

PUBLIC INTEREST LAW INITIATIVE
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED AUGUST 31, 2009 AND 2008

PUBLIC INTEREST LAW INITIATIVE

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RUZICKA & ASSOCIATES, LTD.

Certified Public Accountants

Board of Directors
Public Interest Law Initiative

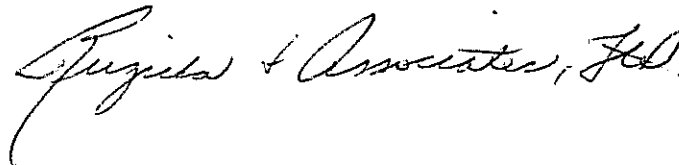
Independent Auditor's Report

We have audited the accompanying statements of financial position of Public Interest Law Initiative at August 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Public Interest Law Initiative's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Interest Law Initiative at August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 14, 2009

A handwritten signature in cursive script that reads "Ruzicka & Associates, Ltd." The signature is written in dark ink and is positioned to the right of the date.

PUBLIC INTEREST LAW INITIATIVE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 AND 2008

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 321,709	7,813		329,522	\$ 243,539	8,488	6,000	258,027
Grants receivable	15,140	15,312		15,312	38,437	38,437		38,437
Investments	3,010	41,197	781,521	837,858	23,246	17,420	128,000	168,666
Prepaid expenses and deposits				3,010	7,129			7,129
Equipment, less accumulated depreciation of \$20,331 in 2009 and \$19,812 in 2008	1,654			1,654	2,173			2,173
Total assets	\$ 341,513	64,322	781,521	1,187,356	\$ 276,087	64,345	134,000	474,432
LIABILITIES AND NET ASSETS								
Accounts payable	\$ 1,755			1,755	\$ 2,572			2,572
Deferred revenue	30,000			30,000				
Total liabilities	31,755			31,755	2,572			2,572
Net assets:	309,758	64,322	781,521	1,155,601	273,515	64,345	134,000	471,860
Total liabilities and net assets	\$ 341,513	64,322	781,521	1,187,356	\$ 276,087	64,345	134,000	474,432

See independent auditor's report and notes to financial statements.

PUBLIC INTEREST LAW INITIATIVE

STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2009 AND 2008

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue -								
Grants	\$ 148,750	23,125	5,000	176,875	\$ 113,300	46,250	11,000	170,550
Foundations and corporations	158,100			158,100	189,450			189,450
Law firms	36,050			36,050	29,275			29,275
Board members	11,250		642,521	653,771	16,771	375		17,146
Individuals	64,345	(64,345)			70,000	(70,000)		
Net assets released from restriction								
Special events								
Annual award luncheon								
Gross revenue	137,585			137,585	153,935			153,935
Direct expenses	(28,728)			(28,728)	(28,218)			(28,218)
Pro Bono Initiative								
Gross revenue	53,350			53,350	52,490			52,490
Direct expenses	(11,752)			(11,752)	(15,537)			(15,537)
Investment income	2,260	41,197		43,457	12,428			12,428
Other	23			23				
In-kind support	44,000			44,000	44,000			44,000
Total support and revenue	615,233	(23)	647,521	1,262,731	637,894	(23,375)	11,000	625,519
Expenses -								
Program services	469,508			469,508	529,352			529,352
Management and General	47,443			47,443	54,058			54,058
Fundraising	62,039			62,039	55,833			55,833
Total expenses	578,990			578,990	639,243			639,243
Change in net assets	36,243	(23)	647,521	683,741	(1,349)	(23,375)	11,000	(13,724)
Net assets, beginning of year	273,515	64,345	134,000	471,860	274,864	87,720	123,000	485,584
Net assets, end of year	\$ 309,758	64,322	781,521	1,155,601	\$ 273,515	64,345	134,000	471,860

See independent auditor's report and notes to financial statements.

PUBLIC INTEREST LAW INITIATIVE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	2009			2008				
	Program Services	Management and general	Fundraising	Total	Program Services	Management and general	Fundraising	Total
Salaries	\$ 192,934	28,369	43,809	265,112	\$ 216,461	33,695	40,146	290,302
Payroll taxes	14,505	2,132	3,294	19,931	16,753	2,609	3,107	22,469
Employee benefits	20,419	3,002	4,637	28,058	23,524	3,663	4,364	31,551
Grants	184,741			184,741	197,169			197,169
Professional fees		5,985		5,985	12,000	5,227		17,227
Education	2,378			2,378	7,135			7,135
Postage and shipping	2,102	309	477	2,888	1,896	295	352	2,543
Occupancy	32,021	4,708	7,271	44,000	32,807	5,108	6,085	44,000
Printing and publications	4,257	625	967	5,849	2,416	376	448	3,240
Supplies	423	62	96	581	2,046	319	379	2,744
Equipment rental and small purchases	882	130	200	1,212	497	77	92	666
Conferences, meetings, and travel	5,805			5,805	8,607			8,607
Insurance	2,923	430	664	4,017	2,446	381	454	3,281
Telephone and internet	2,369	348	538	3,255	1,933	301	359	2,593
Dues and subscriptions	3,191			3,191	3,308			3,308
Depreciation	378	55	86	519	254	39	47	340
Other	180	1,288		1,468	100	1,968		2,068
Total	\$ 469,508	47,443	62,039	578,990	\$ 529,352	54,058	55,833	639,243

See independent auditor's report and notes to financial statements.

PUBLIC INTEREST LAW INITIATIVE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 683,741	\$ (13,724)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	519	340
Change in unrealized gains on investments held	(2,227)	(189)
Realized gain on investments sold	(35,060)	
Grants restricted for endowment	(647,521)	(11,000)
Decrease in grants receivable	23,125	30,313
Decrease (increase) in prepaid expenses and deposits	4,119	(260)
(Decrease) increase in accounts payable	(817)	2,246
Increase (decrease) in deferred revenue	30,000	(6,750)
Net cash provided by operating activities	55,879	976
 Cash flows from investing activities:		
Proceeds from sale of investments	523,798	
Purchases of investments	(1,155,703)	(8,790)
Equipment additions		(1,788)
Net cash used by investing activities	(631,905)	(10,578)
 Cash flows from financing activities		
Grants restricted for endowment	647,521	11,000
Net cash provided by financing activities	647,521	11,000
Net increase in cash	71,495	1,398
Cash at beginning of year	258,027	256,629
Cash at end of year	\$ 329,522	\$ 258,027

See independent auditor's report and notes to financial statements.

PUBLIC INTEREST LAW INITIATIVE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

1. Nature of Organization:

Public Interest Law Initiative (“PILI”) was incorporated in 1980 under the Illinois general Not for Profit Corporation Act as a not-for-profit organization to provide law students and lawyers with experience and training at legal agencies serving the public interest. PILI grants monies to legal agencies for hiring student interns. In addition, through PILI, certain Chicago law firms and corporations independently provide legal services to disadvantaged people and organizations.

2. Summary of significant accounting policies:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation

The accompanying financial statements are presented in accordance with the Statement of Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations”.

Revenue and expense recognition

Revenue and expenses are recorded on the accrual basis of accounting. All contributions are considered to be available for unrestricted use unless otherwise specifically restricted by donors. Contributions are recorded and recognized as income when notice of award is received. Restricted contributions are recorded as revenue in temporarily restricted net assets if limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of PILI or in permanently restricted net assets if such contributions are non-expendable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same time period are classified as unrestricted.

Fixed assets

These assets are carried at cost or at estimated value on date of donation. Fixed asset additions in excess of \$500 are capitalized. Depreciation is provided by the straight-line method over the estimated useful lives of the assets (5 years).

Investments

Investments are carried at fair market value, except for the partnership interest which is valued at the donor's cost as adjusted for PILI's share of the partnership income as reported on the annual K-1.

In-kind services and facilities

PILI receives donations of services from various volunteers. No amounts are reflected in the accounts for donated services, as no clearly measurable basis is available to measure such services. PILI shares and occupies office space at no charge in the offices of a major Chicago law firm. Such space is valued at the approximate fair rental value.

Functional expenses

Expenses, which are common to program and to support services, are allocated on bases determined by management.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Net assets:

PILI classifies its net assets into three categories:

Unrestricted net assets include all of the unrestricted support and revenue of PILI, all of the expenses of PILI, and transfers from temporarily restricted net assets for reimbursement of expenditures that meet the restrictions of the donors.

Temporarily restricted net assets include all the restricted support and revenue of PILI. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

Permanently restricted net assets include funds received from donors with the stipulation that they be permanently retained by PILI in perpetuity and that only the income and/or use of the assets are available to PILI.

4. Income taxes:

PILI is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code.

5. **Investments:**

Investments at August 31, 2009 consist of the following:

Certificate of deposit at 2.30%, maturing 10/28/09	\$139,000
Cash at Morgan Stanley	621,113
Commodity funds	3,374
Fixed income funds	23,331
Exchange traded funds	38,732
Partnership interest	<u>12,308</u>
	<u>\$837,858</u>

Investments at August 31, 2008 consisted of the following:

Certificate of deposit at 2.30%, maturing 10/28/09	\$128,000
Certificate of deposit at 3.94%, maturing 2/23/09	17,420
Partnership interest	20,709
Equity securities	804
Money market funds	<u>1,733</u>
	<u>\$168,666</u>

6. **Concentration of risk:**

\$327,051 of cash is maintained in two accounts at a major Chicago bank.

7. **Fixed assets:**

Fixed assets at August 31, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 21,985	\$21,985
Less: accumulated depreciation	<u>(20,331)</u>	<u>(19,812)</u>
	<u>\$ 1,654</u>	<u>\$ 2,173</u>

8. **In-kind support:**

PILI occupies office space at a major law firm at no charge. The space is valued at \$44,000 for 2009 and 2008 and is included in the accompanying statement of activities and changes in net assets.

9. **Pension:**

PILI has established a defined contribution retirement plan whereby it contributes five per cent of each eligible employee's salary into the plan. Pension expense totaled \$13,090 in 2009 and \$14,098 in 2008.

10. Temporarily restricted net assets:

Temporarily restricted net assets at August 31, 2009 consist of a \$7,500 grant commitment from the Illinois Bar foundation for fiscal 2010 operations; \$15,625 from the Lawyers' Trust Fund of Illinois (\$7,813 in cash and \$7,812 in grants receivable) for 2010 activities; and \$41,197 of unspent investment income generated by the new Endowment Fund created by the estate of Florence E. Miller to fund internships for female and male law students attending law school in the United States of America. Temporarily restricted net assets at August 31, 2008 included \$18,095 for the Roz Lieb Internship and \$15,000 from the Chicago Bar Foundation and \$31,250 from the Lawyers' Trust Fund of Illinois. The Chicago Bar Foundation and Lawyers Trust Fund amounts were earned and released in 2009 and the Roz Lieb Internship amount was similarly released from restriction.

11. Permanently restricted net assets:

Permanently restricted net assets consist of \$139,000 for the Alfred C. Tisdahl, Jr. Internship in Public Interest Law Endowment Fund and \$642,521 received from the estate of Florence E. Miller the income there from to be used to fund internships for female and male law students attending law school in the United States of America. The will of Florence E. Miller recognizes that the principal of the funds may be invested from time to time in manner that generates little or no "income" as defined in the Illinois Principle and Income Act. Accordingly, in the event that the annual income is less than five percent of the value of the principal fund, then principal may be used to the extent necessary to make-up the shortfall in income so that five percent of the fund is available each year for internships.

The Board of Directors of PILI has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PILI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund is as follows:

August 31, 2009:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Alfred C. Tisdahl, Jr Internship	\$	139,000	139,000
Florence E. Miller Internships	41,197	642,521	683,718
Total	<u>\$ 41,197</u>	<u>781,521</u>	<u>822,718</u>

August 31, 2008

Alfred C. Tisdahl, Jr Internship	<u>\$</u>	<u>134,000</u>	<u>134,000</u>
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Changes in Endowment Net Assets are as follows:

August 31, 2009:

Alfred C. Tisdahl, Jr. Internship			
Endowment net assets, beginning of year	\$	134,000	134,000
Contributions		<u>5,000</u>	<u>5,000</u>
Endowment net assets, end of year	<u>\$</u>	<u>139,000</u>	<u>139,000</u>

Florence E. Miller Internships			
Endowment net assets, beginning of year	\$		
Contributions		642,521	642,521
Investment return		<u>1,197</u>	<u>41,197</u>
Endowment net assets, end of year	<u>\$ 41,197</u>	<u>642,521</u>	<u>683,718</u>

August 31, 2008:

Alfred C. Tisdahl, Jr. Internship			
Endowment net assets, beginning of year	\$	123,000	123,000
Contributions		<u>11,000</u>	<u>11,000</u>
Endowment net assets, end of year	<u>\$</u>	<u>134,000</u>	<u>134,000</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual donation. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of August 31, 2009 and 2008.

Return Objectives and Risk Parameters and Spending Guidelines

PILI is in the process of finalizing its investment policy and spending guidelines for its endowment funds.