

**PRAIRIE STATE LEGAL  
SERVICES, INC.**

**FINANCIAL REPORT**

December 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Prairie State Legal Services, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prairie State Legal Services, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prairie State Legal Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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#### **Madison, WI**

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

**Phone: (608) 831-8181**  
**Fax: (608) 831-4243**

#### **Brookfield, WI**

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

**Phone: (262) 641-6888**  
**Fax: (262) 641-6880**

#### **Colorado Springs, CO**

P.O. Box 62786  
Colorado Springs, CO 80962

**Phone: (719) 413-5551**

#### **Contact Us:**

**Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)**  
**Web: [SVAaccountants.com](http://SVAaccountants.com)**

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prairie State Legal Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prairie State Legal Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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

We have previously audited Prairie State Legal Services, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 13, 2022 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 solely 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 the effectiveness of Prairie State Legal Services, Inc.'s 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 13, 2022

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

December 31, 2021

(With Comparative Totals for 2020)

ASSETS	2021	2020
Cash and cash equivalents	\$ 7,040,977	\$ 6,505,910
Support receivables, net	5,018,750	3,275,560
Prepaid expenses and other assets	337,100	336,681
Funds held in trust at Community Foundation of Northern Illinois	360,276	313,642
Client escrow deposits	215,486	16,004
Property and equipment, net	70,959	97,884
Total assets	\$ 13,043,548	\$ 10,545,681
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 56,610	\$ 86,453
Accrued expenses	1,208,039	910,032
Liability under operating leases	170,008	147,572
Client deposits	215,486	16,004
Refundable advances	607,530	459,451
Total liabilities	2,257,673	1,619,512
<b>NET ASSETS</b>		
Without donor restrictions:		
Board designated	360,276	313,642
Property and equipment	70,959	97,884
Other	7,301,756	6,390,459
Total without donor restrictions	7,732,991	6,801,985
With donor restrictions:		
Will County Legal Assistance Program, Inc. (WCLAP)	193,185	193,062
Donor restricted	2,859,699	1,931,122
Total with donor restrictions	3,052,884	2,124,184
Total net assets	10,785,875	8,926,169
Total liabilities and net assets	\$ 13,043,548	\$ 10,545,681

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

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	Without donor restrictions					With donor restrictions				Total	
	Fee For Service Grants	Board Designated	Property and Equipment	Other	Total	Legal Services Corporation	WCLAP	Donor Restricted	Total	2021	2020
<b>SUPPORT AND REVENUE:</b>											
Federal Grants:											
Legal Services Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	4,535,714	\$ -	\$ -	\$ 4,535,714	\$ 4,535,714	\$ 4,661,659
Older Americans Act - Title III	708,391	-	-	-	708,391	-	-	-	-	708,391	1,006,878
HIV grants	172,389	-	-	-	172,389	-	-	-	-	172,389	184,718
Legal Assistance for Victims	145,071	-	-	-	145,071	-	-	-	-	145,071	31,810
Crime Victim Assistance	2,541,856	-	-	-	2,541,856	-	-	-	-	2,541,856	2,746,411
Housing & Urban Development	350,000	-	-	-	350,000	-	-	-	-	350,000	300,000
Community Development	542,035	-	-	-	542,035	-	-	-	-	542,035	299,145
Other Grants	106,295	-	-	-	106,295	-	-	-	-	106,295	150,782
State Grants:											
Illinois Equal Justice Foundation	1,687,421	-	-	-	1,687,421	-	-	-	-	1,687,421	443,782
Illinois Criminal Justice Information Authority	451,561	-	-	-	451,561	-	-	-	-	451,561	-
Illinois Department of Human Services	366,183	-	-	-	366,183	-	-	-	-	366,183	306,726
Other Grants	552,759	-	-	-	552,759	-	-	-	-	552,759	772,288
Miscellaneous grants	91,176	-	-	-	91,176	-	-	470,445	470,445	561,621	746,585
United Way allocations	-	-	-	-	-	-	-	329,662	329,662	329,662	436,660
Lawyers Trust Fund of Illinois	-	-	-	-	-	-	-	3,468,000	3,468,000	3,468,000	2,302,000
Cy Pres awards	-	-	-	721,757	721,757	-	-	-	-	721,757	172,840
Contributions, net of provision for uncollectible pledges	-	63	-	572,114	572,177	-	-	-	-	572,177	640,676
Special events - fundraising	-	-	-	5,000	5,000	-	-	-	-	5,000	38,369
Donated services and materials	-	-	-	121,287	121,287	-	-	-	-	121,287	88,005
Interest and dividends	-	-	-	3,892	3,892	235	123	-	358	4,250	37,735
Miscellaneous revenue	-	-	-	41,767	41,767	2,200	-	-	2,200	43,967	88,546
Unrealized gain (loss) on investment securities, net of fees	-	46,571	-	-	46,571	-	-	-	-	46,571	33,072
Net assets released from restrictions:											
Satisfaction of equipment acquisition restrictions	-	-	10,183	-	10,183	-	-	(10,183)	(10,183)	-	-
Satisfaction of program restrictions	-	-	-	4,538,149	4,538,149	(4,538,149)	-	-	(4,538,149)	-	-
Expiration of time restrictions	-	-	-	3,329,347	3,329,347	-	-	(3,329,347)	(3,329,347)	-	-
<b>Total support and revenue</b>	<b>7,715,137</b>	<b>46,634</b>	<b>10,183</b>	<b>9,333,313</b>	<b>17,105,267</b>	<b>-</b>	<b>123</b>	<b>928,577</b>	<b>928,700</b>	<b>18,033,967</b>	<b>15,488,687</b>
<b>EXPENSES:</b>											
Program services - provision of legal services	6,659,110	-	28,172	7,160,066	13,847,348	-	-	-	-	13,847,348	12,439,794
Management and general	789,191	-	8,254	1,051,911	1,849,356	-	-	-	-	1,849,356	1,638,806
Fund raising	266,836	-	682	210,039	477,557	-	-	-	-	477,557	516,004
<b>Total expenses</b>	<b>7,715,137</b>	<b>-</b>	<b>37,108</b>	<b>8,422,016</b>	<b>16,174,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,174,261</b>	<b>14,594,604</b>
Increase (decrease) in net assets	-	46,634	(26,925)	911,297	931,006	-	123	928,577	928,700	1,859,706	894,083
Net assets, beginning of year	-	313,642	97,884	6,390,459	6,801,985	-	193,062	1,931,122	2,124,184	8,926,169	8,032,086
Net assets, end of year	\$ -	\$ 360,276	\$ 70,959	\$ 7,301,756	\$ 7,732,991	\$ -	\$ 193,185	\$ 2,859,699	\$ 3,052,884	\$ 10,785,875	\$ 8,926,169

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

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

Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	Program Services	Management and General	Fund Raising	Total	
				2021	2020
Salaries and wages:					
Lawyers	\$ 7,211,109	\$ 531,789	\$ 123,536	\$ 7,866,434	\$ 7,072,717
Nonlawyers	2,084,371	709,434	190,707	2,984,512	2,761,626
Employee benefits	2,679,074	300,058	81,933	3,061,065	2,589,929
Consultant and professional services (including private attorney involvement)	138,349	27,660	0	166,009	145,297
Contract services	34,558	63,071	2,508	100,137	63,540
Travel and training	59,004	6,377	844	66,225	86,140
Space and occupancy	904,742	61,901	21,291	987,934	975,346
Office supplies	49,637	1,539	4,926	56,102	93,481
Telephone/Internet	228,879	25,770	3,303	257,952	254,767
Library	56,264	0	0	56,264	59,153
Postage	34,650	1,712	665	37,027	37,170
Information Technology	184,234	87,975	21,584	293,793	241,834
Insurance	43,932	7,657	1,125	52,714	46,334
Depreciation	28,172	8,254	682	37,108	33,633
Miscellaneous	110,373	16,159	24,453	150,985	133,637
	\$ 13,847,348	\$ 1,849,356	\$ 477,557	\$ 16,174,261	\$ 14,594,604

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



**PRAIRIE STATE LEGAL SERVICES, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,859,706	\$ 894,083
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,108	33,633
Unrealized gain on investment securities, net of fees	(46,571)	(33,072)
Provision for uncollectible pledges	(3,705)	(3,081)
Change in liability under operating leases	22,436	62,649
Change in assets and liabilities:		
Support receivables, net	(1,739,485)	(106,794)
Prepaid expenses and other assets	(419)	(93,778)
Accounts payable	(29,843)	25,450
Accrued expenses	298,007	(73,753)
Client deposits	199,482	8,561
Refundable advances	148,079	400,410
Net cash provided by operating activities	744,795	1,114,308
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(10,183)	(26,393)
Net cash used in investing activities	(10,183)	(26,393)
Change in cash, cash equivalents, and restricted cash	734,612	1,087,915
Cash, cash equivalents, and restricted cash:		
Beginning of year	6,521,914	5,433,999
End of year	\$ 7,256,526	\$ 6,521,914
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 7,040,977	\$ 6,505,910
Client escrow deposits	215,486	16,004
Total cash, cash equivalents, and restricted cash	\$ 7,256,463	\$ 6,521,914

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

**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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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 two categories, which are net assets without donor restrictions and net assets with donor restrictions. 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:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed stipulations are classified as net assets without donor restrictions. 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 net assets without donor restrictions for future use in providing law school student loan assistance to qualifying employees.

Net assets with donor restrictions:

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.

**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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

Financial statement presentation (continued):

WCLAP – WCLAP has restricted these funds to be used solely to support the costs of services delivered to residents of Will County.

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. See Note 6 for additional detail.

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.

Certificate of deposit included in cash and cash equivalents was \$103,602 and \$103,189 as of December 31, 2021 and 2020, respectively. The certificate bears interest for .3% and .04% as of December 31, 2021 and as of December 31, 2020, respectively, and has initial maturities for twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Support receivables:

Special events revenue includes both a contribution portion and an exchange portion for the direct donor benefits provided. The exchange portion is considered revenue from contracts with customers that is recognized at the time the event takes place. The exchange portion is not material to the financial statements.

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend on have been met. 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. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restricted contribution expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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.

**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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

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 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.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

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

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 expenses.

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.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

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

Refundable advances:

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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 2021 and 2020 in the amount of \$121,287 and \$88,005, 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 support without donor restrictions 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 support with donor restrictions. 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:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy, which are allocated to the various programs or supporting functions primarily using labor hours as a driver. An electronic timekeeping system is utilized to track time and allocate expenses.

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.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

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

Accounting standards updates

Leases (ASC 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU 2020-05 which deferred the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early application is permitted. Management is currently evaluating the effects this new standard will have on the Organization's financial statements.

Presentation and Disclosures by NFP Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The objective of ASU No. 2020-07 is to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The effective date of this new standard is for annual periods beginning after June 15, 2021, with early application permitted. Management is currently evaluating the effects this new standard will have on the organization's financial statements.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after April 13, 2022, 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 2020 in the accompanying Statements of Financial Position, Activities, Functional Expenses, and Cash Flows, are included to provide a basis for comparison with 2021 and are not intended to present all information necessary for fair presentation of 2020 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, 2020, from which the comparative totals were derived.

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 2. Support Receivables, Net**

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

	2021	2020
Lawyer's Trust Fund of Illinois	\$2,302,000	\$1,151,000
Campaign for legal services	173,605	103,371
United Way agencies	182,368	215,889
Other, program services reimbursement	2,370,328	1,816,801
	5,028,301	3,287,061
Less present value of unconditional promises to give	-	-
	5,028,301	3,287,061
Allowance for uncollectible support	(9,551)	(11,501)
	\$5,018,750	\$3,275,560

Support receivables are recorded after discounting to the net present value of future cash flows using a discount rate of 2.50% as of December 31, 2021 and 2020, and providing for an allowance for uncollectible support. Support receivables in less than one year are measured at net realizable value, which approximates fair value. Estimates of the timing of fulfillment of the conditions, and consequently of recognizing the contributions, are as follows:

	2021	2020
Less than one year	\$5,018,750	\$3,275,560
One year to five years	-	-
Beyond five years	-	-
	\$5,018,750	\$3,275,560



**PRAIRIE STATE LEGAL SERVICES, INC.**  
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**Note 3. Fair value disclosure**

The fair value measurements for the categories of assets that are measured at fair value on a recurring basis are as follows:

<u>Assets</u>	<u>12/31/2021</u>	<u>Fair value measurement using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CFNI Investments <sup>1</sup>	\$ <u>360,276</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>360,276</u>
<u>Assets</u>	<u>12/31/2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CFNI Investments <sup>1</sup>	\$ <u>313,642</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>313,642</u>

<sup>1</sup> 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.

The total contributions to the CFNI Investments were \$63 and \$0 for the years ended December 31, 2021 and 2020, respectively.

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

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment, including software	\$140,982	\$140,982
Leasehold improvements	195,278	231,548
	336,260	372,530
Less accumulated depreciation	265,301	274,646
	\$70,959	\$97,884

Depreciation expense for the years ended December 31, 2021 and 2020 was \$37,108 and \$33,633, respectively.

**Note 5. Accrued Expenses**

Accrued expenses are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Retirement benefits	\$653,902	\$393,756
Payroll expense	477,008	432,913
Other	77,129	83,363
	\$1,208,039	\$910,032

**PRAIRIE STATE LEGAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 6. Other Donor Restrictions on Net Assets**

Net assets with donor restrictions included in 'Donor restricted' on the statement of financial position are available for the following purposes or periods as of December 31:

	2021	2020
For periods after December 31	\$2,696,911	\$1,614,293
For specific program expenses	162,788	316,829
	\$2,859,699	\$1,931,122

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

Prairie State Legal Services, Inc. leases office space under various non-cancelable long-term lease agreements. Four of the leases require annual rent increases that are stated in the lease agreements. The leases have renewal options varying for one-year to five-year terms. Lease terms expire on various dates from May 2022 to June 2030. The total minimum rental commitment under these leases as of December 31, 2021 is \$4,765,363, which is due as follows:

Year Ending December 31:

2022		\$894,363
2023		813,269
2024		585,058
2025		587,516
2026		536,567
Thereafter		1,348,590
		\$4,765,363

Total rental expense for the years ended December 31, 2021 and 2020 was approximately \$894,000 and \$862,000, respectively.

**PRAIRIE STATE LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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

Approximately 25% and 30% of the Organization's support for the years ended December 31, 2021 and 2020, 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 14% and 18% of the Organization's support for the years ended December 31, 2021 and 2020, respectively, came from Illinois Criminal Justice Information Authority (ICJIA). Approximately 19% and 15% of the Organization's support for the years ended December 31, 2021 and 2020, respectively, came from Lawyers Trust Fund of Illinois (LTF). Any substantial loss of funding from LSC, ICJIA 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 \$876,141 and \$609,942 for the years ended December 31, 2021 and 2020, respectively.

**Note 10. Availability of Financial Assets**

The Organization's annual operating budget is developed using conservative estimates for income components. Expenses are then budgeted within the limitations of projected income. In addition, as part of its liquidity management, the Organization has a Reserve Policy which provides for cash reserves being maintained at a level from 25% to 50% of the annual expense budget to provide for unexpected needs for funds.

The Organization has the following financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date:

	2021	2020
Cash and cash equivalents	\$7,040,977	\$6,505,910
Support receivables, net	5,018,750	3,275,560
Less financial assets subject to donor restrictions	3,052,884	2,124,184
	<u>\$9,006,843</u>	<u>\$7,657,286</u>