CHICAGO ARTS PARTNERSHIPS IN EDUCATION

FINANCIAL STATEMENTS AS OF JUNE 30, 2015 AND 2014

TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chicago Arts Partnership in Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Arts Partnerships in Education (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Chicago Arts Partnerships in Education as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on Schedule 1 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015, on our consideration of Chicago Arts Partnership in Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chicago Arts Partnerships in Education's internal control over financial reporting and compliance.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
November 4, 2015

EXHIBIT 1

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	$ 149,761	$ 27,207
- Temporarily restricted	135,000	140,000
Cash held for others	3,146	2,521
Grants receivable - Unrestricted	249,816	220,103
- Temporarily restricted	257,500	155,000
Pledges receivable - Temporarily restricted	22,370	-
Investments	188,523	284,423
Prepaid expense	12,093	7,428
Total current assets	1,018,209	836,682
FURNITURE AND EQUIPMENT:		
Computer equipment	78,906	78,064
Furniture and fixtures	20,330	20,330
Leasehold improvements	6,334	6,334
	105,570	104,728
Less - Accumulated depreciation	(100,076)	(98,277)
Net property and equipment	5,494	6,451
OTHER ASSETS:		
Pledges receivable - Temporarily restricted	61,200	-
Total assets	$ 1,084,903	$ 843,133
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 29,914	$ 8,280
Funds held for others	3,146	2,521
Total current liabilities	33,060	10,801
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	225,662	187,221
- Board-designated reserve	350,111	350,111
Temporarily restricted	476,070	295,000
Total net assets	1,051,843	832,332
	$ 1,084,903	$ 843,133

The accompanying notes are an integral part of this statement.

EXHIBIT 2

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Program revenues	$ 214,979	$ -	$ 214,979	$ 259,384	$ -	$ 259,384
Contributed income -						
Government grants	460,587	65,000	525,587	551,371	90,000	641,371
Corporate	126,500	80,000	206,500	132,500	-	132,500
Foundations	144,500	247,500	392,000	153,500	145,000	298,500
Individuals	53,473	83,570	137,043	43,170	-	43,170
In-kind donations	56,577	-	56,577	-	-	-
Special events	6,263	-	6,263	28,160	-	28,160
Unrealized gain on investments	2,931	-	2,931	10,296	-	10,296
Interest and dividend income	1,308	-	1,308	1,132	-	1,132
Total support and revenue	1,067,118	476,070	1,543,188	1,179,513	235,000	1,414,513
Net assets released from restrictions - Satisfaction of program restrictions	295,000	(295,000)	-	280,000	(280,000)	-
Net support and revenue	1,362,118	181,070	1,543,188	1,459,513	(45,000)	1,414,513
EXPENSES:						
Program	926,013	-	926,013	1,183,088	-	1,183,088
Management and general	307,809	-	307,809	224,531	-	224,531
Fundraising	89,855	-	89,855	88,854	-	88,854
Total expenses	1,323,677	-	1,323,677	1,496,473	-	1,496,473
CHANGE IN NET ASSETS	38,441	181,070	219,511	(36,960)	(45,000)	(81,960)
NET ASSETS, Beginning of year	537,332	295,000	832,332	574,292	340,000	914,292
NET ASSETS, End of year	$ 575,773	$ 476,070	$ 1,051,843	$ 537,332	$ 295,000	$ 832,332

The accompanying notes are an integral part of this statement.

EXHIBIT 3

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 219,511	$ (81,960)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	2,726	3,434
Unrealized (gain) on investments	(2,931)	(10,296)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	(132,213)	210,674
(Increase) in pledge receivables	(83,570)	-
(Increase) decrease in prepaid expenses	(4,665)	7,822
Increase (decrease) in accounts payable	22,259	(11,076)
Net cash provided by operating activities	21,117	118,598
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,617)	-
Proceeds from sale of fixed assets	848	-
Proceeds from sales of investments	150,095	-
Purchase of investments	(51,264)	(201,080)
Net cash provided by (used in) investing activities	97,062	(201,080)
NET CHANGE IN CASH AND CASH EQUIVALENTS	118,179	(82,482)
CASH AND CASH EQUIVALENTS, Beginning of year	169,728	252,210
CASH AND CASH EQUIVALENTS, End of year	$ 287,907	$ 169,728

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES:

Chicago Arts Partnerships in Education (CAPE) was incorporated as a not-for-profit organization in 1993 under the laws of the State of Illinois. CAPE's mission is to make quality arts education a central part of the daily learning experiences of students in Chicago Public Schools, to fully integrate the arts with the overall education programs of schools, to coordinate the funding of neighborhood-based partnerships between schools, art and community organizations, and to provide technical assistance to support those partnerships.

The financial statements were available to be issued on November 4, 2015, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements:

Basis of Accounting -

The accounting records of CAPE are maintained on the accrual basis which recognizes revenue as it is earned and expenses as they are incurred.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, CAPE considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

Financial instruments which potentially subject CAPE to concentrations of credit risk consist principally of cash. CAPE places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time.

Receivables -

Receivables consist of grants and amounts due from program services which are due within one year. CAPE made an analysis of historical collection experience and a review of the current status of grants and other receivables and determined no allowance is considered necessary.

Pledges Receivable -

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (Continued)

Investments -

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Furniture and Equipment -

CAPE follows the practice of capitalizing all expenditures and property and equipment having a useful life in excess of one year. Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation and are depreciated over their estimated useful lives, which range from 3 to 5 years, using the straight-line method.

Basis of Presentation -

CAPE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board has designated $350,111 as a contingency reserve as of June 30, 2015 and 2014.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of CAPE and/or the passage of time.

Temporarily restricted net assets are comprised of the following:

	2015	2014
Barnett Family Foundation	$ -	$ 60,000
Circle of Service Foundation	-	25,000
National Endowment for the Arts	55,000	90,000
Polk Bros. Foundation	-	80,000
Fry Foundation	-	30,000
Mansfield Foundation	10,000	10,000
City Arts	10,000	-
Boeing Co	30,000	-
Crown Family	62,500	-
Bloomberg Family Foundation	150,000	-
Young Audiences, Inc.	25,000	-
Target	50,000	-
Various individuals	83,570	-
Total	$ 476,070	$ 295,000

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CAPE. Generally, the donors of these assets permit CAPE to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2015 and 2014.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (Continued)

Restricted and Unrestricted 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.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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.

Use of Estimates -

CAPE prepares its financial statements according to generally accepted accounting principles which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Allocation of Expenses -

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

(2) INCOME TAXES:

CAPE is a non-profit Illinois corporation organized for charitable purposes, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. CAPE is a public charity and, thus, contributions by the public are deductible for income tax purposes.

CAPE files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, CAPE is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011. CAPE does not expect a material net change in unrecognized tax benefits in the next twelve months.

(3) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give:

	2015	2014
Promises to give	$ 87,575	$ -
Less - Unamortized discounts	4,005	-
Net unconditional promises to give	$ 83,570	$ -
Amounts due in:		
Less than one year	$ 22,370	$ -
One to five years	61,200	-
	$ 83,570	$ -

(4) INVESTMENTS:

Investments as of June 30, 2015 and 2014 are as follows:

	2015	2014
Mutual funds	$ 60,217	$ 56,182
Money market funds	100,138	178,233
Certificates of deposit	28,168	50,008
Total investments	$ 188,523	$ 284,423

(5) FAIR VALUE MEASUREMENTS:

CAPE adopted Accounting Standards Codification (ASC), *Fair Value Measurements*. The ASC establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect CAPE's market assumptions. These two types of inputs create the following fair value hierarchy.

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

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

(5) FAIR VALUE MEASUREMENTS: (Continued)

The asset 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 following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual Funds: Valued at the closing price (net asset value) reported on the active market on which the individual securities are traded.

Money Market: Valued at amortized cost which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CAPE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, CAPE's assets at fair value:

	Assets at Fair Value as of June 30, 2015			
Description	Level 1	Level 2	Level 3	Total
Mutual funds -				
Index fund	$ 60,217	$ -	$ -	$ 60,217
Money market funds	100,138	-	-	100,138
Total assets at fair value	$ 160,355	$ -	$ -	160,355
Certificates of deposit				28,168
Total investments				$ 188,523

	Assets at Fair Value as of June 30, 2014			
Description	Level 1	Level 2	Level 3	Total
Mutual funds –				
Index fund	$ 56,182	$ -	$ -	$ 56,182
Money market funds	178,233	-	-	178,233
Total assets at fair value	$ 234,415	$ -	$ -	234,415
Certificates of deposit				50,008
Total investments				$ 284,423

(6) LEASE COMMITMENTS:

CAPE leases its office under an operating lease that expires in May, 2016. In addition, CAPE has an operating lease agreement for rental of a copier expiring in February, 2020. Rent expense under these operating leases, which includes common area maintenance charges and applicable taxes, was $69,192 and $70,756 in 2015 and 2014, respectively.

The future minimum lease payments are as follows:

2016	$	71,992
2017		6,204
2018		6,204
2019		6,204
2020		4,653

(7) RETIREMENT PLAN:

CAPE has a qualified defined contribution plan 401(k) plan for all qualified employees. The employees may make voluntary pretax contributions to the plan, up to the maximum amount permitted under the Internal Revenue Code. CAPE makes matching contributions of 50% of each employee's contribution, up to 6% of eligible wages. Employer contributions for the years ended June 30, 2015 and 2014 were $14,170 and $14,502, respectively.

(8) CONCENTRATION OF GRANTS:

For the years ended June 30, 2015 and 2014, approximately 29% and 13%, respectively, of CAPE's support and revenues was provided by a pass-through grant from the Illinois State Board of Education's 21st Century Community Learning Centers Program funded by the U.S. Department of Education. Also, for the year ended June 30, 2014, approximately 29% of CAPE's support and revenues was provided directly from the U.S. Department of Education.

(9) FUNDS HELD FOR OTHERS:

CAPE is acting as an agent for various individuals. CAPE holds the funds and disburses them as needed within required limits and purpose.

The following shows the transactions that have occurred during the years ended June 30, 2015 and 2014:

	2015	2014
Beginning balance	$ 2,521	$ -
Receipts	3,000	2,521
Disbursements	(2,375)	-
Ending balance	$ 3,146	$ 2,521

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Chicago Arts Partnership in Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chicago Arts Partnership in Education (CAPE) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CAPE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAPE's internal control. Accordingly, we do not express an opinion on the effectiveness of CAPE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CAPE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CAPE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dugan & Lopatka
DUGAN & LOPATKA

Wheaton, Illinois
November 4, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Chicago Arts Partnership in Education:

Report on Compliance for Each Major Federal Program

We have audited Chicago Arts Partnership in Education's (CAPE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CAPE's major federal programs for the year ended June 30, 2015. CAPE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CAPE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CAPE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CAPE's compliance.

Opinion on Each Major Federal Program

In our opinion, CAPE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of CAPE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CAPE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAPE's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dugan & Lopatka
DUGAN & LOPATKA

Wheaton, Illinois
November 4, 2015

EXHIBIT 4

CHICAGO ARTS PARTNERSHIP IN EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Grantor	Pass-Through Number	Total Program Expenditures
U.S. Department of Education:				
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-15	$ 226,181
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-25	210,107
				436,288*
Arts in Education	84.351D			3,949
Total U.S. Department of Education				440,237
National Endowment for the Arts:				
Promotion of the Arts grants to Organization and individuals	45.024			90,000
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 530,237

(*) Major Program

Note: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. There were no amounts provided to sub-recipients from federal programs. There were no non-cash assistance, insurance or loans or loan guarantees outstanding for the year ended June 30, 2015.

EXHIBIT 5

CHICAGO ARTS PARTNERSHIP IN EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

PART 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Chicago Arts Partnership in Education

2. There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Chicago Arts Partnership in Education were disclosed during the audit.

4. There were no material weaknesses or significant deficiencies disclosed during the audit of the major federal award programs.

5. The auditor's report on compliance for the major federal award programs for Chicago Arts Partnership in Education expresses an unmodified opinion on all major federal programs.

6. There are no audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

7. The program tested as a major program included:

   21st Century Community Learning Centers 84.287

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Chicago Arts Partnership in Education was determined to be a low-risk auditee.

PART 2: FINDINGS – FINANCIAL STATEMENT AUDIT (GAGAS):

There were no audit findings or questioned costs.

PART 3: AUDIT FINDINGS AND QUESTIONED COSTS (MAJOR PROGRAMS, OMB CIRCULAR A-133):

There were no audit findings or questioned costs.

PART 4: SUMMARY SCHEDULE OF PRIOR FINDINGS:

There were no prior audit findings reported.

Schedule 1

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	326,216	$ 87,562	$ 72,137	$ 485,915	$ 490,067	$ 74,337	$ 55,156	$ 619,560
Artist fees	243,643	-	475	244,118	289,048	-	-	289,048
Teacher stipends and other personnel	151,521	-	413	151,934	130,465	-	-	130,465
Non-teaching personnel and presenters	41,877	-	277	42,154	45,699	-	-	45,699
Supplies and materials	54,001	8,115	9,691	71,807	48,554	8,352	1,162	58,068
Research and development	66,331	-	-	66,331	106,330	-	-	106,330
Conference fees and travel	18,145	10,503	1,133	29,781	40,545	10,104	3,520	54,169
Brochures and postage	740	5,556	2,071	8,367	3,186	5,154	2,638	10,978
Website	8,629	1,836	-	10,465	1,563	1,306	-	2,869
Designers and consultants	1,200	55,000	875	57,075	10,264	-	-	10,264
Photography	-	-	-	-	2,000	-	-	2,000
Rent, utilities, and moving	488	81,992	134	82,614	9,573	78,693	71	88,337
Accounting	11,286	22,858	7	34,151	319	26,458	79	26,856
Special events	-	-	-	-	-	-	3,009	3,009
Office expenses	1,651	5,325	2,427	9,403	932	7,926	2,908	11,766
Insurance	-	9,302	-	9,302	-	9,797	-	9,797
Resource materials	-	110	-	110	-	-	-	-
Depreciation	-	2,726	-	2,726	2,747	687	-	3,434
Dues and subscriptions	285	16,299	-	16,584	369	1,468	4,745	6,582
Temporary services	-	465	215	680	-	150	-	150
Bad debts	-	-	-	-	1,415	-	-	1,415
Consultants	-	-	-	-	-	-	15,550	15,550
Miscellaneous	-	160	-	160	12	99	16	127
Total functional expenses	$ 926,013	$ 307,809	$ 89,855	$ 1,323,677	$ 1,183,088	$ 224,531	$ 88,854	$ 1,496,473