COMMUNITIES IN SCHOOLS
OF CHICAGO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

COMMUNITIES IN SCHOOLS OF CHICAGO

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

ORBA®
Accounting | Tax | Advisory

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, 2019 and 2018, 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
Independent Member of BKR International

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, 2019 and 2018, 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 7, 2019

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FINANCIAL POSITION

June 30,	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
ASSETS						
Cash	**$ 1,090,860**	**$ 6,483,377**	**$ 7,574,237**	$ 878,781	$ 366,476	$ 1,245,257
Grants and contracts receivable	**151,326**		**151,326**	102,066		102,066
Unconditional promises to give		**408,650**	**408,650**		176,900	176,900
Prepaid expense and other assets	**49,205**		**49,205**	49,319		49,319
Property and equipment, net	**112,397**		**112,397**	62,833		62,833
Total assets	**$ 1,403,788**	**$ 6,892,027**	**$ 8,295,815**	$ 1,092,999	$ 543,376	$ 1,636,375
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	**$ 181,639**		**$ 181,639**	$ 131,703		$ 131,703
Deferred rent	**29,428**		**29,428**	22,159		22,159
Deferred revenue				5,000		5,000
Total liabilities	**211,067**		**211,067**	158,862		158,862
Net assets	**1,192,721**	**$ 6,892,027**	**8,084,748**	934,137	$ 543,376	1,477,513
Total liabilities and net assets	**$ 1,403,788**	**$ 6,892,027**	**$ 8,295,815**	$ 1,092,999	$ 543,376	$ 1,636,375

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF ACTIVITIES

Years ended June 30,	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support:						
Individual contributions	**$ 854,964**		**$ 854,964**	$ 892,076	$ 1,900	$ 893,976
Corporate contributions	**250,970**	**$ 6,060,000**	**6,310,970**	208,179	332,000	540,179
Foundation contributions	**1,090,431**	**1,408,547**	**2,498,978**	450,500	570,710	1,021,210
Grants and contracts	**738,467**		**738,467**	324,562		324,562
Gross special event revenue, net of direct benefit to donors of $11,067 and $26,566 for 2019 and 2018, respectively	**306,293**		**306,293**	399,484		399,484
Miscellaneous income	**20,071**		**20,071**			
Net assets released from restrictions	**1,119,896**	**(1,119,896)**		856,567	(856,567)	
Total revenue, gains and support	**4,381,092**	**6,348,651**	**10,729,743**	3,131,368	48,043	3,179,411
Expenses:						
Program services	**2,950,727**		**2,950,727**	2,413,477		2,413,477
Management and general	**673,160**		**673,160**	188,915		188,915
Fundraising	**498,621**		**498,621**	445,254		445,254
Total expenses	**4,122,508**		**4,122,508**	3,047,646		3,047,646
Change in net assets	**258,584**	**6,348,651**	**6,607,235**	83,722	48,043	131,765
Net assets:						
Beginning of year	**934,137**	**543,376**	**1,477,513**	850,415	495,333	1,345,748
End of year	**$ 1,192,721**	**$ 6,892,027**	**$ 8,084,748**	$ 934,137	$ 543,376	$ 1,477,513

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	**2019**				2018			
	Program services	**Management and general**	**Fundraising**	**Total**	Program services	Management and general	Fundraising	Total
Salaries and wages	**$ 2,131,733**	**$ 371,007**	**$ 333,824**	**$ 2,836,564**	$ 1,668,318	$ 107,259	$ 300,308	$ 2,075,885
Employee benefits	**313,297**	**55,801**	**39,717**	**408,815**	246,568	15,852	44,384	306,804
Payroll taxes	**174,123**	**31,218**	**27,562**	**232,903**	134,901	8,673	24,283	167,857
Program expenses	**111,605**	**2,134**	**4,395**	**118,134**	142,750	203	7,860	150,813
Consultants and professional services	**5,277**	**95,636**	**20,416**	**121,329**	43,300	45,974	7,254	96,528
Occupancy	**94,819**	**44,695**	**18,016**	**157,530**	77,136	4,731	13,246	95,113
Staff development	**17,913**	**13,091**	**3,262**	**34,266**	12,377	796	2,228	15,401
Donor development			**15,543**	**15,543**			8,798	8,798
Special events, less direct benefit to donors of $11,067 and $26,566 for 2019 and 2018, respectively			**20,343**	**20,343**			21,698	21,698
Depreciation and amortization	**16,471**	**5,738**	**3,578**	**25,787**	12,190	784	2,194	15,168
Insurance	**26,654**	**8,673**	**3,251**	**38,578**	15,135	973	2,724	18,832
Technology costs	**19,719**	**18,005**	**4,349**	**42,073**	18,777	1,659	4,646	25,082
Office and administrative	**15,560**	**21,967**	**3,153**	**40,680**	24,179	864	2,419	27,462
Travel	**23,556**	**5,195**	**1,212**	**29,963**	17,846	1,147	3,212	22,205
Total expenses	**$ 2,950,727**	**$ 673,160**	**$ 498,621**	**$ 4,122,508**	$ 2,413,477	$ 188,915	$ 445,254	$ 3,047,646

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF CHICAGO

STATEMENTS OF CASH FLOWS

Years ended June 30,	**2019**	2018
Cash flows from operating activities:		
Change in net assets	**$ 6,607,235**	$ 131,765
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**25,787**	15,168
Deferred rent	**7,269**	1,702
(Increase) decrease in operating assets:		
Grants and contracts receivable	**(49,260)**	(13,579)
Unconditional promises to give	**(231,750)**	303,100
Prepaid expense and other assets	**114**	(33,989)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**49,936**	14,398
Deferred revenue	**(5,000)**	5,000
Net cash provided by operating activities	**6,404,331**	423,565
Cash flows from investing activity:		
Purchase of property and equipment	**(75,351)**	
Net cash used in investing activity	**(75,351)**	
Net increase in cash	**6,328,980**	423,565
Cash, beginning of year	**1,245,257**	821,692
Cash, end of year	**$ 7,574,237**	$ 1,245,257

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.

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, 2019 and 2018.

2. Summary of significant accounting policies (continued)

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.

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, 2019 and 2018.

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 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, 2019 and 2018.

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, 2019 and 2018.

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.

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. 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, including rent, insurance, utilities, repairs and maintenance and depreciation are allocated based on the proportional amount of office space used by each program.

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.

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 7, 2019, the date the financial statements were available to be issued.

3. 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.

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, 2019 and 2018.

4. Liquidity

The following represents the Organization's financial assets at June 30, 2019:

June 30, 2019	
Financial assets at year-end:	
Cash	$ 7,574,237
Grants and contracts receivable	151,326
Unconditional promises to give	408,650
Total financial assets	8,134,213
Less amounts not available within one year due to donor restriction	(4,061,494)
Less unconditional promises to give receivable in greater than one year	(61,400)
Financial assests available to meet general expenditures within one year	$ 4,011,319

The sources of liquidity for the Organization are cash, 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 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.

5. 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, 2019 and 2018, the amounts held in excess of federally-insured limits total approximately $6,327,000 and $1,009,000, respectively. Management believes that the Organization is not subject to any significant credit risk on cash.

6. Unconditional promises to give

Unconditional promises to give are as follows:

June 30,	**2019**	2018
Receivable in less than one year	**$ 347,250**	$ 176,900
Receivable in one to five years	**61,400**	
Total unconditional promises to give	**$ 408,650**	$ 176,900

7. Property and equipment

The components of property and equipment are as follows:

June 30,	**2019**	2018
Furniture, equipment and software	**$ 141,104**	$ 91,512
Leasehold improvements	**33,549**	7,790
	174,653	99,302
Less accumulated depreciation and amortization	**(62,256)**	(36,469)
Property and equipment, net	**$ 112,397**	$ 62,833

8. 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 $42,134 and $37,980 for the years ended June 30, 2019 and 2018, respectively.

9. Lease commitment

The Organization leases office space under an operating lease expiring in June 2021. Future minimum lease payments required under the lease are as follows:

Year ending June 30:	Amount
2020	$ 137,741
2021	141,197
Total	$ 278,938

Rent expense was $124,784 and $77,122 during the years ended June 30, 2019 and 2018, respectively.

10. Net assets with donor restrictions

Net assets with donor restrictions were available for the following purpose or time restrictions:

June 30,	**2019**	2018
Purpose restrictions:		
Intensive program	**$ 6,637,027**	$ 289,977
Partnership program	**50,000**	
Other programs	**60,000**	76,499
Time restrictions	**145,000**	176,900
Total net assets with donor restrictions	**$ 6,892,027**	$ 543,376

Net assets with donor restrictions 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,	**2019**	2018
Purpose restrictions:		
Intensive program	**$ 794,699**	$ 378,066
Partnership program	**127,666**	20,834
Other programs	**99,333**	52,667
Time restrictions	**98,198**	405,000
Total net assets released from restrictions	**$ 1,119,896**	$ 856,567