The Chicago Bar Foundation

Financial Report

May 31, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
The Chicago Bar Foundation

We have audited the accompanying financial statements of The Chicago Bar Foundation (the "Foundation"), which comprise the statement of financial position as of May 31, 2018 and 2017 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Bar Foundation as of May 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 29, 2018

Statement of Financial Position

May 31, 2018 and 2017

	2018	2017
Assets		
Cash	$ 770,953	$ 1,153,587
Investments	357,598	432,755
Accounts receivable	123,582	191,794
Pledges receivable - Net	795,512	616,537
Other assets	103,399	76,449
Property and equipment - Net	331,534	359,939
Total assets	**$ 2,482,578**	**$ 2,831,061**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 42,273	$ 63,333
Grants payable	59,643	210,436
Deferred revenue	16,360	26,910
Deferred rent	4,625	12,217
Total liabilities	122,901	312,896
Net Assets		
Unrestricted	272,108	160,073
Temporarily restricted	2,071,569	2,342,092
Permanently restricted	16,000	16,000
Total net assets	2,359,677	2,518,165
Total liabilities and net assets	**$ 2,482,578**	**$ 2,831,061**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended May 31, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions	$ 677,181	$ 2,236,209	$ -	$ 2,913,390	$ 584,865	$ 2,127,865	$ -	$ 2,712,730
Grants	77,232	628,655	-	705,887	63,386	1,010,824	-	1,074,210
Cy pres distributions	193,364	9,524	-	202,888	26,205	-	-	26,205
Special events revenue, net of expenses of $234,650 and $237,781 for the years ended May 31, 2018 and 2017, respectively	460,430	-	-	460,430	435,039	-	-	435,039
Net realized and unrealized gains on investments	8,241	1,678	-	9,919	15,526	7,541	-	23,067
Investment income	8,206	1,563	-	9,769	7,821	3,614	-	11,435
Net assets released from restrictions	3,148,152	(3,148,152)	-	-	1,983,038	(1,983,038)	-	-
Total revenue, gains, and other support	4,572,806	(270,523)	-	4,302,283	3,115,880	1,166,806	-	4,282,686
Expenses								
Grants and program expenses	3,677,607	-	-	3,677,607	2,801,270	-	-	2,801,270
Support services:								
Administrative	481,229	-	-	481,229	488,179	-	-	488,179
Fundraising	301,935	-	-	301,935	284,923	-	-	284,923
Total expenses	4,460,771	-	-	4,460,771	3,574,372	-	-	3,574,372
Increase (Decrease) in Net Assets	112,035	(270,523)	-	(158,488)	(458,492)	1,166,806	-	708,314
Net Assets - Beginning of year	160,073	2,342,092	16,000	2,518,165	618,565	1,175,286	16,000	1,809,851
Net Assets - End of year	**$ 272,108**	**$ 2,071,569**	**$ 16,000**	**$ 2,359,677**	**$ 160,073**	**$ 2,342,092**	**$ 16,000**	**$ 2,518,165**

See notes to financial statements.

Statement of Cash Flows

Years Ended May 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (158,488)	$ 708,314
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	28,405	28,256
Net change in realized and unrealized gains on investments	(9,919)	(23,067)
Bad debt expense	(16,316)	36,724
Deferred rent	(7,592)	(4,412)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	84,528	79,784
Pledges receivable	(178,975)	(219,223)
Other assets	(26,950)	(2,242)
Accounts payable and accrued expenses	(21,060)	(22,667)
Grants payable	(150,793)	(97,397)
Deferred revenue	(10,550)	(6,605)
Net cash (used in) provided by operating activities	(467,710)	477,465
Cash Flows from Investing Activities		
Purchase of investments	(60,652)	(175,481)
Proceeds from sale of investments	145,728	814,063
Purchase of property and equipment	-	(1,491)
Net cash provided by investing activities	85,076	637,091
Net (Decrease) Increase in Cash	(382,634)	1,114,556
Cash - Beginning of year	1,153,587	39,031
Cash - End of year	**$ 770,953**	**$ 1,153,587**

Note 1 - Nature of Business

The Chicago Bar Foundation (the "Foundation") is a nonprofit corporation whose mission is to bring Chicago's legal community together to improve access to justice for people in need and make the legal system more fair and efficient for everyone. The Foundation's primary sources of revenue are from private contributions, grants, fundraising programs, and, in some instances, investments.

The Foundation is an affiliate of The Chicago Bar Association (the "Association") and conducts its activities from a condominium building that also houses the Association's offices. See Note 5 for additional information.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). For financial reporting purposes, net assets and related activities of the funds are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are net assets not subject to donor-imposed stipulations and are available to support the Foundation's activities.

Temporarily restricted net assets represent funds subject to donor-imposed restrictions that will be met either by the Foundation's actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired. These reclassifications are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets represent endowment funds subject to the restrictions of gift instruments requiring the principal to be maintained intact and only the investment income to be used for the operations of the Foundation. Investment income from certain endowment funds is available and appropriated for general purposes of the Foundation and is unrestricted.

Cash

Cash held by the Foundation in bank accounts may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the Foundation is not exposed to any significant credit risk related to cash.

Investments

The Foundation's investments are reported at fair value. Investment income and net realized and unrealized gains/losses are reflected in the statement of activities and changes in net assets. Interest and dividend income is recorded on the accrual basis.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Accounts Receivable

An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and the type of receivable. Management considers the receivables recorded at May 31, 2018 and 2017 to be fully collectible; therefore, no allowance was deemed necessary.

Note 2 - Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are reported at their net present values. An allowance for uncollectible pledges is estimated based upon management's judgment, including such factors as prior collection history and the type of pledge. If a pledge is receivable over an extended period of time, the present value of the pledges is recorded. Pledges are shown net of the allowance for uncollectible pledges and the present value discount, if any.

Property and Equipment

Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

Deferred Revenue

Sponsorships received in advance for future events are recorded as deferred revenue. Recognition as revenue occurs when the event takes place.

Contributions

Contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue, which increases those net asset classes. Contributions are recognized as revenue when received. Pledged contributions (unconditional) are recognized as revenue in the year the promise is made and are recorded at the estimated present values of expected future cash flows. Pledges that are conditional are recognized as revenue when the conditions are substantially met. Provision for estimated losses on collection of unpaid pledges is maintained at a level management believes is sufficient to cover potential losses.

Cy pres Distributions

Cy pres distributions are awarded by the courts and are recorded as revenue when official award notification with amounts specified is received by the Foundation.

Grant Revenue

Grant revenue is recognized when earned, which is generally when qualifying expenses have been incurred, and all other grant requirements have been met.

Special Events

The Foundation hosts special events to raise contributions to support the Foundation's activities. The Foundation recognizes sponsorships as revenue after the event takes place and is presented in the statement of activities and changes in net assets net of actual direct costs of the events.

Grants and Programs

Grants are recorded as liabilities and expensed at the time they are approved by the board of directors. The Foundation always reserves the right to suspend future payments if the Foundation determines that a grantee did not make sufficient progress on the organizational and program goals outlined in the grantee's proposal to the Foundation.

Note 2 - Significant Accounting Policies (Continued)

The Foundation has contracts with Cook County, Illinois to fund services in connection with two court-based help desks and the Circuit Court of Cook County Mortgage Foreclosure Mediation Program to help people without lawyers. The latter program ended on November 30, 2017 due to the loss of funding as a result of budget cuts at the county level. The Foundation enters into contracts with various grantees who provide services in accordance with its agreement with Cook County, Illinois. Revenue is recognized as it is earned through expenditure and service delivery. The Foundation reimburses its grantees immediately upon receipt from Cook County, Illinois.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Foundation's year ending May 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Foundation has not yet determined which application method it will use. Management has begun analyzing revenue streams that will be impacted and believes that the pattern of revenue recognition could change upon adoption of the pronouncement. Management is currently analyzing the disclosures that will be required with this pronouncement.

Note 2 - Significant Accounting Policies (Continued)

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending May 31, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Foundation's financial statements as a result of the Foundation's operating leases, as disclosed in Note 8, that will be reported on the statement of financial position at adoption. Upon adoption, the Foundation will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending May 31, 2019 and thereafter and must be applied on a retrospective basis. The Foundation expects there to be a change in net asset descriptions, enhanced disclosures related to liquidity and availability of resources, and changes to functional allocation of expenses.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 29, 2018, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at May 31, 2018 and 2017 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The Foundation does not currently utilize any Level 2 or 3 inputs.

Note 3 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at May 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at May 31, 2018
Investments:				
Money market funds	$ 11,176	$ -	$ -	$ 11,176
Mutual funds	221,928	-	-	221,928
Common stock and equity funds	124,494	-	-	124,494
Total assets	$ 357,598	$ -	$ -	$ 357,598

	Assets Measured at Fair Value on a Recurring Basis at May 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at May 31, 2017
Investments:				
Money market funds	$ 4,068	$ -	$ -	$ 4,068
Mutual funds	283,297	-	-	283,297
Common stock and equity funds	145,390	-	-	145,390
Total assets	$ 432,755	$ -	$ -	$ 432,755

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2018 or 2017.

Note 4 - Pledges Receivable

Pledges receivable represent donors' promises to pay contributions to the Foundation (including The Justice Society program) and are measured at the present value of estimated future cash flows using a discount rate of 3 percent. The allowance for uncollectible contributions is a general valuation based on the percentage of prior year pledge write-offs. Specific pledges deemed uncollectible are charged against the allowance for uncollectible pledges in the period in which the determination is made. Both the general allowance and the specific write-offs are reported as the loss on fair value of pledges receivable in the statement of activities and changes in net assets.

Note 4 - Pledges Receivable (Continued)

Pledges outstanding at May 31, 2018 and 2017 are expected to be collected as follows:

	2018	2017
Receivable in less than one year	$ 371,725	$ 451,825
Receivable in one to five years	454,325	215,906
Gross unconditional promises to give	826,050	667,731
Less allowance for uncollectible pledges	(18,663)	(39,359)
Discount to fair value	(11,875)	(11,835)
Net unconditional promises to give	$ 795,512	$ 616,537

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017	Depreciable Life - Years
Condominium and improvements	$ 459,524	$ 459,524	7-40
Equipment and fixtures	193,655	193,655	2-10
Leasehold improvements	9,207	9,207	5-20
Total cost	662,386	662,386	
Less accumulated depreciation	330,852	302,447	
Net property and equipment	$ 331,534	$ 359,939	

Depreciation expense for 2018 and 2017 was $28,405 and $28,256, respectively.

The Foundation purchased the condominium unit, comprising approximately 1,500 square feet of office space, from the Association in May 2003. Under the terms of a condominium agreement, the Foundation pays $1,646 in monthly assessments. The Foundation has recorded expenses for monthly and special assessments of $22,857 and $22,541 in fiscal years 2018 and 2017, respectively.

Note 6 - Net Assets

Temporarily restricted net assets as of May 31 are available for the following purposes:

	2018	2017
Purpose restricted:		
Investing in Justice Campaign Fund	$ 1,083,863	$ 1,274,611
Chicago Sun-Times Public Interest Law Fellowship Program	89,145	228,145
Law school public interest scholarships (Moses)	202,898	221,176
Scholarships to needy law students pursuing careers in legal aid and public interest (Marovitz)	88,604	138,074
Support of projects of the CBA Young Lawyers Sections and other legal projects for the benefit of children (Gray)	56,051	64,873
Annual award to a lawyer under age 35 who provided outstanding service (Weigle)	34,205	37,158
Annual award to a lawyer in public service who has demonstrated excellent work, leadership, and service (Morsch)	7,860	18,316
Anderson Public Interest Law Fellowship Program	19,366	9,800
Annual award to distinguished lawyers who have demonstrated an exemplary commitment to integrity and public service (Stevens)	3,226	4,286
Time restricted - Multi-year pledges to be received in future years	486,351	345,653
Total	$ 2,071,569	$ 2,342,092

The Investing in Justice Campaign Fund is composed of individual contributions made by members of Chicago's legal community. Through the Foundation, the legal community comes together each year through the campaign to ensure that everyone has access to necessary legal help, not just people who can afford it. A total of 100 percent of these individual contributions goes toward grants and other support for more than 30 pro bono and legal aid organizations and related initiatives.

The Foundation generally assesses a 2 percent annual administrative fee to various funds.

Permanently restricted net assets are endowments invested in perpetuity, the income from which is expendable for general purposes of the Foundation. The Denning and Miller Funds totaled $16,000 as of May 31, 2018 and 2017.

Note 7 - Affiliated Organization Transactions

In accordance with the bylaws of the Foundation, four members of the board of managers of the Association, an affiliated organization, are appointed as directors of the Foundation for a one-year term. There are 34 voting directors of the Foundation.

The Foundation receives voluntary contributions from members of the Association. These contributions accompany their dues remittances to the Association. Contribution revenue for the years ended May 31, 2018 and 2017 was $17,458 and $19,193, respectively. The Foundation also pays for The Chicago Bar Association memberships and complimentary continuing legal education for attorneys practicing at the Foundation's grantee organizations; the Association provides these memberships at a reduced rate.

Related party amounts consisted of a receivable of $3,827 as of May 31, 2018 and payable of $21,449 as of May 31, 2017.

Note 8 - Lease Commitments

The Foundation leases some of its office space under a lease agreement that expires in August 2018. The lease agreement contains rent abatements for certain months and escalating rent payments. Management expects to extend this lease for a short-term period prior to expiration. During fiscal year 2019, the Foundation will redesign its condominium space to fit the majority of its staff into one space.

Note 8 - Lease Commitments (Continued)

The Foundation leases facilities used for the Justice Entrepreneurs Project under a lease agreement that expires in December 2019. The lease agreement contains an escalation clause and a requirement to make additional payments to cover estimated taxes and operating expenses.

The future minimum lease payments under capital leases are as follows:

Years Ending May 31	Amount
2019	$ 119,661
2020	57,498
Total	$ 177,159

Rent expense for 2018 and 2017 was $174,216 and $167,604, respectively.

Note 9 - Defined Contribution Plans

The Foundation sponsors a defined contribution 403(b) plan for all eligible employees, as defined. Employees may make elective contributions to the 403(b) plan in accordance with IRS regulations. The Foundation may make contributions to the 403(b) plan, as approved by the board.

Total contributions to the plan for the years ended May 31, 2018 and 2017 amounted to $27,059 and $27,235, respectively.