

**COMMUNITIES IN SCHOOLS
OF CHICAGO**

YEARS ENDED JUNE 30, 2016 AND 2015

COMMUNITIES IN SCHOOLS OF CHICAGO

YEARS ENDED JUNE 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Communities In Schools of Chicago
Chicago, Illinois

We have audited the accompanying financial statements of Communities In Schools of Chicago (the Organization) (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2016 and 2015 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.

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 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, 2016 and 2015 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 1, 2016
Chicago, Illinois

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENT OF FINANCIAL POSITION

June 30,	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
ASSETS						
Cash	\$ 675,763	\$ 40,000	\$ 715,763	\$ 403,910		\$ 403,910
Grants and contracts receivable	147,968		147,968	158,939		158,939
Unconditional promises to give		340,000	340,000		\$ 559,500	559,500
Prepaid expense and other assets	40,082		40,082	12,834		12,834
Property and equipment, net	26,979		26,979	39,211		39,211
Total assets	\$ 890,792	\$ 380,000	\$ 1,270,792	\$ 614,894	\$ 559,500	\$ 1,174,394
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 101,338		\$ 101,338	\$ 71,298		\$ 71,298
Deferred rent				12,612		12,612
Total liabilities	101,338		101,338	83,910		83,910
Net assets	789,454	\$ 380,000	1,169,454	530,984	\$ 559,500	1,090,484
Total liabilities and net assets	\$ 890,792	\$ 380,000	\$ 1,270,792	\$ 614,894	\$ 559,500	\$ 1,174,394

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENT OF ACTIVITIES

Years ended June 30,	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue, gains and support:						
Individual contributions	\$ 610,685	\$ 250,000	\$ 860,685	\$ 489,630	\$ 130,000	\$ 619,630
Corporate contributions	286,801	85,000	371,801	571,293	13,500	584,793
Foundation contributions	453,500		453,500	248,750	760,000	1,008,750
Grants and contracts	384,650		384,650	249,899		249,899
Gross special event revenue, net of direct benefit to donors of \$20,007 for 2016	195,219		195,219			
Interest and other income				684		684
Loss on abandonment of leasehold improvements	(15,681)		(15,681)			
Net assets released from restrictions	514,500	(514,500)		653,720	(653,720)	
Total revenue, gains and support	2,429,674	(179,500)	2,250,174	2,213,976	249,780	2,463,756
Expenses:						
Program services	1,773,586		1,773,586	1,675,674		1,675,674
Management and general	118,977		118,977	139,188		139,188
Fundraising	278,641		278,641	242,621		242,621
Total expenses	2,171,204		2,171,204	2,057,483		2,057,483
Change in net assets	258,470	(179,500)	78,970	156,493	249,780	406,273
Net assets:						
Beginning of year	530,984	559,500	1,090,484	374,491	309,720	684,211
End of year	\$ 789,454	\$ 380,000	\$ 1,169,454	\$ 530,984	\$ 559,500	\$ 1,090,484

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2016					2015			
	Program services	Management and general	Fundraising	Direct benefit to donors	Total	Program services	Management and general	Fundraising	Total
Consultant fees	\$ 66,080	\$ 2,750	\$ 31,815		\$ 100,645	\$ 27,558	\$ 2,469	\$ 30,317	\$ 60,344
Donor development			8,411		8,411			6,344	6,344
Employee benefits	184,206	8,330	25,308		217,844	158,147	8,225	20,563	186,935
Events and training	22,095	158	6,489		28,742	17,042	76	3,533	20,651
Insurance	12,240	553	1,682		14,475	11,310	588	1,471	13,369
Miscellaneous	101	195	14		310	266	15	35	316
Payroll processing and bank fees	3,347	151	460		3,958	931	48	121	1,100
Payroll taxes	96,143	4,348	13,209		113,700	90,944	4,730	11,825	107,499
Postage and shipping	3,891	176	534		4,601	4,773	248	621	5,642
Printing and photography	4,138	187	568		4,893	6,518	339	848	7,705
Professional fees		43,279			43,279		28,862		28,862
Rent	90,191	4,078	12,392		106,661	89,474	4,653	11,634	105,761
Repairs and maintenance	22,733	730	2,217		25,680	35,806	1,519	3,797	41,122
Salaries and wages	1,142,365	51,655	156,951		1,350,971	1,094,333	56,916	142,289	1,293,538
Special events			9,599	\$ 20,007	29,606				
Special projects	73,273		1,742		75,015	79,570	27,430	1,551	108,551
Staff development	6,890	312	946		8,148	10,419	542	1,355	12,316
Supplies	5,747	260	789		6,796	6,746	351	877	7,974
Telephone	7,345	332	1,009		8,686	8,124	423	1,057	9,604
Travel	12,391	560	1,702		14,653	13,323	693	1,732	15,748
Utilities	5,095	230	700		6,025	4,862	253	632	5,747
Total expenses before depreciation and amortization	1,758,271	118,284	276,537	20,007	2,173,099	1,660,146	138,380	240,602	2,039,128
Depreciation and amortization	15,315	693	2,104		18,112	15,528	808	2,019	18,355
Total expenses	1,773,586	118,977	278,641	20,007	2,191,211	1,675,674	139,188	242,621	2,057,483
Less expenses included with revenue, gains and support on the statement of activities				(20,007)	(20,007)				
Total expenses included in the expense section on the statement of activities	\$ 1,773,586	\$ 118,977	\$ 278,641	\$ -	\$ 2,171,204	\$ 1,675,674	\$ 139,188	\$ 242,621	\$ 2,057,483

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENT OF CASH FLOWS

Years ended June 30,	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 78,970	\$ 406,273
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	18,112	18,355
Loss on abandonment of leasehold improvements	15,681	
(Increase) decrease in operating assets:		
Grants and contracts receivable	10,971	(158,939)
Unconditional promises to give	219,500	(292,818)
Prepaid expense and other assets	(27,248)	8,248
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	30,040	3,558
Deferred rent	(12,612)	(9,164)
Cash provided by (used in) operating activities	333,414	(24,487)
Cash flows from investing activity:		
Purchase of property and equipment	(21,561)	
Cash used in investing activity	(21,561)	
Increase (decrease) in cash	311,853	(24,487)
Cash, beginning of year	403,910	428,397
Cash, end of year	\$ 715,763	\$ 403,910

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), an Illinois not-for-profit corporation, repositions existing community resources into Chicago, Illinois public school sites to promote academic and life success for youth and their families. The Organization's primary funding source is donor contributions.

The Organization is an affiliate of Communities In Schools, a nationwide network of professionals working in public schools to support and empower students to stay in school. The Organization functions as an independent organization, with separate 501(c)(3) status, a separate board of directors and independent funding. Approximately 11% and 9% of the Organization's support came from Communities In Schools during the years ended June 30, 2016 and 2015, respectively.

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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Organization is required to report 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.

COMMUNITIES IN SCHOOLS OF CHICAGO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

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.

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, 2016 and 2015.

Unrestricted and restricted revenue and support:

The financial statement presentation follows the Codification for *Accounting for Contributions Received and Contributions Made*. Under the Codification, 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 statement 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. At June 30, 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. 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:

In accordance with generally accepted accounting principles, 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 statement of financial position.

Contributed goods and services:

The Codification requires the Organization to recognize as revenue the fair value of contributed (donated) goods and services. During the year ended June 30, 2016, the Organization was the recipient of donated marketing and legal services totaling \$47,315. During the year ended June 30, 2015, the Organization was the recipient of donated information technology services totaling \$22,325.

Expense allocation:

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

COMMUNITIES IN SCHOOLS OF CHICAGO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. 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 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, 2016 and 2015.

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 \$473,000 and \$168,000 at June 30, 2016 and 2015, respectively. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

5. Unconditional promises to give

Unconditional promises to give are as follows:

June 30,	2016	2015
Receivable in less than one year	\$ 320,000	\$ 459,500
Receivable in one to five years	20,000	100,000
Total unconditional promises to give	\$ 340,000	\$ 559,500

COMMUNITIES IN SCHOOLS OF CHICAGO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Property and equipment

The components of property and equipment are as follows:

June 30,	2016	2015
Furniture, equipment and software	\$ 32,471	\$ 103,921
Leasehold improvements		36,154
Leasehold improvements, not yet in service	5,000	
	37,471	140,075
Less accumulated depreciation and amortization	(10,492)	(100,864)
Property and equipment, net	\$ 26,979	\$ 39,211

7. Profit sharing 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 employer, of the participant's elective deferrals. In addition, the Organization may contribute an additional, discretionary amount. Employer matching contributions were \$26,813 and \$23,813 for the years ended June 30, 2016 and 2015, respectively.

8. Lease commitment

During the year ended June 30, 2016, the Organization leased office space under an operating lease scheduled to expire on June 30, 2016. In May 2016, the Organization entered into an amended lease agreement with a term commencing on July 1, 2016 and expiring on June 30, 2021. The amended lease includes rent abatements and escalations during the lease term. The amended lease also includes options to extend the lease term for two additional three-year periods which have not been exercised.

COMMUNITIES IN SCHOOLS OF CHICAGO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Lease commitment (continued)

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

Year ending June 30:	Amount
2017	\$ 78,458
2018	80,419
2019	82,429
2020	84,490
2021	86,602
Total	\$ 412,398

9. Temporarily restricted net assets

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

June 30,	2016	2015
General operating support for the year ending June 30, 2017	\$ 40,000	
Unconditional promises to give	340,000	\$ 559,500
Total	\$ 380,000	\$ 559,500

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

Years ended June 30,	2016	2015
Purpose restrictions:		
HIV/AIDS Prevention Initiative		\$ 24,329
Impact Fund		2,565
Strengthening Mental Health Supports		31,144
Time restrictions:		
Unconditional promises to give	\$ 514,500	595,682
Total net assets released from restrictions	\$ 514,500	\$ 653,720

COMMUNITIES IN SCHOOLS OF CHICAGO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2016, the financial statement date, through November 1, 2016, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.