COMMUNITIES IN SCHOOLS OF CHICAGO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

COMMUNITIES IN SCHOOLS OF CHICAGO

YEARS ENDED JUNE 30, 2020 AND 2019

CONTENTS

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, 2020 and 2019, 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.

NBC Tower, Suite 1500 | 455 N. Cityfront Plaza Drive | Chicago, IL 60611-5313 | **O** 312.670.7444 | **F** 312.670.8301 | ORBA.COM
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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, 2020 and 2019, 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 13, 2020

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FINANCIAL POSITION

June 30,	2020			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
ASSETS						
Cash	**$ 2,005,532**	**$ 902,062**	**$ 2,907,594**	$ 1,090,860	$ 6,483,377	$ 7,574,237
Investments		**3,241,871**	**3,241,871**			
Grants and contracts receivable	**66,393**		**66,393**	151,326		151,326
Unconditional promises to give	**35,627**	**650,816**	**686,443**		408,650	408,650
Prepaid expense and other assets	**79,431**		**79,431**	49,205		49,205
Property and equipment, net	**141,522**		**141,522**	112,397		112,397
Total assets	**$ 2,328,505**	**$ 4,794,749**	**$ 7,123,254**	$ 1,403,788	$ 6,892,027	$ 8,295,815
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	**$ 281,925**		**$ 281,925**	$ 181,639		$ 181,639
Note payable	**784,197**		**784,197**			
Deferred rent	**16,435**		**16,435**	29,428		29,428
Total liabilities	**1,082,557**		**1,082,557**	211,067		211,067
Net assets	**1,245,948**	**$ 4,794,749**	**6,040,697**	1,192,721	$ 6,892,027	8,084,748
Total liabilities and net assets	**$ 2,328,505**	**$ 4,794,749**	**$ 7,123,254**	$ 1,403,788	$ 6,892,027	$ 8,295,815

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF ACTIVITIES

Years ended June 30,	**2020**			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support:						
Individual contributions	**$ 1,141,822**		**$ 1,141,822**	$ 857,343		$ 857,343
Corporate contributions	**338,234**		**338,234**	250,970	$ 6,060,000	6,310,970
Foundation contributions	**404,000**	**$ 845,000**	**1,249,000**	1,090,431	1,408,547	2,498,978
Grants and contracts	**716,947**		**716,947**	738,467		738,467
Contributed goods and services	**97,184**		**97,184**			
Gross special event revenue, net of direct benefit to donors of $11,067 for 2019				306,293		306,293
Net investment income	**67,577**		**67,577**	17,692		17,692
Net assets released from restrictions	**2,942,278**	**(2,942,278)**		1,119,896	(1,119,896)	
Total revenue, gains and support	**5,708,042**	**(2,097,278)**	**3,610,764**	4,381,092	6,348,651	10,729,743
Expenses:						
Program services	**4,217,328**		**4,217,328**	2,950,727		2,950,727
Management and general	**775,480**		**775,480**	673,160		673,160
Fundraising	**662,007**		**662,007**	498,621		498,621
Total expenses	**5,654,815**		**5,654,815**	4,122,508		4,122,508
Change in net assets	**53,227**	**(2,097,278)**	**(2,044,051)**	258,584	6,348,651	6,607,235
Net assets:						
Beginning of year	**1,192,721**	**6,892,027**	**8,084,748**	934,137	543,376	1,477,513
End of year	**$ 1,245,948**	**$ 4,794,749**	**$ 6,040,697**	$ 1,192,721	$ 6,892,027	$ 8,084,748

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	**2020**				2019			
	Program services	**Management and general**	**Fundraising**	**Total**	Program services	Management and general	Fundraising	Total
Salaries and wages	**$ 3,000,900**	**$ 519,639**	**$ 494,413**	**$ 4,014,952**	$ 2,131,733	$ 371,007	$ 333,824	$ 2,836,564
Employee benefits	**518,681**	**46,394**	**53,184**	**618,259**	313,297	55,801	39,717	408,815
Payroll taxes	**240,375**	**28,299**	**39,717**	**308,391**	174,123	31,218	27,562	232,903
Consultants and professional services	**121,358**	**75,952**	**12,050**	**209,360**	5,277	95,636	20,416	121,329
Occupancy	**111,900**	**28,073**	**20,484**	**160,457**	94,819	44,695	18,016	157,530
Program expenses	**73,166**	**2,658**	**1,299**	**77,123**	111,605	2,134	4,395	118,134
Staff development	**34,471**	**19,641**	**7,580**	**61,692**	17,913	13,091	3,262	34,266
Technology costs	**28,378**	**11,653**	**10,033**	**50,064**	19,719	18,005	4,349	42,073
Office and administrative	**14,270**	**31,295**	**1,798**	**47,363**	15,560	21,967	3,153	40,680
Insurance	**35,380**	**4,732**	**5,868**	**45,980**	26,654	8,673	3,251	38,578
Depreciation and amortization	**19,001**	**5,172**	**4,200**	**28,373**	16,471	5,738	3,578	25,787
Travel	**19,448**	**1,972**	**3,011**	**24,431**	23,556	5,195	1,212	29,963
Donor development			**8,370**	**8,370**			15,543	15,543
Special events, less direct benefit to donors of $11,067 for 2019							20,343	20,343
Total expenses	**$ 4,217,328**	**$ 775,480**	**$ 662,007**	**$ 5,654,815**	$ 2,950,727	$ 673,160	$ 498,621	$ 4,122,508

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF CASH FLOWS

Years ended June 30,	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (2,044,051)	$ 6,607,235
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(28,494)	
Depreciation and amortization	28,373	25,787
Deferred rent	(12,993)	7,269
(Increase) decrease in operating assets:		
Grants and contracts receivable	84,933	(49,260)
Unconditional promises to give	(277,793)	(231,750)
Prepaid expense and other assets	(30,226)	114
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	100,286	49,936
Deferred revenue		(5,000)
Net cash provided by (used in) operating activities	(2,179,965)	6,404,331
Cash flows from investing activities:		
Purchase of investments	(3,213,377)	
Purchase of property and equipment	(57,498)	(75,351)
Net cash used in investing activities	(3,270,875)	(75,351)
Cash flows from financing activity:		
Proceeds from note payable	784,197	
Net cash provided by financing activity	784,197	
Net increase (decrease) in cash	(4,666,643)	6,328,980
Cash, beginning of year	7,574,237	1,245,257
Cash, end of year	$ 2,907,594	$ 7,574,237

See 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., a national dropout prevention organization. The Organization functions independently, with a 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.

Recent accounting pronouncement:

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the financial statements of the Organization.

2. Summary of significant accounting policies (continued)

Basis of presentation:

The Organization is required to report information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions – Net assets without donor restrictions are available to finance the general operations of the Organization. The only limits on the use of net assets without donor restrictions 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.

With donor restrictions – Net assets with donor restrictions 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 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 net assets with donor restrictions that are required to be maintained permanently by the Organization at June 30, 2020 and 2019.

Investments:

Investments are stated at fair value. Realized and unrealized investment gains and losses and other investment income less direct internal and external investment expenses are reflected in the statements of activities as net investment income.

Revenue and support:

Contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support with donor restrictions is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization reports contributions with donor restrictions for which restrictions are met in the same reporting period as contributions without donor restrictions.

2. Summary of significant accounting policies (continued)

Revenue and support: (continued)

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 that the receivable will not be collected. Management has determined that the grants and contracts receivable are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2020 and 2019.

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 that the receivable will not be collected. Management has determined that all unconditional promises to give are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2020 and 2019.

Contributed goods and services:

The Organization recognizes revenue at fair value for goods and services contributed when the contributed 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 year ended June 30, 2020, the Organization was the recipient of contributed program consulting fees totaling $97,184 which is included in consultants and professional services under program services on the statements of functional expenses.

2. Summary of significant accounting policies (continued)

Property and equipment:

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Major additions and betterments of $2,000 or more are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. 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.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

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.

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Operating expenses identified with a functional area are charged directly to that area and where expenses affect more than one area, they are allocated based on the percentage of personnel related expenses in the functional category. Personnel related expenses are allocated based on an estimate of time and effort. Occupancy, insurance, and depreciation and amortization are allocated based on a square footage basis.

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Reclassifications:

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent through November 13, 2020, the date the financial statements were available to be issued.

3. COVID-19

The Organization's programs and operations have not been materially interrupted by COVID-19. The Organization primarily relies on contributions, which fluctuate on an annual basis, to support its programs and operations. The Organization's grants and contracts have not been materially impacted by COVID-19. The Organization did not hold a special event during the year ended June 30, 2020 for reasons unrelated to COVID-19. The Organization believes that the ultimate impact of COVID-19 on contributions, grants and contracts and programs is likely to be determined by factors which are uncertain, unpredictable and outside of the Organization's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Organization.

4. Tax status

The Organization is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code (the Code) and applicable state law, except for taxes pertaining to unrelated business income, if any. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

5. Liquidity

The Organization's financial assets available to meet general expenditures within one year are as follows:

June 30,	**2020**	2019
Financial assets at year-end:		
Cash	**$ 2,907,594**	$ 7,574,237
Investments	**3,241,871**	
Grants and contracts receivable	**66,393**	151,326
Unconditional promises to give	**686,443**	408,650
Total financial assets	**6,902,301**	8,134,213
Less amounts not available within one year due to donor restrictions	**(1,721,817)**	(4,061,494)
Less unconditional promises to give receivable in greater than one year	**(211,400)**	(61,400)
Financial assests available to meet general expenditures within one year	**$ 4,969,084**	$ 4,011,319

The sources of liquidity for the Organization are cash, investments, grants and contracts receivable and unconditional promises to give. During the year ended June 30, 2019, the Organization received two significant cash donations with donor restrictions which will be expended over a period of three years. The Organization's cash balance is maintained at the level of at least three months worth of operating expenses. Cash in excess of this may be invested in securities with the goal of safety of capital while ensuring adequate liquidity to meet operational needs.

6. Fair value

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's investments are reported at fair value based on quoted prices in active markets (all Level 1 measurements under the fair value hierarchy).

6. Fair value (continued)

The following is a summary of investments stated at fair value:

June 30, 2020	Level 1
Money market mutual fund	$ 1,229,646
United States government securities	2,012,225
Total investments at fair value	$ 3,241,871

7. Concentration of credit risk

The Organization maintains its cash in accounts at a financial institution which, at times, may exceed federally-insured prescribed limits. As of June 30, 2020 and 2019, the amounts held in excess of federally-insured limits total approximately $2,719,000 and $6,327,000, respectively. Management believes that the Organization is not subject to any significant credit risk on cash.

8. Unconditional promises to give

Unconditional promises to give are as follows:

June 30,	**2020**	2019
Receivable in less than one year	**$ 475,043**	$ 347,250
Receivable in one to five years	**211,400**	61,400
Total unconditional promises to give	**$ 686,443**	$ 408,650

9. Property and equipment

The components of property and equipment are as follows:

June 30,	**2020**	2019
Furniture, equipment and software	**$ 197,225**	$ 141,104
Leasehold improvements	**33,549**	33,549
	230,774	174,653
Less accumulated depreciation and amortization	**(89,252)**	(62,256)
Property and equipment, net	**$ 141,522**	$ 112,397

10. Note payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. PPP funds can be used for payroll costs, mortgage interest, rent, and utilities. The Organization applied for and received $784,197. The loan matures on May 1, 2022 and bears an annual interest rate of 1%. It is the Organization's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during either an 8-week or 24-week period, selected at the option of the Organization, beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Organization has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Organization until such time that the Organization's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Organization will recognize revenue to the extent of the amount forgiven. The Organization has up to 10 months after the end of the selected 8-week or 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 8-week or 24-week period following disbursement date, then payments are to begin at that time.

10. Note payable (continued)

The two-year maturity date could be extended to five years if approved by the lender. If the Organization selects the 8-week period and were to not submit an application for forgiveness by 10 months after the end of the 8-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be $130,700 for the year ending June 30, 2021 and $653,497 for the year ending June 30, 2022. If the Organization selects the 24-week period and were to not submit an application for forgiveness by 10 months after the end of the 24-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be $-0- for the year ending June 30, 2021 and $784,197 for the year ending June 30, 2022.

11. 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 $61,596 and $42,134 for the years ended June 30, 2020 and 2019, respectively.

12. Lease commitment

The Organization leases office space under an operating lease expiring in June 2021. Lease payments for the year ending June 30, 2021 are $141,197.

Rent expense was $124,784 for each of the years ended June 30, 2020 and 2019.

13. Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purpose or time restrictions:

June 30,	**2020**	2019
Purpose restrictions:		
Intensive program	**$ 4,274,749**	$ 6,637,027
Partnership program		50,000
Other programs	**300,000**	60,000
Time restrictions	**220,000**	145,000
Total net assets with donor restrictions	**$ 4,794,749**	$ 6,892,027

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

Years ended June 30,	**2020**	2019
Purpose restrictions:		
Intensive program	**$ 2,687,278**	$ 794,699
Partnership program	**50,000**	127,666
Other programs	**60,000**	99,333
Time restrictions	**145,000**	98,198
Total net assets released from restrictions	**$ 2,942,278**	$ 1,119,896