

**PRAIRIE STATE LEGAL
SERVICES, INC.**

FINANCIAL REPORT

December 31, 2023

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

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, 2023, 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, 2023, 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.

Madison, WI

1221 John Q Hammons Dr.
Suite 100
Madison, WI 53717

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

Brookfield, WI

18650 W. Corporate Dr.
Suite 200
Brookfield, WI 53045

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

Colorado Springs, CO

1880 Office Club Pointe
Suite 128
Colorado Springs, CO 80920

Phone: (719) 413-5551

Contact Us:

Email: info@SVAaccountants.com
Web: 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 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 17, 2024 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.

Colorado Springs, CO

April 17, 2024

PRAIRIE STATE LEGAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2023
(With Comparative Totals for 2022)

ASSETS	2023	2022
Cash and cash equivalents	\$ 3,278,466	\$ 7,381,270
Support receivables, net	7,214,364	6,156,105
Prepaid expenses and other assets	369,160	295,349
Funds held in trust at Community Foundation of Northern Illinois	338,315	314,188
Investments	6,302,844	-
Client escrow deposits	327,232	5,078
Property and equipment, net	23,407	35,975
Operating lease right-of-use assets	4,731,618	4,394,981
Total assets	\$22,585,406	\$ 18,582,946
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 160,331	\$ 90,782
Accrued expenses	1,449,581	1,394,973
Operating lease liabilities	4,925,435	4,583,869
Client deposits	327,232	5,078
Refundable advances	466,080	47,064
Total liabilities	7,328,659	6,121,766
NET ASSETS		
Without donor restrictions:		
Board designated	338,315	314,188
Property and equipment	23,407	35,975
Other	10,006,946	8,549,748
Total without donor restrictions	10,368,668	8,899,911
With donor restrictions:		
Will County Legal Assistance Program, Inc. (WCLAP)	202,192	194,415
Donor restricted	4,685,887	3,366,854
Total with donor restrictions	4,888,079	3,561,269
Total net assets	15,256,747	12,461,180
Total liabilities and net assets	\$22,585,406	\$ 18,582,946

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

PRAIRIE STATE LEGAL SERVICES, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	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	2022
SUPPORT AND REVENUE:										
Federal Grants:										
Legal Services Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	5,422,142	-	\$ -	\$ 5,422,142	\$ 4,859,293
Older Americans Act - Title III	1,109,944	-	-	-	1,109,944	-	-	-	1,109,944	932,564
HIV grants	179,943	-	-	-	179,943	-	-	-	179,943	177,200
Legal Assistance for Victims	233,124	-	-	-	233,124	-	-	-	233,124	187,685
Crime Victim Assistance	1,975,149	-	-	-	1,975,149	-	-	-	1,975,149	2,725,674
Housing & Urban Development	416,667	-	-	-	416,667	-	-	-	416,667	372,500
Community Development	393,753	-	-	-	393,753	-	-	-	393,753	609,956
Other Grants	987,876	-	-	-	987,876	-	-	-	987,876	870,534
State Grants										
Illinois Equal Justice Foundation	2,412,500	-	-	-	2,412,500	-	-	-	2,412,500	1,977,561
Illinois Criminal Justice Information Authority	1,186,912	-	-	-	1,186,912	-	-	-	1,186,912	1,158,806
Illinois Department of Human Services	483,852	-	-	-	483,852	-	-	-	483,852	323,068
Other Grants	921,668	-	-	-	921,668	-	-	-	921,668	676,047
Miscellaneous grants	150,825	-	-	-	150,825	-	-	-	-	362,345
United Way allocations	-	-	-	-	-	-	-	293,207	293,207	3,012,880
Lawyers Trust Fund of Illinois	-	-	-	-	-	-	-	380,702	380,702	592,153
Cy Pres awards	-	-	-	424,894	424,894	-	-	-	424,894	439,356
Contributions, net of provision for uncollectible pledges	-	-	-	342,622	342,622	-	-	-	342,622	127,412
Donated services and materials	-	-	-	97,496	97,496	-	-	-	-	97,496
Interest and dividends	-	-	-	105,862	105,862	18,033	7,777	-	25,810	47,671
Miscellaneous revenue	-	-	-	6,500	6,500	-	-	-	-	6,500
Investment results, net (Associated Bank)	-	36,904	-	413,900	413,900	-	-	-	-	9,686
Unrealized gain (loss) on investment securities, net of fees (CFNI)	-	(12,777)	-	12,777	-	-	-	-	-	36,904
Transfer for employee law school loans	-	-	-	-	-	(5,440,175)	-	-	(5,440,175)	-
Net assets released from restrictions:	-	-	-	3,806,903	3,806,903	-	-	(3,806,903)	(3,806,903)	-
Satisfaction of program restrictions	-	-	-	-	-	-	-	-	-	-
Expiration of time restrictions	-	-	-	-	-	-	-	-	-	-
Total support and revenue	10,452,213	24,127	-	10,651,129	21,127,469	-	7,777	1,319,033	1,326,810	22,454,279
EXPENSES										
Program services - provision of legal services	8,812,925	-	8,563	7,529,344	16,350,832	-	-	-	-	16,350,832
Management and general	1,203,636	-	3,518	1,376,446	2,583,600	-	-	-	-	2,583,600
Fund raising	435,652	-	487	288,141	724,280	-	-	-	-	724,280
Total expenses	10,452,213	-	12,568	9,193,931	19,658,712	-	-	-	-	19,658,712
Increase (decrease) in net assets	-	24,127	(12,568)	1,457,198	1,468,757	-	7,777	1,319,033	1,326,810	2,795,567
Net assets, beginning of year	-	314,188	35,975	8,549,748	8,899,911	-	194,415	3,366,854	3,561,269	12,461,180
Net assets, end of year	\$ -	\$ 338,315	\$ 23,407	\$ 10,006,946	\$ 10,368,668	\$ -	\$ 202,192	\$ 4,685,887	\$ 4,888,079	\$ 15,256,747

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

PRAIRIE STATE LEGAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fund Raising	Total
Salaries and wages:				
Lawyers	\$ 8,276,275	\$ 559,333	\$ 143,752	\$ 8,979,360
Nonlawyers	2,847,206	1,227,887	343,897	4,418,990
Employee benefits	3,087,923	379,542	137,461	3,604,926
Consultant and professional services (including private attorney involvement)	158,071	50,825	-	208,896
Contract services/Subgrants	89,392	3,050	330	92,772
Travel and training	140,910	17,450	4,335	162,695
Space and occupancy	921,731	91,917	11,792	1,025,440
Office supplies	74,443	2,848	6,933	84,224
Telephone/Internet	170,545	18,821	2,571	191,937
Library	57,931	-	-	57,931
Postage	29,114	2,965	5,822	37,901
Information Technology	286,271	183,769	43,445	513,485
Insurance	50,949	13,702	2,452	67,103
Depreciation	8,563	3,518	487	12,568
Miscellaneous	151,508	27,973	21,003	200,484
	\$ 16,350,832	\$ 2,583,600	\$ 724,280	\$ 19,658,712
				\$ 18,352,605

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

PRAIRIE STATE LEGAL SERVICES, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,795,567	\$ 1,675,305
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,568	34,984
Net unrealized and realized gain (loss) on investments	(253,019)	46,088
Provision for uncollectible pledges	(53,172)	(20,110)
Amortization of operating lease right-of-use	817,035	851,428
Change in assets and liabilities:		
Support receivables, net	(1,005,087)	(1,117,245)
Prepaid expenses and other assets	(73,811)	41,751
Operating lease obligation	(812,106)	(832,548)
Accounts payable	69,549	34,172
Accrued expenses	54,608	186,934
Client deposits	322,154	(210,408)
Refundable advances	419,016	(560,466)
Net cash provided by operating activities	2,293,302	129,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	705,212	-
Purchase of investments	(6,779,164)	-
Net cash used in investing activities	(6,073,952)	-
Change in cash, cash equivalents, and restricted cash	(3,780,650)	129,885
Cash, cash equivalents, and restricted cash:		
Beginning of year	7,386,348	7,256,463
End of year	\$ 3,605,698	\$ 7,386,348
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 3,278,466	\$ 7,381,270
Client escrow deposits	327,232	5,078
Total cash, cash equivalents, and restricted cash	\$ 3,605,698	\$ 7,386,348

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

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023

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 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.

Support receivables:

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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor 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, 2023

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

Investments:

The Organization invests in money market funds, bonds and mutual funds which are carried at fair value as determined by quoted market prices. The investments have been classified in the statements of financial position based on management's intentions to hold the investments.

Additionally, 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 investment assets fall at year end.

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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 expense.

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.

Leases – Lessee:

The Organization determines if an arrangement is or contains a lease at inception. The Organization has entered into a variety of operating leases for office spaces. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Organization had no short-term leases during 2023.

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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

Leases – Lessee (continued):

For leases of office spaces, the Organization has elected to account for the lease and non-lease components as a single lease component. There is variability in future lease payments for the offices as the amount of the non-lease components is dependent on certain factors that are unknown and change from one period to the next. These variable lease payments which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has also made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for its leases of office spaces. A risk-free rate is used for all leases since the leases do not provide an implicit rate. The risk-free rate is based on the information available at the lease commencement date in determining the present value of the lease payments.

For the purposes of lease classification, the Organization defines the major part of the economic life of the underlying asset for all classes to be 75% of the lease term and defines substantially all of the fair value to be equal to or exceeding 90% of the present value of the sum of the lease payments for all classes.

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. There were no refundable advances associated with unexpended LSC FY23 and FY22 Basic Field Grant award amounts.

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 2023 and 2022 in the amount of \$97,496 and \$127,412, respectively, has been recognized in the accompanying financial statements. The donated legal services are reported using current rates for similar legal services and are utilized to carry out the mission of the Organization.

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.

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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

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.

Reclassifications

Some items in the 2022 notes to the financial statements have been reclassified to be consistent with the current year's presentation. Lease cost of \$262,628 were reclassified from operating lease cost to variable lease cost in Note 7.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after April 17, 2024, 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 2022 in the accompanying Statements of Financial Position, Activities, Functional Expenses, and Cash Flows, are included to provide a basis for comparison with 2023 and are not intended to present all information necessary for fair presentation of 2022 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, 2022, from which the comparative totals were derived.

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Support Receivables, Net

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

	2023	2022
Lawyer's Trust Fund of Illinois	\$4,452,027	\$3,012,880
Campaign for legal services	33,119	106,684
United Way agencies	188,108	189,542
Other, program services reimbursement	2,545,888	2,856,340
	7,219,142	6,165,446
Less present value of unconditional promises to give	-	-
	7,219,142	6,165,446
Allowance for uncollectible support	(4,778)	(9,341)
	\$7,214,364	\$6,156,105

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, 2023 and 2022, 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:

	2023	2022
Less than one year	\$7,214,364	\$6,156,105
One year to five years	-	-
Beyond five years	-	-
	\$7,214,364	\$6,156,105

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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>12/31/2023</u>	<u>Fair value measurement using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and equivalents ¹	\$ 825,021	\$ 825,021	\$ -	\$ -
Mutual funds				
Small cap ¹	272,979	272,979	-	-
Mid cap ¹	537,372	537,372	-	-
Large cap ¹	1,405,807	1,405,807	-	-
International ¹	506,157	506,157	-	-
Fixed income securities				
Government/corporate ¹	2,755,508	2,755,508	-	-
Total investments	\$ 6,302,844	\$ 6,302,844	\$ -	\$ -
CFNI Investments ²	\$ 338,315	\$ -	\$ -	\$ 338,315
<u>Assets</u>	<u>12/31/2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CFNI Investments ²	\$ 314,188	\$ -	\$ -	\$ 314,188

¹ The carrying amount reported approximates fair value because the values are derived from quoted prices in active markets for identical assets.

² 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 sale of the CFNI Investments were \$12,777 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Note 4. Property and Equipment, Net

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

	2023	2022
Furniture and equipment, including software	\$140,982	\$140,982
Leasehold improvements	195,278	195,278
	336,260	336,260
Less accumulated depreciation	312,853	300,285
	\$23,407	\$35,975

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 4. Property and Equipment, Net (Continued)

Depreciation expense for the years ended December 31, 2023 and 2022 was \$12,568 and \$34,984, respectively. There were no LSC funds used to purchase property during the years ended December 31, 2023 and 2022.

Note 5. Accrued Expenses

Accrued expenses are as follows as of December 31:

	2023	2022
Retirement benefits	\$784,604	\$732,204
Payroll expense	570,915	543,787
Other	94,062	118,982
	<u>\$1,449,581</u>	<u>\$1,394,973</u>

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:

	2023	2022
For periods after December 31	\$4,634,776	\$3,199,614
For specific program expenses	51,111	167,240
	<u>\$4,685,887</u>	<u>\$3,366,854</u>

Note 7. Leases

Prairie State Legal Services, Inc. leases office space under operating leases with 1 to 10 year initial terms. Most leases include renewal options which can extend the lease term between 1-5 years. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The terms of the leases expire at various dates between May 2024 and September 2033.

While all of the agreements provide for minimum lease payments, one includes payments for real estate taxes, insurance, and common area maintenance costs. These payments are recognized in the period in which the related obligation was incurred. The lease agreements do not include any material residual value guarantees or restrictive covenants.

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

December 31, 2023

Note 7. Leases (Continued)

The components of lease expense are comprised of the following and are included in space and occupancy on the statement of functional expenses for the years ended December 31:

	2023	2022
Operating lease cost	\$872,596	\$852,372
Variable lease cost	74,383	74,383
Total lease cost	\$946,979	\$926,755

Supplemental statement of cash flows information related to leases are as follows as of December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$929,392	\$907,875
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$1,153,672	5,246,409

Supplemental statement of financial position information related to leases are as follows as of December 31:

	2023	2022
Weighted average remaining lease term (in years):		
Operating leases	6.49	6.13
Weighted average discount rate:		
Operating leases	2.59%	1.53%

Future minimum lease payment to be paid under this lease as of December 31, 2023 are as follows:

Year Ending December 31:

2024	\$918,067
2025	919,600
2026	876,958
2027	775,619
2028	604,318
Thereafter	1,264,487
Total future minimum lease payments	5,359,049
Less amount of lease payments representing interest	433,614
Present value of future minimum lease payments (lease liabilities)	4,925,435

PRAIRIE STATE LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 8. Concentration of Support and Contingency

Approximately 24% of the Organization's support for the years ended December 31, 2023 and 2022, 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 20% and 15% of the Organization's support for the years ended December 31, 2023 and 2022, respectively, came from Lawyers Trust Fund of Illinois (LTF). Approximately 14% and 19% of the Organization's support for the years ended December 31, 2023 and 2022, respectively, came from Illinois Criminal Justice Information Authority (ICJIA). Any substantial loss of funding from LSC, LTF and/or ICJIA 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, prior to reductions from forfeitures of \$48,761 and \$41,969, was \$1,023,545 and \$971,153 for the years ended December 31, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	\$3,278,466	\$7,381,270
Investments	6,302,844	-
Support receivables, net	7,214,364	6,156,105
Less financial assets subject to donor restrictions	4,888,079	3,561,269
	<u>\$11,907,595</u>	<u>\$9,976,106</u>