CHICAGO ARTS PARTNERSHIPS IN EDUCATION

FINANCIAL STATEMENTS AS OF JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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.

MEMBER
INPACT
INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS

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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Chicago Arts Partnerships in Education adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

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 December 10, 2020 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
December 10, 2020

EXHIBIT 1

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019 (restated)
A S S E T S		
CURRENT ASSETS:		
Cash and cash equivalents	$ 227,327	$ 141,019
Cash held for others	-	1,146
Grants receivable	233,549	461,131
Pledges receivable - Current portion	25,706	39,454
Investments	382,228	356,359
Prepaid expense	16,355	9,150
Total current assets	885,165	1,008,259
FURNITURE AND EQUIPMENT:		
Computer equipment	26,778	21,173
Furniture and fixtures	-	20,331
Leasehold improvements	-	6,334
	26,778	47,838
Less - Accumulated depreciation	(20,872)	(44,589)
Net property and equipment	5,906	3,249
OTHER ASSETS:		
Pledges receivable - Long-term portion	22,488	32,811
Total assets	$ 913,559	$ 1,044,319
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 70,241	$ 81,216
Funds held for others	-	1,146
Total current liabilities	70,241	82,362
LONG-TERM LIABILITIES:		
Notes payable, long-term maturity	83,100	-
Total liabilities	153,341	82,362
COMMITMENTS		
NET ASSETS:		
Without donor restrictions - Undesignated	193,913	289,781
- Board designated	350,111	350,111
With donor restrictions	216,194	322,065
Total net assets	760,218	961,957
	$ 913,559	$ 1,044,319

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, 2020 AND 2019

	2020			2019 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Program service revenues	$ 31,450	$ -	$ 31,450	$ 123,375	$ -	$ 123,375
Contributed income -						
Government grants	1,172,397	65,000	1,237,397	963,332	45,000	1,008,332
Corporate	44,470	5,000	49,470	85,271	10,000	95,271
Foundations	114,050	63,000	177,050	152,500	225,000	377,500
Individuals	37,255	1,429	38,684	31,637	35,527	67,164
In-kind donations	-	-	-	150	-	150
Special events	4,250	-	4,250	7,520	-	7,520
Interest and dividend income	8,110	-	8,110	10,609	-	10,609
Miscellaneous income	2	-	2	9,946	-	9,946
Total support and revenue	1,411,984	134,429	1,546,413	1,384,340	315,527	1,699,867
Net assets released from restrictions - Satisfaction of program restrictions	240,300	(240,300)	-	253,699	(253,699)	-
Net support and revenue	1,652,284	(105,871)	1,546,413	1,638,039	61,828	1,699,867
EXPENSES:						
Program	1,394,293	-	1,394,293	1,190,267	-	1,190,267
Management and general	269,115	-	269,115	248,821	-	248,821
Fundraising	102,614	-	102,614	135,768	-	135,768
Total expenses	1,766,022	-	1,766,022	1,574,856	-	1,574,856
CHANGE IN OPERATIONS	(113,738)	(105,871)	(219,609)	63,183	61,828	125,011
Unrealized gain on investments	17,870	-	17,870	18,466	-	18,466
CHANGE IN NET ASSETS	(95,868)	(105,871)	(201,739)	81,649	61,828	143,477
NET ASSETS, Beginning of year as previously stated	639,892	322,065	961,957	558,243	305,237	863,480
Adjustment for change in accounting principle	-	-	-	-	(45,000)	(45,000)
Balance at beginning of year, restated	639,892	322,065	961,957	558,243	260,237	818,480
NET ASSETS, End of year restated	$ 544,024	$ 216,194	$ 760,218	$ 639,892	$ 322,065	$ 961,957

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, 2020 AND 2019

	2020	2019 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ (201,739)	$ 143,477
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	2,853	5,581
Unrealized (gain) on investments	(17,870)	(18,466)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	227,582	(288,283)
Decrease in pledge receivables	24,071	5,469
(Increase) decrease in prepaid expenses	(7,205)	120
Increase (decrease) in accounts payable	(12,121)	35,284
Net cash provided by (used in) operating activities	15,571	(116,818)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(5,510)	(1,149)
Purchase of investments	(7,999)	(7,869)
Net cash (used in) investing activities	(13,509)	(9,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from notes payable	83,100	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,162	(125,836)
CASH AND CASH EQUIVALENTS, Beginning of year	142,165	268,001
CASH AND CASH EQUIVALENTS, End of year	$ 227,327	$ 142,165

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, 2020 AND 2019

	2020				2019 (restated)			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	$ 355,644	$ 96,960	$ 69,665	$ 522,269	$ 343,328	$ 47,833	$ 95,609	$ 486,770
Artist fees	522,939	-	-	522,939	387,550	-	-	387,550
Teacher stipends and other personnel	311,361	-	-	311,361	254,874	-	-	254,874
Non-teaching personnel and presenters	66,365	200	-	66,565	42,345	100	150	42,595
Supplies and materials	56,531	3,863	1,879	62,273	48,299	4,688	9,507	62,494
Research and development	59,450	-	-	59,450	70,551	-	-	70,551
Conference fees and travel	18,763	4,510	680	23,953	21,344	3,547	1,681	26,572
Marketing and communications	863	12,345	22,088	35,296	705	8,362	20,277	29,344
Rent and utilities	1,724	89,467	650	91,841	3,170	97,110	2,600	102,880
Accounting	-	22,788	590	23,378	-	23,932	898	24,830
Office expenses	653	7,835	3,061	11,549	545	21,952	2,986	25,483
Insurance	-	12,020	-	12,020	-	11,720	-	11,720
Fees	-	2,405	1	2,406	17,556	4,847	60	22,463
Depreciation	-	2,853	-	2,853	-	5,581	-	5,581
Dues and subscriptions	-	13,869	-	13,869	-	19,149	-	19,149
Bad debts	-	-	4,000	4,000	-	-	2,000	2,000
Total functional expenses	$ 1,394,293	$ 269,115	$ 102,614	$ 1,766,022	$ 1,190,267	$ 248,821	$ 135,768	$ 1,574,856

The accompanying notes are an integral part of this statement.

(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 December 10, 2020, 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.

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 restrictions and net assets with donor restrictions.

> *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.

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.

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

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.

Investments -

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of market risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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.

Support and Revenue -

CAPE recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. CAPE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor 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. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

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

Support and Revenue - (Continued)

A portion of CAPE's revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when CAPE has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Program Service Revenue -

Program service revenue is reported at the amount that reflects the consideration to which CAPE expects to be entitled in exchange for providing various educational services to their clients. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by CAPE.

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.

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 -

Effective July 1, 2019, CAPE adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United State of America (GAAP). The new guidance requires CAPE to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which CAPE expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. CAPE applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019.

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

New Accounting Pronouncement - (Continued)

Also, effective July 1, 2019, CAPE adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provided guidance to assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a contribution is conditional. The ASU has been retroactively applied to all periods presented.

In accordance with ASU 2018-08, CAPE decreased 2019 beginning net assets for the cumulative effect of $45,000 for previously recognized promises to give. The 2019 statement of financial position has been restated to decrease previously reported grants receivable by $80,000 and the statement of activities was restated to decrease revenues by $35,000.

Upcoming Accounting Pronouncement -

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. CAPE is evaluating the impact the pronouncement may have on the financial statements.

(2) PLEDGES RECEIVABLE:

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

	2020	2019
Promises to give	$ 49,747	$ 75,247
Less - Unamortized discounts	1,553	2,982
Net unconditional promises to give	$ 48,194	$ 72,265
Amounts due in:		
Less than one year	$ 25,706	$ 39,454
One to five years	22,488	32,811
	$ 48,194	$ 72,265

(3) CONDITIONAL PROMISES TO GIVE:

In 2020, a foundation made a $160,000 conditional promise to give to support the implementation and evaluation of the Artist-Researcher Program. As of June 30, 2020, CAPE has recognized $80,000 as revenue, with $80,000 remaining as conditional.

(3) CONDITIONAL PROMISES TO GIVE: (Continued)

Additionally, in 2020, an organization made a $67,000 conditional promise to give to support the Collaboration Laboratory program. As of June 30, 2020, CAPE has recognized $-0- as revenue, with $67,000 remaining as conditional.

(4) INVESTMENTS:

The market value of investments as of June 30, 2020 and 2019 is as follows:

	2020	2019
Mutual funds	$ 382,228	$ 356,359

Investment income for the years ended June 30, 2020 and 2019, consisted of the following:

	2020	2019
Dividends and interest	$ 8,110	$ 10,609
Unrealized gain	17,870	18,466
	$ 25,980	$ 29,075

(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:

(5) FAIR VALUE MEASUREMENTS: (Continued)

- 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.

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, 2020 and 2019.

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, 2020			
Description	Level 1	Level 2	Level 3	Total
Mutual funds - Index funds	$ 382,228	$ -	$ -	$ 382,228

	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

(6) NOTES PAYABLE:

	2020	2019
Payroll Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, interest at 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, with the final payment due May 2022. As part of the loan agreement, a portion can be forgiven. CAPE intends to maximize the forgivable portion of this loan. CAPE has adopted ASC 470 to account for the PPP loan and will record a gain from the forgiven portion of the loan when it is forgiven.	$ 83,100	$ -
Less - Current portion	-	-
Long-term portion	$ 83,100	$ -

Minimum payments due are as follows:

Year ending June 30,	Amount
2021	$ -
2022	83,100

(7) COMMITMENTS AND CONTINGENCIES:

Government Grants -

Government agencies awarding grants to CAPE are allowed, under certain agreements, to audit and adjust the amounts paid under the grants. Although the impact of any such potential audit cannot be determined at this time, management does not anticipate the amount of disallowed expenditures, if any, would have a material adverse effect on CAPE’s financial position.

Lease Arrangements -

CAPE leases its office under an operating lease that expires in May, 2021. In June 2020, the office sustained fire and smoke damage and rent was abated from June through August 2020. In November 2020 an agreement was made to terminate the lease early. In exchange for paying the remaining lease obligation, CAPE received a credit of $17,500. CAPE also has an operating lease agreement for rental of a copier expiring in December, 2023.

(7) COMMITMENTS AND CONTINGENCIES: (Continued)

Lease Arrangements - (Continued)

Rent expense under these operating leases, which includes common area maintenance charges and applicable taxes, was $87,080 and $96,480 in 2020 and 2019, respectively.

The future minimum lease payments are as follows:

2021	$ 52,719
2022	3,244
2023	3,244
2024	1,622

(8) NET ASSETS:

Board designated net assets as of June 30, 2020 and 2019 are as follows:

	2020	2019
Contingency Reserve	$ 350,111	$ 350,111

Net assets with donor restrictions as of June 30, 2020 and 2019 are as follows:

	2020	2019
Mansfield Foundation	$ 15,000	$ 15,000
U.S. Bank	5,000	10,000
Various individuals	48,194	72,065
Circle of Service Foundation	-	25,000
Crown Family Foundation	100,000	150,000
Laird Norton Family Foundation	35,000	20,000
The Wildflower Foundation	13,000	-
Fry Foundation	-	30,000
Total net assets with donor restrictions	$ 216,194	$ 322,065

(9) 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 2017. CAPE does not expect a material net change in unrecognized tax benefits in the next twelve months.

(10) CONCENTRATION OF GRANTS:

For the years ended June 30, 2020 and 2019, approximately 51% and 45%, respectively, of CAPE's support and revenue 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.

Additionally, for the year ended June 30, 2020, approximately 27% of CAPE's support and revenue was provided directly from the U.S. Department of Education.

(11) 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, 2020 and 2019 were $16,460 and $16,340, respectively.

(12) 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,	
	2020	2019
Financial Assets at year end -		
Cash and cash equivalents	$ 227,327	$ 141,019
Grants receivables	233,549	461,131
Pledges receivables	48,194	72,265
Investments	382,228	356,359
Total financial assets	891,298	1,030,774
Less amounts not available to be used within one year –		
Donor restricted funds	216,194	322,065
Board designated funds	350,111	350,111
Total financial assets not available to be used within one year	566,305	672,176
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	$ 324,993	$ 358,598

(12) LIQUIDITY AND AVAILABILITY: (Continued)

CAPE has certain board designated assets that are designated for future expenditures and are not available for general expenditure within the next year. However, the board designated amounts could be made available, if necessary.

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.

(13) MANAGEMENT'S RESPONSE TO COVID-19:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As part of these mitigation measures, CAPE was required to make changes in how to operate its programs. In response to the effects of COVID-19, management is implementing strategies to help mitigate the losses in relation to this pandemic. CAPE cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements in fiscal year 2021.

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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, 2020, 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 December 10, 2020.

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*.

MEMBER
INPACT
INTERNATIONAL ALLIANCE OF PROFESSIONAL ACCOUNTANTS

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
December 10, 2020

Dugan & Lopatka

Certified Public Accountants

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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, 2020. 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, 2020.

MEMBER
INPACT
INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS

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, 2020.

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
December 10, 2020

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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	$ 196,500
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-19	213,351
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-25	183,583
				593,434*
Arts in Education	84.351D			402,496
Total U.S. Department of Education				995,930
National Endowment for the Arts:				
Promotion of the Arts grants to Organization and individuals	45.024			65,000
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 1,060,930

(*) Major Program

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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, 2020, and did not receive any federal non-cash awards during the year ended June 30, 2020.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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 STATEMENTS AUDIT (GAGAS) -

There are no audit findings.

PART 3: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT -

There are no audit findings or questioned costs.

PART 4: SUMMARY SCHEDULE OF PRIOR FINDINGS -

There were no prior federal audit findings.