227)	529,255
NET ASSETS					
Unrestricted:					
Undesignated	1,074,246	320,448	55,087	-	1,449,781
Board-designated for endowment	67,346	-	-	-	67,346
Total unrestricted net assets	1,141,592	320,448	55,087	-	1,517,127
Temporarily restricted	995,288	-	-	-	995,288
Total net assets	2,136,880	320,448	55,087	-	2,512,415
TOTAL LIABILITIES AND NET ASSETS	\$ 2,759,362	\$ 320,448	\$ 55,087	\$ (93,227)	\$ 3,041,670

CHICAGO LEGAL CLINIC, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended June 30, 2017

	<u>Chicago Legal Clinic, Inc.</u>	<u>CLCET, Inc.</u>	<u>Serenedebt, LLC</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS					
Support:					
Foundations	\$ 431,950	\$ -	\$ -	\$ -	\$ 431,950
Community funds	5,308	-	-	-	5,308
Corporations	1,130	-	-	-	1,130
Law firms/lawyers	24,964	-	-	-	24,964
Religious organizations	50	-	-	-	50
Individuals	21,579	-	-	-	21,579
Cy Pres awards	9,680	-	-	-	9,680
Awards	42,406	-	-	-	42,406
Client fees	364,569	-	-	-	364,569
Contracts for services and other	155,622	-	-	-	155,622
Bar associations	338,255	-	-	-	338,255
In-kind legal services	782,925	-	-	-	782,925
Rental income	-	68,095	-	(50,395)	17,700
Interest and dividend income	2,399	-	-	-	2,399
Net gain on investments	7,472	-	-	-	7,472
LASPD program fees	-	-	183,855	-	183,855
LACD program fees	14,786	-	-	-	14,786
Transfer from Serenedebt, LLC	176,753	-	-	(176,753)	-
Special events and other	330,119	55,804	-	-	385,923
Total unrestricted support	2,709,967	123,899	183,855	(227,148)	2,790,573
Net assets released from restrictions	403,942	-	-	-	403,942
Total unrestricted support and reclassifications	3,113,909	123,899	183,855	(227,148)	3,194,515

	Chicago Legal Clinic, Inc.	CLCET, Inc.	Serenedebt, LLC	Eliminations	Total
Expenses:					
Program services:					
Legal services (includes in-kind legal services of \$668,175)	\$ 1,566,194	\$ 64,143	\$ -	\$ (29,229)	\$ 1,601,108
Chancery programs (includes in-kind legal services of \$77,250)	558,111	-	-	-	558,111
Domestic Violence	117,720	15,093	-	(7,055)	125,758
Environmental Law (includes in-kind legal services of \$6,500)	129,803	-	-	-	129,803
Pro Bono legal services (includes in-kind legal services of \$31,000)	110,259	15,093	-	(6,551)	118,801
Parentage and Child Support Pro Se Advice Desk	131,570	-	-	-	131,570
Municipal Advice Desk Referral Project	110,901	-	-	-	110,901
LACD	10,848	-	-	-	10,848
LASPD	203,076	-	-	-	203,076
Transfer to Chicago Legal Clinic, Inc.	-	-	176,753	(176,753)	-
Supporting services:					
Management and general	274,624	17,615	-	(7,559)	284,680
Fundraising	188,240	-	-	-	188,240
Total expenses	<u>3,401,346</u>	<u>111,944</u>	<u>176,753</u>	<u>(227,148)</u>	<u>3,462,895</u>
Increase (decrease) in unrestricted net assets	<u>(287,437)</u>	<u>11,955</u>	<u>7,102</u>	<u>-</u>	<u>(268,380)</u>
TEMPORARILY RESTRICTED NET ASSETS					
Support:					
Foundations	707,500	-	-	-	707,500
Religious organizations	7,000	-	-	-	7,000
Bar associations	210,788	-	-	-	210,788
Total temporarily restricted support	925,288	-	-	-	925,288
Net assets released from restrictions	<u>(403,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(403,942)</u>
Increase in temporarily restricted net assets	<u>521,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,346</u>
CHANGE IN NET ASSETS	233,909	11,955	7,102	-	252,966
NET ASSETS, BEGINNING OF YEAR	<u>1,902,971</u>	<u>308,493</u>	<u>47,985</u>	<u>-</u>	<u>2,259,449</u>
NET ASSETS, END OF YEAR	<u>\$ 2,136,880</u>	<u>\$ 320,448</u>	<u>\$ 55,087</u>	<u>\$ -</u>	<u>\$ 2,512,415</u>



Investment advisory services are offered through CliftonLarsonAllen
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