

**COMMUNITIES IN SCHOOLS  
OF CHICAGO**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

YEARS ENDED JUNE 30, 2017 AND 2016

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## **Independent Auditors' Report**

Board of Directors  
Communities In Schools of Chicago

We have audited the accompanying financial statements of Communities In Schools of Chicago (the Organization) (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, 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.

### **Auditors' 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 audit 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Chicago as of June 30, 2017 and 2016, 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.

*Ostrow Reisin Berk & Abrams, Ltd.*

November 8, 2017

**COMMUNITIES IN SCHOOLS OF CHICAGO**

STATEMENTS OF FINANCIAL POSITION

June 30,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b>ASSETS</b>						
Cash	\$ 806,359	\$ 15,333	\$ 821,692	\$ 675,763	\$ 40,000	\$ 715,763
Grants and contracts receivable	88,487		88,487	147,968		147,968
Unconditional promises to give		480,000	480,000		340,000	340,000
Prepaid expense and other assets	15,330		15,330	40,082		40,082
Property and equipment, net	78,001		78,001	26,979		26,979
<b>Total assets</b>	<b>\$ 988,177</b>	<b>\$ 495,333</b>	<b>\$ 1,483,510</b>	<b>\$ 890,792</b>	<b>\$ 380,000</b>	<b>\$ 1,270,792</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 117,305		\$ 117,305	\$ 101,338		\$ 101,338
Deferred rent	20,457		20,457			
<b>Total liabilities</b>	<b>137,762</b>		<b>137,762</b>	<b>101,338</b>		<b>101,338</b>
<b>Net assets</b>	<b>850,415</b>	<b>\$ 495,333</b>	<b>1,345,748</b>	<b>789,454</b>	<b>\$ 380,000</b>	<b>1,169,454</b>
<b>Total liabilities and net assets</b>	<b>\$ 988,177</b>	<b>\$ 495,333</b>	<b>\$ 1,483,510</b>	<b>\$ 890,792</b>	<b>\$ 380,000</b>	<b>\$ 1,270,792</b>

*See notes to financial statements.*

## COMMUNITIES IN SCHOOLS OF CHICAGO

### STATEMENTS OF ACTIVITIES

Years ended June 30,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue, gains and support:						
Individual contributions	\$ 928,021	\$ 5,000	\$ 933,021	\$ 610,685	\$ 250,000	\$ 860,685
Corporate contributions	429,433	50,000	479,433	286,801	85,000	371,801
Foundation contributions	444,500	425,000	869,500	453,500		453,500
Grants and contracts	329,435	15,333	344,768	384,650		384,650
Gross special event revenue, net of direct benefit to donors of \$43,001 and \$20,007 for 2017 and 2016, respectively	273,923		273,923	195,219		195,219
Loss on abandonment of leasehold improvements				(15,681)		(15,681)
Net assets released from restrictions	380,000	(380,000)		514,500	(514,500)	
<b>Total revenue, gains and support</b>	<b>2,785,312</b>	<b>115,333</b>	<b>2,900,645</b>	<b>2,429,674</b>	<b>(179,500)</b>	<b>2,250,174</b>
Expenses and loss:						
Program services	2,166,535		2,166,535	1,773,586		1,773,586
Management and general	180,903		180,903	118,977		118,977
Fundraising	336,913		336,913	278,641		278,641
<b>Total expenses</b>	<b>2,684,351</b>		<b>2,684,351</b>	<b>2,171,204</b>		<b>2,171,204</b>
Write-off of uncollectible contracts receivable	40,000		40,000			
<b>Total expenses and loss</b>	<b>2,724,351</b>		<b>2,724,351</b>	<b>2,171,204</b>		<b>2,171,204</b>
Change in net assets	60,961	115,333	176,294	258,470	(179,500)	78,970
Net assets:						
Beginning of year	789,454	380,000	1,169,454	530,984	559,500	1,090,484
End of year	\$ 850,415	\$ 495,333	\$ 1,345,748	\$ 789,454	\$ 380,000	\$ 1,169,454

*See notes to financial statements.*

## COMMUNITIES IN SCHOOLS OF CHICAGO

### STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2017					2016				
	Program services	Management and general	Fundraising	Direct benefit to donors	Total	Program services	Management and general	Fundraising	Direct benefit to donors	Total
Consultant fees	\$ 19,391	\$ 50,898	\$ 48,921		\$ 119,210	\$ 66,080	\$ 2,750	\$ 31,815		\$ 100,645
Depreciation and amortization	9,251	414	1,144		10,809	15,315	693	2,104		18,112
Donor development			9,052		9,052			8,411		8,411
Employee benefits	212,358	9,487	26,271		248,116	184,206	8,330	25,308		217,844
Events and training	23,233	280	7,167		30,680	22,095	158	6,489		28,742
Insurance	16,571	740	2,050		19,361	12,240	553	1,682		14,475
Miscellaneous						101	195	14		310
Payroll processing and bank fees	1,660	74	205		1,939	3,347	151	460		3,958
Payroll taxes	112,808	5,040	13,956		131,804	96,143	4,348	13,209		113,700
Postage and shipping	2,211	99	273		2,583	3,891	176	534		4,601
Printing and photography	2,617	117	324		3,058	4,138	187	568		4,893
Professional fees		39,389			39,389		43,279			43,279
Rent	66,135	2,954	8,182		77,271	90,191	4,078	12,392		106,661
Repairs and maintenance	34,846	1,232	3,413		39,491	22,733	730	2,217		25,680
Salaries and wages	1,525,860	68,166	188,766		1,782,792	1,142,365	51,655	156,951		1,350,971
Special events			21,111	\$ 43,001	64,112			9,599	\$ 20,007	29,606
Special projects	94,505		500		95,005	73,273		1,742		75,015
Staff development	7,794	348	964		9,106	6,890	312	946		8,148
Supplies	6,198	276	767		7,241	5,747	260	789		6,796
Telephone	8,953	400	1,108		10,461	7,345	332	1,009		8,686
Travel	16,549	739	2,047		19,335	12,391	560	1,702		14,653
Utilities	5,595	250	692		6,537	5,095	230	700		6,025
<b>Total expenses</b>	<b>2,166,535</b>	<b>180,903</b>	<b>336,913</b>	<b>43,001</b>	<b>2,727,352</b>	<b>1,773,586</b>	<b>118,977</b>	<b>278,641</b>	<b>20,007</b>	<b>2,191,211</b>
Less expenses included with revenue, gains and support on the statements of activities				(43,001)	(43,001)				(20,007)	(20,007)
<b>Total expenses included in the expense section on the statements of activities</b>	<b>\$ 2,166,535</b>	<b>\$ 180,903</b>	<b>\$ 336,913</b>	<b>\$ -</b>	<b>\$ 2,684,351</b>	<b>\$ 1,773,586</b>	<b>\$ 118,977</b>	<b>\$ 278,641</b>	<b>\$ -</b>	<b>\$ 2,171,204</b>

*See notes to financial statements.*

# COMMUNITIES IN SCHOOLS OF CHICAGO

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 176,294	\$ 78,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,809	18,112
Write-off of uncollectible contracts receivable	40,000	
Deferred rent	20,457	(12,612)
Loss on abandonment of leasehold improvements		15,681
(Increase) decrease in operating assets:		
Grants and contracts receivable	19,481	10,971
Unconditional promises to give	(140,000)	219,500
Prepaid expense and other assets	24,752	(27,248)
Increase in operating liabilities:		
Accounts payable and accrued expenses	15,967	30,040
Net cash provided by operating activities	167,760	333,414
Cash flows from investing activity:		
Purchase of property and equipment	(61,831)	(21,561)
Net cash used in investing activity	(61,831)	(21,561)
Net increase in cash	105,929	311,853
Cash, beginning of year	715,763	403,910
Cash, end of year	\$ 821,692	\$ 715,763

*See notes to financial statements.*



# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and purpose

Communities In Schools of Chicago (the Organization) is an Illinois not-for-profit corporation that surrounds students with a community of support, empowering them to stay in school and succeed in life. The Organization's primary funding source is donor contributions.

The Organization is an affiliate of Communities In Schools, Inc., the nation's leading dropout prevention organization. The Organization functions independently, with separate 501(c)(3) status, an autonomous board of directors and independent funding.

### 2. Summary of significant accounting policies

The significant accounting policies of the Organization are summarized below:

#### **Basis of accounting:**

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of presentation:**

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of the Organization. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in its Articles of Incorporation.

**Temporarily restricted** - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Basis of presentation: (continued)

**Permanently restricted** - Permanently restricted net assets are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently but permit the Organization to utilize or expend part or all of the income or other economic benefits derived from the donated assets. There were no permanently restricted net assets as of June 30, 2017 and 2016.

#### Unrestricted and restricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions. The Organization reports donor-restricted contributions for which restrictions are met in the same reporting period as unrestricted support.

Grants and contracts revenue is recognized when earned, which is generally when qualifying expenses have been incurred, contract services have been provided and other requirements have been met.

#### Grants and contracts receivable:

Grants and contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. The Organization provides for losses on grants and contracts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2017 and 2016, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Unconditional promises to give:**

Unconditional promises to give represent amounts pledged by donors or grantors, some of which are due in installments. Amounts due on dates that are more than one year in the future are recorded net of a present value discount. The Organization provides for losses on unconditional promises to give using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with agreed upon terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for doubtful accounts has been provided as management believes that all unconditional promises to give are fully collectible.

#### **Property and equipment and related depreciation and amortization:**

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives ranging from three to seven years for furniture, equipment and software. Leasehold improvements are amortized over the lesser of fifteen years or the remaining term of the lease. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000 and with a useful life greater than one year.

#### **Deferred rent:**

The Organization records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent in the statements of financial position.

#### **Contributed goods and services:**

The Organization recognizes as revenue the fair value of contributed goods and services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended June 30, 2017 and 2016, the Organization was the recipient of donated professional services totaling \$50,000 and \$47,315, respectively.

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Expense allocation:**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Use of 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 in the financial statements. Accordingly, actual results could differ from those estimates.

### **3. Tax status**

The Organization is generally exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2017 and 2016.

### **4. Cash**

The Organization maintains its cash in one account at a financial institution which, at times, may exceed federally-insured limits. Cash in excess of these limits totaled approximately \$581,000 and \$473,000 at June 30, 2017 and 2016, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Unconditional promises to give

Unconditional promises to give are as follows:

June 30,	2017	2016
Receivable in less than one year	\$ 330,000	\$ 320,000
Receivable in one to five years	150,000	20,000
Total unconditional promises to give	\$ 480,000	\$ 340,000

### 6. Property and equipment

The components of property and equipment are as follows:

June 30,	2017	2016
Furniture, equipment and software	\$ 91,512	\$ 32,471
Leasehold improvements	7,790	5,000
	99,302	37,471
Less accumulated depreciation and amortization	(21,301)	(10,492)
Property and equipment, net	\$ 78,001	\$ 26,979

### 7. Retirement plan

Employees of the Organization may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement, upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their compensation up to the maximum allowed under Internal Revenue Service regulations. The Organization may make matching contributions equal to a discretionary percentage, to be determined by the Organization, of the participant's elective deferrals. In addition, the Organization may contribute an additional, discretionary amount. The Organization's matching contributions were \$27,501 and \$26,813 for the years ended June 30, 2017 and 2016, respectively.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. Lease commitment

In May 2016, the Organization renegotiated their lease agreement for office space that reduced the square footage and extended its term until June 30, 2021. The extension includes rent abatements and escalations during the lease term and includes options to extend the lease term for two additional three-year periods which have not been exercised.

Future minimum lease payments required under the lease are as follows:

Year ending June 30:	Amount
2018	\$ 80,419
2019	82,429
2020	84,490
2021	86,602
Total	\$ 333,940

### 9. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purpose or time restrictions:

June 30,	2017	2016
Purpose restrictions:		
School programs	\$ 15,333	
Time restrictions:		
General operating support for the year ended June 30, 2017		\$ 40,000
Unconditional promises to give	480,000	340,000
Total	\$ 495,333	\$ 380,000

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Temporarily restricted net assets (continued)

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying the following time restrictions specified by donors:

<u>Years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Time restrictions:		
General operating support for the year ended June 30, 2017	\$ 40,000	
Unconditional promises to give	340,000	\$ 514,500
Total net assets released from restrictions	\$ 380,000	\$ 514,500

### 10. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2017, the financial statement date, through November 8, 2017, the date the financial statements were available to be issued.