COMMUNITIES IN SCHOOLS OF CHICAGO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

COMMUNITIES IN SCHOOLS OF CHICAGO

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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.

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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, 2018 and 2017, 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.

October 26, 2018

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FINANCIAL POSITION

June 30,	2018			2017		
	Unrestricted	**Temporarily restricted**	**Total**	Unrestricted	Temporarily restricted	Total
ASSETS						
Cash	**$ 878,781**	**$ 366,476**	**$ 1,245,257**	$ 806,359	$ 15,333	$ 821,692
Grants and contracts receivable	**102,066**		**102,066**	88,487		88,487
Unconditional promises to give		**176,900**	**176,900**		480,000	480,000
Prepaid expense and other assets	**49,319**		**49,319**	15,330		15,330
Property and equipment, net	**62,833**		**62,833**	78,001		78,001
Total assets	**$ 1,092,999**	**$ 543,376**	**$ 1,636,375**	$ 988,177	$ 495,333	$ 1,483,510
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	**$ 131,703**		**$ 131,703**	$ 117,305		$ 117,305
Deferred rent	**22,159**		**22,159**	20,457		20,457
Deferred revenue	**5,000**		**5,000**			
Total liabilities	**158,862**		**158,862**	137,762		137,762
Net assets	**934,137**	**$ 543,376**	**1,477,513**	850,415	$ 495,333	1,345,748
Total liabilities and net assets	**$ 1,092,999**	**$ 543,376**	**$ 1,636,375**	$ 988,177	$ 495,333	$ 1,483,510

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF ACTIVITIES

Years ended June 30,	**2018**			2017		
		Temporarily			Temporarily	
	Unrestricted	**restricted**	**Total**	Unrestricted	restricted	Total
Revenue, gains and support:						
Individual contributions	**$ 892,076**	**$ 1,900**	**$ 893,976**	$ 928,021	$ 5,000	$ 933,021
Corporate contributions	**208,179**	**332,000**	**540,179**	429,433	50,000	479,433
Foundation contributions	**450,500**	**570,710**	**1,021,210**	444,500	425,000	869,500
Grants and contracts	**324,562**		**324,562**	329,435	15,333	344,768
Gross special event revenue, net of direct benefit to donors of $26,566 and $43,001 for 2018 and 2017, respectively	**399,484**		**399,484**	273,923		273,923
Net assets released from restrictions	**856,567**	**(856,567)**		380,000	(380,000)	
Total revenue, gains and support	**3,131,368**	**48,043**	**3,179,411**	2,785,312	115,333	2,900,645
Expenses and loss:						
Program services	**2,413,477**		**2,413,477**	2,166,535		2,166,535
Management and general	**188,915**		**188,915**	180,903		180,903
Fundraising	**445,254**		**445,254**	336,913		336,913
Total expenses	**3,047,646**		**3,047,646**	2,684,351		2,684,351
Write-off of uncollectible contracts receivable				40,000		40,000
Total expenses and loss	**3,047,646**		**3,047,646**	2,724,351		2,724,351
Change in net assets	**83,722**	**48,043**	**131,765**	60,961	115,333	176,294
Net assets:						
Beginning of year	**850,415**	**495,333**	**1,345,748**	789,454	380,000	1,169,454
End of year	**$ 934,137**	**$ 543,376**	**$ 1,477,513**	$ 850,415	$ 495,333	$ 1,345,748

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2018					2017				
	Program services	**Management and general**	**Fundraising**	**Direct benefit to donors**	**Total**	Program services	Management and general	Fundraising	Direct benefit to donors	Total
Consultant fees	**$ 43,300**	**$ 2,591**	**$ 7,254**		**$ 53,145**	$ 19,391	$ 50,898	$ 48,921		$ 119,210
Depreciation and amortization	**12,190**	**784**	**2,194**		**15,168**	9,251	414	1,144		10,809
Donor development			**8,798**		**8,798**			9,052		9,052
Employee benefits	**246,568**	**15,852**	**44,384**		**306,804**	212,358	9,487	26,271		248,116
Events and training	**23,943**	**203**	**7,860**		**32,006**	23,233	280	7,167		30,680
Insurance	**15,135**	**973**	**2,724**		**18,832**	16,571	740	2,050		19,361
Payroll processing and bank fees	**1,916**	**123**	**345**		**2,384**	1,660	74	205		1,939
Payroll taxes	**134,901**	**8,673**	**24,283**		**167,857**	112,808	5,040	13,956		131,804
Postage and shipping	**1,970**	**127**	**355**		**2,452**	2,211	99	273		2,583
Printing and photography	**4,460**	**287**	**803**		**5,550**	2,617	117	324		3,058
Professional fees		**43,383**			**43,383**		39,389			39,389
Rent	**61,980**	**3,985**	**11,157**		**77,122**	66,135	2,954	8,182		77,271
Repairs and maintenance	**33,072**	**1,659**	**4,646**		**39,377**	34,846	1,232	3,413		39,491
Salaries and wages	**1,668,318**	**107,259**	**300,308**		**2,075,885**	1,525,860	68,166	188,766		1,782,792
Special events			**21,698**	**$ 26,566**	**48,264**			21,111	$ 43,001	64,112
Special projects	**118,807**				**118,807**	94,505		500		95,005
Staff development	**12,377**	**796**	**2,228**		**15,401**	7,794	348	964		9,106
Supplies	**5,091**	**327**	**916**		**6,334**	6,198	276	767		7,241
Telephone	**7,833**	**504**	**1,410**		**9,747**	8,953	400	1,108		10,461
Travel	**17,846**	**1,147**	**3,212**		**22,205**	16,549	739	2,047		19,335
Utilities	**3,770**	**242**	**679**		**4,691**	5,595	250	692		6,537
Total expenses	**2,413,477**	**188,915**	**445,254**	**26,566**	**3,074,212**	2,166,535	180,903	336,913	43,001	2,727,352
Less expenses included with revenue, gains and support on the statements of activities				**(26,566)**	**(26,566)**				(43,001)	(43,001)
Total expenses included in the expenses and loss section on the statements of activities	**$ 2,413,477**	**$ 188,915**	**$ 445,254**	**$ -**	**$ 3,047,646**	$ 2,166,535	$ 180,903	$ 336,913	$ -	$ 2,684,351

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF CASH FLOWS

Years ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 131,765**	$ 176,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**15,168**	10,809
Write-off of uncollectible contracts receivable		40,000
Deferred rent	**1,702**	20,457
(Increase) decrease in operating assets:		
Grants and contracts receivable	**(13,579)**	19,481
Unconditional promises to give	**303,100**	(140,000)
Prepaid expense and other assets	**(33,989)**	24,752
Increase in operating liabilities:		
Accounts payable and accrued expenses	**14,398**	15,967
Deferred revenue	**5,000**	
Net cash provided by operating activities	**423,565**	167,760
Cash flows from investing activity:		
Purchase of property and equipment		(61,831)
Net cash used in investing activity		(61,831)
Net increase in cash	**423,565**	105,929
Cash, beginning of year	**821,692**	715,763
Cash, end of year	**$ 1,245,257**	$ 821,692

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 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 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.
>
> **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.

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, 2018 and 2017.

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. Management has determined that the grants and contracts receivable are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2018 and 2017.

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. Management has determined that all unconditional promises to give are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2018 and 2017.

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. 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.

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 year ended June 30, 2017, the Organization was the recipient of donated professional services totaling $50,000.

2. Summary of significant accounting policies (continued)

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Operating expenses identified with a functional area are charged directly to that area and where expenses affect more than one area, they are allocated on the basis of ratios estimated by management.

Use of estimates:

The preparation of financial statements in conformity 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.

Subsequent events:

In September 2018, the Organization received a project grant of $6,000,000 to provide student support services at 16 school sites over a project performance period of September 1, 2018 through September 30, 2022.

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2018, the financial statement date, through October 26, 2018, the date the financial statements were available to be issued.

3. Tax status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Organization is not a private foundation within the meaning of Section 209(a) of the Code.

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, 2018 and 2017.

4. Concentration of credit risk

The Organization maintains its cash in one account at a financial institution which, at times, may exceed federally-insured prescribed limits. As of June 30, 2018 and 2017, the amounts held in excess of federally-insured limits total approximately $1,009,000 and $581,000, respectively. Management believes that the Organization is not subject to any significant credit risk on cash.

5. Unconditional promises to give

Unconditional promises to give are as follows:

June 30,	**2018**	2017
Receivable in less than one year	**$ 176,900**	$ 330,000
Receivable in one to five years		150,000
Total unconditional promises to give	**$ 176,900**	$ 480,000

6. Property and equipment

The components of property and equipment are as follows:

June 30,	**2018**	2017
Furniture, equipment and software	**$ 91,512**	$ 91,512
Leasehold improvements	**7,790**	7,790
	99,302	99,302
Less accumulated depreciation and amortization	**(36,469)**	(21,301)
Property and equipment, net	**$ 62,833**	$ 78,001

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 $37,980 and $27,501 for the years ended June 30, 2018 and 2017, respectively.

8. Lease commitment

The Organization leases office space under an operating lease expiring in June 2021. During the year ended June 30, 2018, the lease was amended to include additional space effective July 1, 2018. The lease calls for monthly payments of base rent.

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

Year ending June 30:	Amount
2019	$ 130,063
2020	137,741
2021	141,197
Total	$ 409,001

9. Temporarily restricted net assets

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

June 30,	**2018**	2017
Purpose restrictions:		
School programs	**$ 226,477**	$ 15,333
Mental health program	**63,500**	
STEM program	**47,333**	
Healthy Kids initiative	**29,166**	
Time restrictions:		
Unconditional promises to give	**176,900**	480,000
Total	**$ 543,376**	$ 495,333

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

Years ended June 30,	**2018**	2017
Purpose restrictions:		
School programs	**$ 331,566**	
Mental health program	**46,500**	
STEM program	**52,667**	
Healthy Kids initiative	**20,834**	
Time restrictions:		
General operating support for the year ended June 30, 2017		$ 40,000
Unconditional promises to give	**405,000**	340,000
Total net assets released from restrictions	**$ 856,567**	$ 380,000