

**THE CHICAGO BAR FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022**



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**THE CHICAGO BAR FOUNDATION
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YEARS ENDED MAY 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chicago Bar Foundation
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Chicago Bar Foundation which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 The Chicago Bar Foundation as of May 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Chicago Bar Foundation 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.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2022 The Chicago Bar Foundation adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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 The Chicago Bar Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 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 GAAS 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 The Chicago Bar Foundation'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 The Chicago Bar Foundation'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.

Board of Directors
The Chicago Bar Foundation

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023, on our consideration of The Chicago Bar Foundation'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 The Chicago Bar Foundation'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 The Chicago Bar Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 19, 2023

THE CHICAGO BAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,394,936	\$ 387,764
Investments	545,417	445,721
Accounts Receivable - Current Portion	255,097	939,612
Current Portion of Pledges Receivable - Net	386,871	422,635
Other Assets	111,157	44,255
Total Current Assets	4,693,478	2,239,987
RIGHT-OF-USE LEASE ASSET	140,789	-
LONG-TERM PLEDGES RECEIVABLE - NET	-	7,056
DEPOSITS	7,059	7,003
PROPERTY AND EQUIPMENT - NET	471,238	475,643
Total Assets	\$ 5,312,564	\$ 2,729,689
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 88,370	\$ 84,180
Grants Payable	1,178,280	771,870
Short-Term Lease Liability	76,472	-
Deferred Revenue	2,344,032	-
Current Portion of Long-Term Debt	28,914	50,000
Total Current Liabilities	3,716,068	906,050
LONG-TERM LEASE LIABILITY	63,977	-
LONG-TERM DEBT	-	28,914
Total Liabilities	3,780,045	934,964
NET ASSETS		
Without Donor Restrictions	848,026	842,129
With Donor Restrictions	684,493	952,596
Total Net Assets	1,532,519	1,794,725
Total Liabilities and Net Assets	\$ 5,312,564	\$ 2,729,689

See accompanying Notes to Financial Statements.

THE CHICAGO BAR FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,109,875	\$ 1,884,181	\$ 2,994,056
Grants	237,058	6,063,774	6,300,832
Cy Pres Distributions	594,689	-	594,689
Special Events Revenue	244,916	-	244,916
Net Realized and Unrealized Losses on Investments	(13,084)	(1,603)	(14,687)
Investment Income - Net of Fees	19,183	1,636	20,819
Net Assets Released from Restrictions	8,216,091	(8,216,091)	-
Total Revenue, Gains, and Other Support	10,408,728	(268,103)	10,140,625
EXPENSES			
Grants and Program Services	9,472,679	-	9,472,679
Support Services:			
Management and General	447,688	-	447,688
Fundraising	482,464	-	482,464
Total Support Services	930,152	-	930,152
Total Expenses	10,402,831	-	10,402,831
CHANGE IN NET ASSETS	5,897	(268,103)	(262,206)
Net Assets - Beginning of Year	842,129	952,596	1,794,725
NET ASSETS - END OF YEAR	\$ 848,026	\$ 684,493	\$ 1,532,519

See accompanying Notes to Financial Statements.

THE CHICAGO BAR FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,083,928	\$ 1,903,372	\$ 2,987,300
Grants	72,406	4,844,937	4,917,343
Cy Pres Distributions	466,123	-	466,123
Special Events Revenue:	215,689	-	215,689
Net Realized and Unrealized Gains on Investments	(24,996)	(5,575)	(30,571)
Investment Income - Net of Fees	8,134	1,860	9,994
Debt Forgiveness	-	-	-
Net Assets Released from Restrictions	<u>6,766,964</u>	<u>(6,766,964)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	8,588,248	(22,370)	8,565,878
EXPENSES			
Grants and Program Services	7,396,281	-	7,396,281
Support Services:			
Management and General	455,252	-	455,252
Fundraising	<u>422,830</u>	<u>-</u>	<u>422,830</u>
Total Support Services	<u>878,082</u>	<u>-</u>	<u>878,082</u>
Total Expenses	<u>8,274,363</u>	<u>-</u>	<u>8,274,363</u>
CHANGE IN NET ASSETS	313,885	(22,370)	291,515
Net Assets - Beginning of Year	<u>528,244</u>	<u>974,966</u>	<u>1,503,210</u>
NET ASSETS - END OF YEAR	<u>\$ 842,129</u>	<u>\$ 952,596</u>	<u>\$ 1,794,725</u>

See accompanying Notes to Financial Statements.

**THE CHICAGO BAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2023**

	Program Services	Management and General	Fundraising and Development	Total
Grants Awarded	\$ 7,475,041	\$ -	\$ -	\$ 7,475,041
Salaries, Taxes, and Fringe Benefits	832,222	258,282	246,291	1,336,795
Special Events Expenses	39,181	-	213,604	252,785
Occupancy	109,317	10,678	9,950	129,945
Office Expenses	17,328	54,473	3,280	75,081
Professional Fees and Consulting	847,200	75,341	267	922,808
Depreciation Expense	19,313	4,974	5,118	29,405
Meetings, Conferences, and Grantee Programs	98,863	7,176	138	106,177
Marketing, Printing, and Design	21,801	16,193	3,377	41,371
Computers and Equipment	12,413	20,571	439	33,423
Total Functional Expenses	<u>\$ 9,472,679</u>	<u>\$ 447,688</u>	<u>\$ 482,464</u>	<u>\$ 10,402,831</u>

See accompanying Notes to Financial Statements.

**THE CHICAGO BAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2022**

	Program Services	Management and General	Fundraising and Development	Total
Grants Awarded	\$ 5,966,927	\$ -	\$ -	\$ 5,966,927
Salaries, Taxes, and Fringe Benefits	787,213	218,959	220,786	1,226,958
Special Events Expenses	25,381	-	180,520	205,901
Occupancy	113,286	10,373	7,173	130,832
Office Expenses	14,189	74,574	2,892	91,655
Professional Fees and Consulting	402,653	94,156	180	496,989
Depreciation Expense	22,184	5,490	4,742	32,416
Meetings, Conferences, and Grantee Programs	26,711	9,936	239	36,886
Marketing, Printing, and Design	13,925	19,155	5,046	38,126
Computers and Equipment	23,812	22,609	1,252	47,673
Total Functional Expenses	<u>\$ 7,396,281</u>	<u>\$ 455,252</u>	<u>\$ 422,830</u>	<u>\$ 8,274,363</u>

See accompanying Notes to Financial Statements.

**THE CHICAGO BAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (262,206)	\$ 291,515
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	29,405	32,416
Net Change in Realized and Unrealized Losses in Investments	15,287	30,571
Amortization of Operating Lease Right of-Use-Asset	11,928	-
Noncash Lease Expense	(12,268)	-
Discount on Long-Term Pledges	178	178
Changes in Operating Assets and Liabilities:		
Accounts Receivable	684,515	78,935
Pledges Receivable	42,642	44,907
Other Assets	(66,958)	(37,548)
Accounts Payable and Accrued Expenses	4,190	17,861
Grants Payable	406,410	(1,148,950)
Deferred Revenue	2,344,032	(500)
Net Cash Provided (Used) by Operating Activities	3,197,155	(690,615)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(180,272)	(34,774)
Proceeds from Sale of Investments	65,289	24,787
Purchase of Property and Equipment	(25,000)	-
Net Cash Used by Investing Activities	(139,983)	(9,987)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Debt	(50,000)	(54,419)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,007,172	(755,021)
Cash and Cash Equivalents - Beginning of Year	387,764	1,142,785
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,394,936	\$ 387,764
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 3,604	\$ 5,418

See accompanying Notes to Financial Statements.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, and fundraising programs.

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 8 for additional information.

Basis of Presentation

The financial statements of the Foundation have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

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 CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all grants that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible, and, therefore, an allowance for doubtful accounts has not been recorded at May 31, 2023 and 2022.

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 pledge 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. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Revenue

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

Leases

The Foundation determines if an arrangement is a lease at inception. The Foundation's operating leases are included in right-of-use (ROU) lease asset and lease liability.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions at May 31, 2023 and 2022 are restricted for time and various programmatic purposes.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and county grants, which is conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract and grant provisions. Any amounts received in advance would be recorded as refundable advance in the statement of financial position. Contributions of approximately \$7,415,676 and \$13,182,000 have not been recognized in the accompanying statement of activities and changes in net assets because the qualifying expenditures have not yet been incurred as of May 31, 2023 and 2022, respectively.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

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.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Grant Revenue

Grant revenue received for grants is considered a conditional contribution and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

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, which is presented in the statement of activities and changes in net assets net of actual direct costs of the events.

Grants Payable and Programs

Grants promised are recorded as liabilities and expensed at the time they are approved by the board of directors.

During the years ended May 31, 2023 and 2022, the Foundation had contracts with Cook County, Illinois to fund services in connection with the resolution of residents' housing and debt issues as well as two court-based help desks. The Foundation enters into grant contracts with various grantees who provide services under 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 of funds from Cook County, Illinois.

Income Taxes

The Foundation is a nonprofit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, are considered to be management and general expenses. Other expenses utilized by all employees, such as occupancy, utilities, and training, are also allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that may produce significantly different amounts.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Adoption of New Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Topic 842 increases transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation has adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this lease standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. Lease disclosure for the year ended December 31, 2021, are made under prior lease guidance FASB Accounting Standards Codification (ASC) 840.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

Contributed Nonfinancial Assets

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets, ASU No. 202-07, *Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions, and valuation techniques. The adoption of this standard did not have a significant effect on the presentation or disclosures within the Foundation's financial statements.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reclassifications

Certain amounts have been reclassified for the year ended May 31, 2022 to conform with the presentation for the year ended May 31, 2023. The reclassifications had no impact on previously reported net assets.

NOTE 2 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, 2023 and 2022 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 CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

In instances where 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.

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating Investments:				
Mutual Funds	\$ 130,837	\$ -	\$ -	\$ 130,837
Common Stock and Equity Funds	279,499	-	-	279,499
Total investments at Fair Value	<u>\$ 410,336</u>	<u>\$ -</u>	<u>\$ -</u>	410,336
Money Market Funds				135,081
Total Investments				<u>\$ 545,417</u>
	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating Investments:				
Mutual Funds	\$ 157,516	\$ -	\$ -	\$ 157,516
Common Stock and Equity Funds	260,109	-	-	260,109
Total investments at Fair Value	<u>\$ 417,625</u>	<u>\$ -</u>	<u>\$ -</u>	417,625
Money Market Funds				28,096
Total Investments				<u>\$ 445,721</u>

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications 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 2023 or 2022.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 3 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%. 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 in the statement of activities and changes in net assets.

Pledges outstanding at May 31, 2023 and 2022 are expected to be collected as follows:

	2023	2022
Receivable in Less than a Year	\$ 328,776	\$ 426,385
Receivable in One to Five Years, Net of Present Value		
Discount of \$450 and \$628, Respectively	63,080	7,056
Gross Unconditional Promises to Give	391,856	433,441
Allowance for Uncollectable Pledges	(4,985)	(3,750)
Net Unconditional Promises to Give	\$ 386,871	\$ 429,691

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follow:

	2023	2022	Depreciable Life - Years
Condominium and Improvements	\$ 708,004	\$ 708,004	7-40
Equipment and Fixtures	100,913	120,949	2-10
Total Cost	808,917	828,953	
Less Accumulated Depreciation	337,679	353,310	
Net Property and Equipment	\$ 471,238	\$ 475,643	

Depreciation expense for 2023 and 2022 was \$29,405 and \$32,416, respectively.

NOTE 5 LONG-TERM DEBT

The Foundation entered into a debt agreement with a bank during fiscal year 2019. The Foundation borrowed the funds to make significant improvements to its office condominium. With these improvements, the Foundation was able to consolidate offices and will realize significant cost savings in the long term. The note payable of \$250,000 is due in monthly installments of \$4,166.67, plus interest at overnight LIBOR plus 3.25% (an effective rate of 8.314% and 3.64% at May 31, 2023 and 2022, respectively). The note is collateralized by the real property constructed under and associated with the terms of the note and matures on July 23, 2023.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 5 LONG TERM DEBT (CONTINUED)

The balance of the debt matures as follows:

Years Ended May 31,	Amount
2024	\$ 28,914
Total	\$ 28,914

On April 17, 2020, the Foundation received a Paycheck Protection Program term note through Wintrust Bank in the amount of \$237,798. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. This amount was forgiven by the U.S. Small Business Administration (SBA) on May 13, 2021. The revenue from this matter is included in the accompanying statements of activities and changes in net assets as debt forgiveness revenue. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

NOTE 6 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Restricted for Purpose:		
Investing in Justice Campaign Fund	\$ -	\$ 247,806
Law School Public Interest Scholarships (Moses)	119,300	139,276
Scholarships to Needy Law Students Pursuing Careers in Legal Aid and Public Interest (Marovitz)	4,243	4,243
Support of Projects of the CBA Young Lawyers Sections and Other Legal Projects for the Benefit of Children (Gray)	17,577	26,543
Annual Award to a Lawyer Under Age 35 who Provided Outstanding Service (Weigle)	21,223	24,253
Annual Award to a Lawyer in Public Service who has Demonstrated Excellent Work, Leadership, and Service (Morsch)	10,000	10,000
Legal Aid and Foreclosure Mediation Program	-	38,899
Right to Counsel Pilot Program Evaluation	264,477	300,000
Total Restricted for Purpose	436,820	791,020
Restricted for Time - Multiyear Pledges to be Received in Future Years	231,673	145,576
Net Assets Restricted in Perpetuity	16,000	16,000
Total	\$ 684,493	\$ 952,596

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTES 6 NET ASSETS (CONTINUED)

Due to the COVID-19 outbreak and shutdown, the FY2020 Investing in Justice Campaign was delayed and the time frame was extended into FY2021. 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% 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% annual administrative fee to a limited number of funds when permitted by the donor.

Net assets restricted in perpetuity consist of two donor restricted endowments, the income from which is expendable for general purposes of the Foundation. The Denning and Miller Funds totaled \$16,000 as of May 31, 2023 and 2022.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTES 6 NET ASSETS (CONTINUED)

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified as follows for the years ended May 31:

	2023	2022
Purpose Restrictions Accomplished:		
Investing in Justice Campaign Fund	\$ 1,591,618	\$ 1,330,984
Legal Aid and Foreclosure Mediation Program	5,805,153	4,616,478
Chicago Area Fund for Legal Assistance	306,182	287,605
Cook County Municipal Advice Desk	189,019	183,875
Cook County Guardianship Desk	82,582	80,125
Kimball R. Anderson & Karen Gatsis Anderson Public Interest Law Fellowship	25,000	50,000
Pro Bono Help Desk Support	25,000	25,000
Law School Public Interest Scholarships (Moses)	19,976	22,664
Scholarships to Needy Law Students Pursuing Careers in Legal Aid and Public Interest (Marovitz)	-	81
Support of Projects of the CBA Young Lawyers Sections and Other Legal Projects for the Benefit of Children (Gray)	8,966	10,538
Annual Award to a Lawyer Under Age 35 who Provided Outstanding Service (Weigle)	3,030	3,569
Annual Award to a Lawyer in Public Service who has Demonstrated Excellent Work, Leadership, and Service (Morsch)	10,000	10,000
Bankruptcy Pro Bono Fund	12,139	20,000
Annual Award to Distinguished Lawyers who have Demonstrated an Exemplary Commitment to Integrity and Public Service (Stevens)	-	119
	35,522	-
Subtotal	8,114,187	6,641,038
Time Restrictions Expired:		
Passage of Specified Time	101,904	125,926
Total Net Assets Released from Restriction	\$ 8,216,091	\$ 6,766,964

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 39 voting directors of the Foundation.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTES 7 AFFILIATED ORGANIZATION TRANSACTIONS (CONTINUED)

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, 2023 and 2022 was \$7,906 and \$8,962, 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 receivables of \$18,784 and \$34,810 as of May 31, 2023 and 2022, respectively.

NOTE 8 LEASES – ASC 842

The Foundation leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2025. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain equipment leases require the Foundation to guarantee minimum residual values. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Foundation to pay real estate taxes, insurance, and repairs.

The following tables provide quantitative information concerning the Foundation's leases for the year ended May 31, 2023:

Operating Lease Costs	\$	11,928
Other Information:		
Operating Cash Flows	\$	11,928
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$	152,717
Weighted-Average Remaining Operating Lease Term		1.89 Years
Weighted-Average Discount Rate - Operating Leases		3.57%

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTES 8 LEASES – ASC 842 (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of May 31, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 78,396
2025	67,501
2026	<u>252</u>
Undiscounted Cash Flows	146,149
Less: Imputed Interest	<u>(5,700)</u>
Total Present Value	<u><u>\$ 140,449</u></u>
Short-Term Lease Liabilities	\$ 76,092
Long-Term Lease Liabilities	<u>64,357</u>
Total	<u><u>\$ 140,449</u></u>

The Foundation elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosure for the year ended May 31, 2022 were made under prior lease guidance in FASB ASC 840.

NOTE 9 OPERATING LEASES – ASC 840

As of May 31, 2022, the Foundation has four operating leases. The most significant lease, which ends on April 30, 2023, is a monthly office lease and does not require the Foundation to pay taxes, insurance, utilities, or maintenance costs. In addition, the Foundation leases various office equipment under operating leases expiring through July 31, 2024. Total rent expense under the leases was \$90,058 and \$96,180 for 2022 and 2021, respectively.

Future minimum annual commitments under these operating leases are as follows:

<u>Years Ended May 31,</u>	<u>Amount</u>
2023	\$ 83,397
2024	6,408
2025	<u>252</u>
Total	<u><u>\$ 90,058</u></u>

NOTE 10 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 the Internal Revenue Service 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, 2023 and 2022 amounted to \$29,354 and \$27,133, respectively.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 11 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of May 31, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions effective within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,394,936	\$ 387,764
Pledges and Accounts Receivable to be Received Within 12 Months	641,968	1,362,247
Short-Term Investments	<u>545,417</u>	<u>445,721</u>
Financial Assets - at Year-End	4,582,321	2,195,732
Less: Those Unavailable for General Expenditures Within One Year		
Due to Contractual or Donor-Imposed Restriction:		
Subject to Appropriation and Satisfaction of Donor Restrictions	668,493	936,596
Donor-Restricted Endowment Funds	<u>16,000</u>	<u>16,000</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within one Year	<u>\$ 3,897,828</u>	<u>\$ 1,243,136</u>

The Foundation maintains cash balances sufficient to pay current liabilities and obligations.

NOTE 12 EMPLOYEE RETENTION CREDIT

In 2023, the Foundation applied for the Employee Retention Credit (ERC) grant funding from the Internal Revenue Service. Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Foundation applied for, recognized as revenue, and received \$148,691 of refundable credits, which are included in the accompanying statement of activities as grants. Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Foundation's financial position.

NOTE 13 CONTINGENCY

The Foundation has received significant revenues from federal and county agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a repayment liability. Management believes any such disallowed items would not have a material effect on the Foundation's financial position and results of operations.

**THE CHICAGO BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 14 SUBSEQUENT EVENTS

The financial statements and related disclosures include evaluation of events up through and including September 19, 2023, which is the date the financial statements were available to be issued.



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