

**CHICAGO ARTS PARTNERSHIPS
IN EDUCATION**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 AND 2016**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and 2016, 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. 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, 2017 and 2016, 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 basic financial statements taken as a whole. The supplementary information on Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic 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.

DUGAN & LOPATKA

Wheaton, Illinois
DATE

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 118,582	\$ 190,608
- Temporarily restricted	20,000	75,000
Cash held for others	1,146	146
Grants receivable - Unrestricted	161,646	69,164
- Temporarily restricted	165,000	115,000
Pledges receivable - Temporarily restricted	45,610	35,892
Investments	311,059	290,815
Prepaid expense	11,274	10,340
Total current assets	<u>834,317</u>	<u>786,965</u>
FURNITURE AND EQUIPMENT:		
Computer equipment	20,024	12,524
Furniture and fixtures	20,331	20,331
Leasehold improvements	6,334	6,334
	<u>46,689</u>	<u>39,189</u>
Less - Accumulated depreciation	(33,485)	(28,854)
Net property and equipment	<u>13,204</u>	<u>10,335</u>
OTHER ASSETS:		
Pledges receivable - Temporarily restricted	59,062	73,559
Total assets	<u>\$ 906,583</u>	<u>\$ 870,859</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 52,160	\$ 25,136
Funds held for others	1,146	146
Total current liabilities	<u>53,306</u>	<u>25,282</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	213,494	195,915
- Board-designated reserve	350,111	350,111
Temporarily restricted	289,672	299,551
Total net assets	<u>853,277</u>	<u>845,577</u>
	<u>\$ 906,583</u>	<u>\$ 870,859</u>

The accompanying notes are an integral part of this statement.

**CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		2016		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
SUPPORT AND REVENUE:					
Program revenues	\$ 279,644	\$ -	\$ 279,644	\$ -	\$ 270,228
Contributed income -					
Government grants	550,900	75,000	625,900	75,000	718,712
Corporate	56,800	10,000	66,800	-	9,000
Foundations	218,250	100,000	318,250	40,000	202,250
Individuals	49,760	34,723	84,483	75,100	98,779
In-kind donations	1,624	-	1,624	-	111,301
Special events	17,915	-	17,915	-	9,786
Unrealized gain on investments	13,863	-	13,863	-	3,308
Interest and dividend income	6,863	-	6,863	-	2,576
Total support and revenue	1,195,619	219,723	1,415,342	190,100	1,425,940
Net assets released from restrictions -					
Satisfaction of program restrictions	229,602	(229,602)	-	(366,619)	-
Net support and revenue	1,425,221	(9,879)	1,415,342	(176,519)	1,425,940
EXPENSES:					
Program	973,374	-	973,374	-	1,064,641
Management and general	261,969	-	261,969	-	391,551
Fundraising	172,299	-	172,299	-	176,014
Total expenses	1,407,642	-	1,407,642	-	1,632,206
CHANGE IN NET ASSETS					
NET ASSETS, Beginning of year	17,579	(9,879)	7,700	(176,519)	(206,266)
NET ASSETS, End of year	546,026	299,551	845,577	476,070	1,051,843
NET ASSETS, End of year	\$ 563,605	\$ 289,672	\$ 853,277	\$ 299,551	\$ 845,577

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ 7,700	\$ (206,266)
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	4,631	2,659
Unrealized (gain) on investments	(13,863)	(3,308)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	(142,482)	323,152
(Increase) decrease in pledge receivables	4,779	(25,881)
(Increase) decrease in prepaid expenses	(934)	1,753
Increase (decrease) in accounts payable	28,024	(7,778)
	<u>(112,145)</u>	<u>84,331</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(7,500)	(7,500)
Proceeds from sales of investments	-	128,307
Purchase of investments	(6,381)	(227,291)
	<u>(13,881)</u>	<u>(106,484)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(126,026)	(22,153)
CASH AND CASH EQUIVALENTS, Beginning of year	265,754	287,907
CASH AND CASH EQUIVALENTS, End of year	\$ 139,728	\$ 265,754

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(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 DATE, 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 over \$1,000 and 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, 2017 and 2016.

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:

	<u>2017</u>	<u>2016</u>
National Endowment for the Arts	\$ 75,000	\$ 75,000
Fry Foundation	-	30,000
Mansfield Foundation	10,000	10,000
Circle of Service Foundation	25,000	-
Bloomberg Family Foundation	-	75,000
Crown Family Foundation	62,500	-
Young Audiences, Inc.	2,500	-
U.S. Bank Foundation	10,000	-
Various individuals	<u>104,672</u>	<u>109,551</u>
Total	<u>\$ 289,672</u>	<u>\$ 299,551</u>

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, 2017 and 2016.

(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 2013. 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:

	<u>2017</u>	<u>2016</u>
Promises to give	\$ 107,925	\$ 114,027
Less - Unamortized discounts	<u>3,253</u>	<u>4,576</u>
Net unconditional promises to give	<u>\$ 104,672</u>	<u>\$ 109,451</u>
Amounts due in:		
Less than one year	\$ 45,610	\$ 35,892
One to five years	<u>59,062</u>	<u>73,559</u>
	<u>\$ 104,672</u>	<u>\$ 109,451</u>

(4) INVESTMENTS:

Investments as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Mutual funds	<u>\$ 311,059</u>	<u>\$ 290,815</u>

(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, 2017 and 2016.

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

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:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Index funds	<u>\$ 311,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,059</u>

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Index funds	<u>\$ 290,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,815</u>

(6) LEASE COMMITMENTS:

CAPE leases its office under an operating lease that expires in May, 2021. In addition, CAPE has an operating lease agreement for rental of a copier expiring in March, 2020. Rent expense under these operating leases, which includes common area maintenance charges and applicable taxes, was \$94,180 and \$79,466 in 2017 and 2016, respectively.

The future minimum lease payments are as follows:

2018	\$	88,650
2019		91,000
2020		91,799
2021		81,858

(7) RETIREMENT PLAN:

CAPE has a qualified defined contribution 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, 2017 and 2016 were \$15,413 and \$14,970, respectively.

(8) CONCENTRATION OF GRANTS:

For the years ended June 30, 2017 and 2016, approximately 39% and 45%, 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.

(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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 146	\$ 3,146
Receipts	1,000	-
Disbursements	<u>-</u>	<u>(3,000)</u>
Ending balance	<u>\$ 1,146</u>	<u>\$ 146</u>

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	\$ 326,956	\$ 81,734	\$ 107,070	\$ 515,760	\$ 333,120	\$ 102,659	\$ 129,797	\$ 565,576
Artist fees	258,198	-	-	258,198	322,958	-	820	323,778
Teacher stipends and other personnel	165,470	-	262	165,732	217,939	-	200	218,139
Non-teaching personnel and presenters	71,411	-	605	72,016	45,489	-	100	45,589
Supplies and materials	40,783	4,081	16,074	60,938	52,264	5,065	11,322	68,651
Research and development	58,584	-	-	58,584	55,102	-	-	55,102
Conference fees and travel	24,077	5,411	3,822	33,310	16,678	9,368	3,662	29,708
Brochures and postage	5,197	4,032	1,527	10,756	2,366	3,945	788	7,099
Website	-	1,504	-	1,504	249	2,063	-	2,312
Designers and consultants	4,315	2,000	28,828	35,143	3,126	114,000	25,000	142,126
Photography	-	-	500	500	300	-	-	300
Rent, utilities, and moving	6,079	96,935	7,756	110,770	1,558	85,268	55	86,881
Accounting	110	22,817	1,647	24,574	11,316	21,764	642	33,722
Office expenses	647	7,079	2,973	10,699	-	12,051	2,390	14,441
Insurance	12	14,195	-	14,207	12	15,044	-	15,056
Resource materials	11,291	128	-	11,419	1,829	908	1	2,738
Depreciation	-	4,631	-	4,631	-	2,659	-	2,659
Dues and subscriptions	204	17,422	1,075	18,701	290	15,999	1,237	17,526
Temporary services	40	-	160	200	45	560	-	605
Miscellaneous	-	-	-	-	-	198	-	198
Total functional expenses	\$ 973,374	\$ 261,969	\$ 172,299	\$ 1,407,642	\$ 1,064,641	\$ 391,551	\$ 176,014	\$ 1,632,206

