CHICAGO ARTS PARTNERSHIPS IN EDUCATION

FINANCIAL STATEMENTS AS OF JUNE 30, 2019 AND 2018

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chicago Arts Partnerships 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, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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 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.

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, 2019 and 2018, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 27, 2019 on our consideration of Chicago Arts Partnerships 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

Warrenville, Illinois
November 27, 2019

EXHIBIT 1

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 141,019	$ 266,855
Cash held for others	1,146	1,146
Grants receivable	541,131	217,848
Pledges receivable - Current portion	39,454	38,150
Investments	356,359	330,024
Prepaid expense	9,150	9,270
Total current assets	1,088,259	863,293
FURNITURE AND EQUIPMENT:		
Computer equipment	21,173	20,024
Furniture and fixtures	20,331	20,331
Leasehold improvements	6,334	6,334
	47,838	46,689
Less - Accumulated depreciation	(44,589)	(39,008)
Net property and equipment	3,249	7,681
OTHER ASSETS:		
Pledges receivable - Long-term portion	32,811	39,584
Total assets	$ 1,124,319	$ 910,558
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 81,216	$ 45,932
Funds held for others	1,146	1,146
Total current liabilities	82,362	47,078
COMMITMENTS		
NET ASSETS:		
Without donor restrictions - Undesignated	319,781	208,132
- Board designated	350,111	350,111
With donor restrictions	372,065	305,237
Total net assets	1,041,957	863,480
	$ 1,124,319	$ 910,558

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Program revenues	$ 123,375	$ -	$ 123,375	$ 248,150	$ -	$ 248,150
Contributed income -						
Government grants	963,332	65,000	1,028,332	600,867	92,503	693,370
Corporate	95,271	-	95,271	54,900	10,000	64,900
Foundations	172,500	220,000	392,500	141,232	125,000	266,232
Individuals	31,637	35,527	67,164	36,991	21,744	58,735
In-kind donations	150	-	150	2,057	-	2,057
Special events	7,520	-	7,520	12,239	-	12,239
Interest and dividend income	10,609	-	10,609	13,435	-	13,435
Miscellaneous Income	9,946	-	9,946	-	-	-
Total support and revenue	1,414,340	320,527	1,734,867	1,109,871	249,247	1,359,118
Net assets released from restrictions - Satisfaction of program restrictions	253,699	(253,699)	-	233,682	(233,682)	-
Net support and revenue	1,668,039	66,828	1,734,867	1,343,553	15,565	1,359,118
EXPENSES:						
Program	1,190,267	-	1,190,267	967,495	-	967,495
Management and general	248,821	-	248,821	259,095	-	259,095
Fundraising	135,768	-	135,768	129,680	-	129,680
Total expenses	1,574,856	-	1,574,856	1,356,270	-	1,356,270
CHANGE IN OPERATIONS	93,183	66,828	160,011	(12,717)	15,565	2,848
Unrealized gain on investments	18,466	-	18,466	7,355	-	7,355
CHANGE IN NET ASSETS	111,649	66,828	178,477	(5,362)	15,565	10,203
NET ASSETS, Beginning of year	558,243	305,237	863,480	563,605	289,672	853,277
NET ASSETS, End of year	$ 669,892	$ 372,065	$ 1,041,957	$ 558,243	$ 305,237	$ 863,480

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 178,477	$ 10,203
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	5,581	5,523
Unrealized (gain) on investments	(18,466)	(7,355)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	(323,283)	108,798
Decrease in pledge receivables	5,469	26,938
Decrease in prepaid expenses	120	2,004
Increase (decrease) in accounts payable	35,284	(6,228)
Net cash provided by (used in) operating activities	(116,818)	139,883
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,149)	-
Purchase of investments	(7,869)	(11,610)
Net cash (used in) investing activities	(9,018)	(11,610)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(125,836)	128,273
CASH AND CASH EQUIVALENTS, Beginning of year	268,001	139,728
CASH AND CASH EQUIVALENTS, End of year	$ 142,165	$ 268,001

The accompanying notes are an integral part of this statement.

EXHIBIT 4

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	$ 343,328	$ 47,833	$ 95,609	$ 486,770	$ 327,806	$ 80,948	$ 86,867	$ 495,621
Artist fees	387,550	-	-	387,550	272,593	-	-	272,593
Teacher stipends and other personnel	254,874	-	-	254,874	163,849	-	-	163,849
Non-teaching personnel and presenters	42,345	100	150	42,595	56,622	-	1,441	58,063
Supplies and materials	48,299	4,688	9,507	62,494	37,601	4,112	11,778	53,491
Research and development	70,551	-	-	70,551	64,104	-	-	64,104
Conference fees and travel	21,344	3,547	1,681	26,572	24,573	5,183	980	30,736
Makreting and communications	705	8,362	20,277	29,344	1,332	5,139	7,978	14,449
Rent, utilities, and moving	3,170	97,110	2,600	102,880	6,254	91,901	4,880	103,035
Accounting	-	23,932	898	24,830	16	22,693	1,460	24,169
Office expenses	545	21,952	2,986	25,483	1,447	10,700	4,920	17,067
Insurance	-	11,720	-	11,720	-	16,166	-	16,166
CPS fee	17,556	4,847	60	22,463	11,298	218	56	11,572
Depreciation	-	5,581	-	5,581	-	5,523	-	5,523
Dues and subscriptions	-	19,149	-	19,149	-	16,512	995	17,507
Bad debts	-	-	2,000	2,000	-	-	8,325	8,325
Total functional expenses	$ 1,190,267	$ 248,821	$ 135,768	$ 1,574,856	$ 967,495	$ 259,095	$ 129,680	$ 1,356,270

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(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, 2019, 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 -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations.* Under the ASC, CAPE is required to report information regarding two classes of net assets: net assets without donor restriction and net assets with donor restriction.

> *Without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of CAPE. These net assets may be used at the discretion of management and the board of directors.
>
> *With donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of CAPE and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

With and Without Donor Restriction Revenue and Support -

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is with donor restrictions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other with donor restrictions support is reported as an increase in with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, taxes and benefits, supplies and materials, and office expenses which are allocated on the basis of estimates of time and effort. Rent is allocated on a square foot basis.

New Accounting Pronouncement -

During 2019, CAPE adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CAPE had adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassification -

Prior year amounts have been reclassified to be consistent with current year presentation.

(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 2016. 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:

	2019	2018
Promises to give	$ 75,247	$ 81,243
Less - Unamortized discounts	2,982	3,509
Net unconditional promises to give	$ 72,265	$ 77,734
Amounts due in:		
Less than one year	$ 39,454	$ 38,150
One to five years	32,811	39,584
	$ 72,265	$ 77,734

(4) INVESTMENTS:

Investments as of June 30, 2019 and 2018 are as follows:

	2019	2018
Mutual funds	$ 356,359	$ 330,024

(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, 2019 and 2018.

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:

	Assets at Fair Value as of June 30, 2019			
Description	Level 1	Level 2	Level 3	Total
Mutual funds - Index funds	$ 356,359	$ -	$ -	$ 356,359

	Assets at Fair Value as of June 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Mutual funds - Index funds	$ 330,024	$ -	$ -	$ 330,024

(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 December, 2023. Rent expense under these operating leases, which includes common area maintenance charges and applicable taxes, was $96,480 and $90,165 in 2019 and 2018, respectively.

The future minimum lease payments are as follows:

2020	$ 90,389
2021	85,102
2022	3,244
2023	3,244
2024	1,622

(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 employee's elective deferral which does not exceed 12% of the employee's compensation. Employer contributions for the years ended June 30, 2019 and 2018 were $16,340 and $16,242, respectively.

(8) CONCENTRATION OF GRANTS:

For the years ended June 30, 2019 and 2018, approximately 45% and 46%, 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) NET ASSETS:

	2019	2018
Board designated net assets are as follows:		
Contingency Reserve	$ 350,111	$ 350,111

Net assets with donor restrictions are comprised of the following:

	2019	2018
National Endowment for the Arts	$ 65,000	$ 45,000
Mansfield Foundation	30,000	30,000
U.S. Bank Foundation	-	10,000
Various individuals	72,065	77,734
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	150,000	-
Fry Foundation	30,000	-
Total	$ 372,065	$ 305,237

(10) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	June 30, 2019	June 30, 2018
Financial Assets at year end -		
Cash and cash equivalents	$ 141,019	$ 266,855
Grants receivables	541,131	217,848
Pledges receivables	72,265	77,734
Investments	356,359	330,024
Total financial assets	1,110,774	892,461
Less amounts not available to be used within one year –		
Donor restricted funds	372,065	305,237
Board designated funds	350,111	350,111
Total financial assets not available to be used within one year	722,176	655,348
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	$ 388,598	$ 237,113

CAPE manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability;
- maintaining adequate liquid assets to fund near-term operating needs;
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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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 Partnerships 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 Partnerships in Education (CAPE) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

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

Warrenville, Illinois
November 27, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Chicago Arts Partnerships 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, 2019. 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 the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance 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 the 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 the 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, 2019.

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, 2019.

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 the 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 Uniform Guidance, 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
November 27, 2019

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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	$ 264,375
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-19	262,662
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-25	241,165
				768,202*
Arts in Education	84.351D			171,130
Total U.S. Department of Education				939,332
National Endowment for the Arts:				
Promotion of the Arts grants to Organization and individuals	45.024			45,000
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 984,332

(*) Major Program

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Chicago Arts Partnerships in Education (CAPE) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CAPE, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of CAPE.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

CAPE has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

CAPE did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2019, and did not receive any federal non-cash awards during the year ended June 30, 2019.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

PART 1: SUMMARY OF AUDIT RESULTS:

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

2. There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.

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

4. There were no material weaknesses disclosed during the audit of the major federal award programs. No significant deficiencies related to the audit of the major federal award programs are reported.

5. The auditor's report on compliance for the major federal award programs for Chicago Arts Partnerships 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 2 CFR Section 200.516(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 $750,000.

9. Chicago Arts Partnerships in Education was determined not 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.