

**CHICAGO ARTS PARTNERSHIPS
IN EDUCATION**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017**

TOGETHER WITH AUDITOR'S REPORT



Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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, 2018 and 2017, 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.

To the Board of Directors of
Chicago Arts Partnerships in Education

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, 2018 and 2017, 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

Warrenville, Illinois
November 27, 2018

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 226,855	\$ 118,582
- Temporarily restricted	40,000	20,000
Cash held for others	1,146	1,146
Grants receivable - Unrestricted	68,572	161,646
- Temporarily restricted	149,276	165,000
Pledges receivable - Temporarily restricted, current portion	38,150	45,610
Investments	330,024	311,059
Prepaid expense	9,270	11,274
Total current assets	<u>863,293</u>	<u>834,317</u>
FURNITURE AND EQUIPMENT:		
Computer equipment	20,024	20,024
Furniture and fixtures	20,331	20,331
Leasehold improvements	6,334	6,334
	<u>46,689</u>	<u>46,689</u>
Less - Accumulated depreciation	(39,008)	(33,485)
Net property and equipment	<u>7,681</u>	<u>13,204</u>
OTHER ASSETS:		
Pledges receivable - Temporarily restricted, long-term portion	39,584	59,062
Total assets	<u>\$ 910,558</u>	<u>\$ 906,583</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 45,932	\$ 52,160
Funds held for others	1,146	1,146
Total current liabilities	<u>47,078</u>	<u>53,306</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	208,132	213,494
- Board-designated reserve	350,111	350,111
Temporarily restricted	305,237	289,672
Total net assets	<u>863,480</u>	<u>853,277</u>
	<u>\$ 910,558</u>	<u>\$ 906,583</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, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Program revenues	\$ 248,150	\$ -	\$ 248,150	\$ 279,644	\$ -	\$ 279,644
Contributed income -						
Government grants	600,867	92,503	693,370	550,900	75,000	625,900
Corporate	54,900	10,000	64,900	56,800	10,000	66,800
Foundations	141,232	125,000	266,232	218,250	100,000	318,250
Individuals	36,991	21,744	58,735	49,760	34,723	84,483
In-kind donations	2,057	-	2,057	1,624	-	1,624
Special events	12,239	-	12,239	17,915	-	17,915
Unrealized gain on investments	7,355	-	7,355	13,863	-	13,863
Interest and dividend income	13,435	-	13,435	6,863	-	6,863
Total support and revenue	1,117,226	249,247	1,366,473	1,195,619	219,723	1,415,342
Net assets released from restrictions -						
Satisfaction of program restrictions	233,682	(233,682)	-	229,602	(229,602)	-
Net support and revenue	1,350,908	15,565	1,366,473	1,425,221	(9,879)	1,415,342
EXPENSES:						
Program	967,495	-	967,495	973,374	-	973,374
Management and general	259,095	-	259,095	261,969	-	261,969
Fundraising	129,680	-	129,680	172,299	-	172,299
Total expenses	1,356,270	-	1,356,270	1,407,642	-	1,407,642
CHANGE IN NET ASSETS	(5,362)	15,565	10,203	17,579	(9,879)	7,700
NET ASSETS, Beginning of year	563,605	289,672	853,277	546,026	299,551	845,577
NET ASSETS, End of year	\$ 558,243	\$ 305,237	\$ 863,480	\$ 563,605	\$ 289,672	\$ 853,277

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ 10,203	\$ 7,700
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	5,523	4,631
Unrealized (gain) on investments	(7,355)	(13,863)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	108,798	(142,482)
Decrease in pledge receivables	26,938	4,779
(Increase) decrease in prepaid expenses	2,004	(934)
Increase (decrease) in accounts payable	(6,228)	28,024
	<u>139,883</u>	<u>(112,145)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(7,500)
Purchase of investments	(11,610)	(6,381)
	<u>(11,610)</u>	<u>(13,881)</u>
Net cash (used in) investing activities	<u>(11,610)</u>	<u>(13,881)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	128,273	(126,026)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>139,728</u>	<u>265,754</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 268,001</u>	<u>\$ 139,728</u>

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(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 27, 2018, 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 three to five 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, 2018 and 2017.

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>2018</u>	<u>2017</u>
National Endowment for the Arts	\$ 45,000	\$ 75,000
Mansfield Foundation	30,000	10,000
U.S. Bank Foundation	10,000	10,000
Various individuals	77,734	104,672
City Arts Grant	9,276	-
Polk Brothers Foundation	80,000	-
Laird Norton Family Foundation	15,000	-
Illinois State Board of Education	38,227	-
Circle of Service Foundation	-	25,000
Crown Family Foundation	-	62,500
Young Audiences, Inc.	-	2,500
	<u> </u>	<u> </u>
Total	<u>\$ 305,237</u>	<u>\$ 289,672</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, 2018 and 2017.

(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 fiscal years before 2015. 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>2018</u>	<u>2017</u>
Promises to give	\$ 81,243	\$ 107,925
Less - Unamortized discounts	<u>3,509</u>	<u>3,253</u>
Net unconditional promises to give	<u>\$ 77,734</u>	<u>\$ 104,672</u>
Amounts due in:		
Less than one year	\$ 38,150	\$ 45,610
One to five years	<u>39,584</u>	<u>59,062</u>
	<u>\$ 77,734</u>	<u>\$ 104,672</u>

(4) INVESTMENTS:

Investments as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Mutual funds	<u>\$ 330,024</u>	<u>\$ 311,059</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 methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2018 and 2017.

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

The preceding method 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 method is 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, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Index funds	<u>\$ 330,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,024</u>

<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>

(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 \$90,165 and \$94,180 in 2018 and 2017, respectively.

The future minimum lease payments are as follows:

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, 2018 and 2017 were \$16,242 and \$15,413, respectively.

(8) CONCENTRATION OF GRANTS:

For the years ended June 30, 2018 and 2017, approximately 46% and 39%, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,146	\$ 146
Receipts	-	1,000
Disbursements	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,146</u>	<u>\$ 1,146</u>

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017				
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	\$ 327,806	\$ 80,948	\$ 86,867	\$ 495,621	\$ 326,956	\$ 81,734	\$ 107,070	\$ 515,760
Artist fees	272,593	-	-	272,593	258,198	-	-	258,198
Teacher stipends and other personnel	163,849	-	-	163,849	165,470	-	262	165,732
Non-teaching personnel and presenters	56,622	-	1,441	58,063	71,411	-	605	72,016
Supplies and materials	37,601	4,112	11,778	53,491	40,783	4,081	16,074	60,938
Research and development	64,104	-	-	64,104	58,584	-	-	58,584
Conference fees and travel	24,573	5,183	980	30,736	24,077	5,411	3,822	33,310
Brochures and postage	1,332	2,688	1,361	5,381	5,197	4,032	1,527	10,756
Website	-	1,451	-	1,451	-	1,504	-	1,504
Designers and consultants	-	1,000	6,317	7,317	4,315	2,000	28,828	35,143
Photography	-	-	300	300	-	-	500	500
Rent, utilities, and moving	6,254	91,901	4,880	103,035	6,079	96,935	7,756	110,770
Accounting	16	22,693	1,460	24,169	110	22,817	1,647	24,574
Office expenses	1,447	10,700	4,470	16,617	647	7,079	2,973	10,699
Insurance	-	16,166	-	16,166	12	14,195	-	14,207
Resource materials	11,298	218	56	11,572	11,291	128	-	11,419
Depreciation	-	5,523	-	5,523	-	4,631	-	4,631
Dues and subscriptions	-	16,512	995	17,507	204	17,422	1,075	18,701
Temporary services	-	-	450	450	40	-	160	200
Bad debts	-	-	8,325	8,325	-	-	-	-
Total functional expenses	\$ 967,495	\$ 259,095	\$ 129,680	\$ 1,356,270	\$ 973,374	\$ 261,969	\$ 172,299	\$ 1,407,642