CHICAGO ARTS PARTNERSHIPS IN EDUCATION

FINANCIAL STATEMENTS
AS OF JUNE 30, 2022 AND 2021

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chicago Arts Partnerships in Education and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Chicago Arts Partnerships in Education's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Chicago Arts Partnerships in Education's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Chicago Arts Partnerships in Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 a report dated November 7, 2022, on our consideration of Chicago Arts Partnerships in Education's internal control over financial reporting and our tests on 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 7, 2022

EXHIBIT 1

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
A S S E T S		
CURRENT ASSETS:		
Cash and cash equivalents	$ 347,676	$ 210,936
Grants receivable	344,478	429,304
Pledges receivable - Current portion	12,532	20,852
Investments	410,284	460,513
Prepaid expense	3,217	1,437
Total current assets	1,118,187	1,123,042
FURNITURE AND EQUIPMENT:		
Computer equipment	33,473	33,473
Less - Accumulated depreciation	(25,578)	(22,888)
Net property and equipment	7,895	10,585
OTHER ASSETS:		
Pledges receivable - Long-term portion	10,267	29,396
Total assets	$ 1,136,349	$ 1,163,023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 147,982	$ 108,816
Notes payable, current maturity	-	101,700
Total current liabilities	147,982	210,516
COMMITMENTS		
NET ASSETS:		
Without donor restrictions - Undesignated	546,957	322,148
- Board designated	350,111	350,111
With donor restrictions	91,299	280,248
Total net assets	988,367	952,507
	$ 1,136,349	$ 1,163,023

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Program service revenues	$ 750,155	$ -	$ 750,155	$ 312,033	$ -	$ 312,033
Contributed income -						
Government grants	1,599,282	-	1,599,282	1,735,030	-	1,735,030
Corporate	16,215	-	16,215	7,630	-	7,630
Foundations	183,000	67,500	250,500	98,000	205,000	303,000
Individuals	45,808	-	45,808	54,872	19,250	74,122
Special events	5,338	-	5,338	-	-	-
Interest and dividend income	11,314	-	11,314	12,819	-	12,819
Forgiveness of debt	101,700	-	101,700	83,100	-	83,100
Miscellaneous income	34	-	34	503	-	503
Total support and revenue	2,712,846	67,500	2,780,346	2,303,987	224,250	2,528,237
Net assets released from restrictions - Satisfaction of program restrictions	256,449	(256,449)	-	160,196	(160,196)	-
Net support and revenue	2,969,295	(188,949)	2,780,346	2,464,183	64,054	2,528,237
EXPENSES:						
Program	2,350,255	-	2,350,255	2,026,835	-	2,026,835
Management and general	236,480	-	236,480	278,237	-	278,237
Fundraising	102,570	-	102,570	96,367	-	96,367
Total expenses	2,689,305	-	2,689,305	2,401,439	-	2,401,439
CHANGE IN OPERATIONS	279,990	(188,949)	91,041	62,744	64,054	126,798
Unrealized gain (loss) on investments	(55,181)	-	(55,181)	65,491	-	65,491
CHANGE IN NET ASSETS	224,809	(188,949)	35,860	128,235	64,054	192,289
NET ASSETS, Beginning of year	672,259	280,248	952,507	544,024	216,194	760,218
NET ASSETS, End of year	$ 897,068	$ 91,299	$ 988,367	$ 672,259	$ 280,248	$ 952,507

The accompanying notes are an integral part of this statement.

EXHIBIT 3

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 35,860	$ 192,289
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	2,690	2,016
Unrealized (gain) loss on investments	55,181	(65,491)
Forgiveness of debt	(101,700)	(83,100)
Changes in assets and liabilities:		
(Increase) decrease in grants receivables	84,826	(195,755)
(Increase) decrease in pledge receivables	27,449	(2,054)
(Increase) decrease in prepaid expenses	(1,780)	14,918
Increase in accounts payable and accrued expenses	39,166	38,575
Net cash provided by (used in) operating activities	141,692	(98,602)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(6,695)
Proceeds from sales of investments	106,296	-
Purchase of investments	(111,248)	(12,794)
Net cash (used in) investing activities	(4,952)	(19,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from notes payable	-	101,700
NET CHANGE IN CASH AND CASH EQUIVALENTS	136,740	(16,391)
CASH AND CASH EQUIVALENTS, Beginning of year	210,936	227,327
CASH AND CASH EQUIVALENTS, End of year	$ 347,676	$ 210,936

The accompanying notes are an integral part of this statement.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries, taxes and benefits	$ 509,902	$ 110,047	$ 86,820	$ 706,769	$ 431,362	$ 127,628	$ 76,799	$ 635,789
Artist fees	878,177	8,194	-	886,371	771,420	-	-	771,420
Teacher stipends and other personnel	625,389	-	-	625,389	520,386	-	-	520,386
Non-teaching personnel and presenters	183,917	4,793	3,451	192,161	103,950	-	-	103,950
Supplies and materials	74,847	-	-	74,847	67,559	2,824	289	70,672
Research and development	50,442	-	-	50,442	122,575	-	-	122,575
Conference fees and travel	15,464	3,463	1,084	20,011	160	2,154	-	2,314
Marketing and communications	2,491	1,435	7,002	10,928	5,647	19,251	12,134	37,032
Rent and utilities	2,400	14,356	-	16,756	2,631	61,368	585	64,584
Accounting	-	19,113	-	19,113	-	28,713	556	29,269
Office and technology expenses	3,667	12,662	3,577	19,906	621	1,767	2,986	5,374
Insurance	-	11,682	-	11,682	-	12,455	-	12,455
Fees and other expenses	3,154	14,861	636	18,651	-	1,825	-	1,825
Depreciation	-	2,690	-	2,690	-	2,016	-	2,016
Dues and subscriptions	405	18,284	-	18,689	524	18,236	3,018	21,778
Bad debts	-	14,900	-	14,900	-	-	-	-
Total functional expenses	$ 2,350,255	$ 236,480	$ 102,570	$ 2,689,305	$ 2,026,835	$ 278,237	$ 96,367	$ 2,401,439

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 November 7, 2022, 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.

Depreciation expense was $2,690 and $2,016 for the years ended June 30, 2022 and 2021, respectively.

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.

Recently Issued 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 statement of financial position 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 fiscal years beginning after December 15, 2021. CAPE is evaluating the impact the pronouncement may have on the financial statements.

(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.

(2) INCOME TAXES: (Continued)

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 2019. 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:

	2022	2021
Promises to give	$ 23,670	$ 52,547
Less - Unamortized discounts	871	2,299
Net unconditional promises to give	$ 22,799	$ 50,248
Amounts due in:		
Less than one year	$ 12,532	$ 20,852
One to five years	10,267	29,396
	$ 22,799	$ 50,248

(4) INVESTMENTS:

The market value of investments as of June 30, 2022 and 2021 is as follows:

	2022	2021
Mutual funds	$ 410,284	$ 460,513

Investment income (loss) for the years ended June 30, 2022 and 2021, consisted of the following:

	2022	2021
Dividends and interest	$ 11,314	$ 12,819
Unrealized gain (loss)	(55,181)	65,491
Total investment income (loss)	$ (43,867)	$ 78,310

(5) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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.

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, 2022 and 2021.

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.

(5) FAIR VALUE MEASUREMENTS: (Continued)

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, 2022			
Description	Level 1	Level 2	Level 3	Total
Mutual funds - Index funds	$ 410,284	$ -	$ -	$ 410,284

	Assets at Fair Value as of June 30, 2021			
Description	Level 1	Level 2	Level 3	Total
Mutual funds - Index funds	$ 460,513	$ -	$ -	$ 460,513

(6) PAYROLL PROTECTION PROGRAM LOANS:

In April 2020, CAPE entered into an agreement with a lender and the Small Business Administration (SBA) to obtain a Payroll Protection Program (PPP) loan offered as a result of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The PPP loan totaled $83,100, bearing an interest rate of 1% and matured in May 2022. As part of the loan agreement, all or a portion of the loan was eligible for forgiveness if CAPE met certain criteria including utilization of the loan for eligible expenses and maintaining or restoring employee counts and salary levels to pre-pandemic levels. CAPE adopted ASC 470 to account for the PPP loan. During fiscal year 2021, CAPE received full forgiveness.

In April 2021, CAPE qualified and was approved for a second PPP loan, payable to a bank as part of the Economic Aid Act in the amount of $101,700. Interest accrues 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 April 2026. As part of the agreement, the entire loan, or a portion can be forgiven. During fiscal year 2022, CAPE received full forgiveness.

(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.

(7) COMMITMENTS AND CONTINGENCIES: (Continued)

Lease Arrangements -

In June 2022, CAPE signed an office lease that begins October 2022 and expires in December 2027. The lease agreement provides for either free periods of rent or annual increases in the rental payment. CAPE records rent on a straight-line basis, which does not necessarily equal the amount of rent payments made to the lessor. Previously, CAPE had an office lease that expired in May 2021. CAPE also has an operating lease agreement for rental of a copier expiring in December 2023.

The future minimum lease payments under these lease arrangements are as follows:

2023	$ 40,408
2024	77,186
2025	78,042
2026	80,520
2027	82,998
Thereafter	42,120

Rent expense under these operating leases, which includes common area maintenance charges and applicable taxes, was $19,187 and $60,184 in 2022 and 2021, respectively.

(8) NET ASSETS:

Board designated net assets as of June 30, 2022 and 2021 are as follows:

	2022	2021
Contingency Reserve	$ 350,111	$ 350,111

Net assets with donor restrictions as of June 30, 2022 and 2021 are as follows:

	2022	2021
Mansfield Foundation	$ 30,000	$ 15,000
Various individuals	23,799	50,248
Circle of Service Foundation	-	25,000
Crown Family Foundation	-	50,000
Laird Norton Family Foundation	30,000	35,000
Young Foundation, George and Fay	-	25,000
Farny R Wurlitzer Foundation	7,500	-
Fry Foundation	-	80,000
Total net assets with donor restrictions	$ 91,299	$ 280,248

(9) 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, 2022	June 30, 2021
Financial assets at year end -		
Cash and cash equivalents	$ 347,676	$ 210,936
Grants receivables	344,478	429,304
Pledges receivables	22,799	50,248
Investments	410,284	460,513
Total financial assets	1,125,237	1,151,001
Less amounts not available to be used within one year –		
Donor restricted funds	91,299	280,248
Board designated funds	350,111	350,111
Total financial assets not available to be used within one year	441,410	630,359
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	$ 683,827	$ 520,642

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.

(10) CONCENTRATION OF GRANTS:

For the years ended June 30, 2022 and 2021, approximately 35% and 42%, 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 years ended June 30, 2022 and 2021, approximately 19% and 20% 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, 2022 and 2021 were $19,828 and $21,861, respectively.

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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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chicago Arts Partnerships in Education which comprise the statement of financial position as of June 30, 2022, 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 7, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chicago Arts Partnerships in Education's internal control over financial reporting (internal control) as a basis for designing 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 Chicago Arts Partnerships in Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Chicago Arts Partnerships in Education'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chicago Arts Partnerships in Education's financial statements are free of 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 financial statements. 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 Chicago Arts Partnerships in Education's internal control over financial reporting or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Dugan + Lopatka
DUGAN & LOPATKA

Warrenville, Illinois
November 7, 2022

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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 Program

Opinion on Each Major Federal Program

We have audited Chicago Arts Partnerships in Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chicago Arts Partnerships in Education's major federal programs for the year ended June 30, 2022. Chicago Arts Partnerships in Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Chicago Arts Partnerships in Education 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chicago Arts Partnerships in Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Chicago Arts Partnerships in Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chicago Arts Partnerships in Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chicago Arts Partnerships in Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chicago Arts Partnerships in Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Chicago Arts Partnerships in Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Chicago Arts Partnerships in Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
November 7, 2022

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Assistance Listing 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	$ 279,598
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-19	273,982
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-25	284,498
21st Century Community Learning Centers	84.287	Illinois State Board of Education	4421-A2	133,299
				971,377*
Arts in Education	84.351D			534,255
Total U.S. Department of Education				1,505,632
National Endowment for the Arts:				
Promotion of the Arts grants to Organization and individuals	45.024			60,000
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 1,565,632

(*) Major Program

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Chicago Arts Partnerships in Education under programs of the federal government for the year ended June 30, 2022. 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 Chicago Arts Partnerships in Education, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of Chicago Arts Partnerships in Education.

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:

Chicago Arts Partnerships in Education has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

Chicago Arts Partnerships in Education did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2022, and did not receive any federal non-cash awards during the year ended June 30, 2022.

CHICAGO ARTS PARTNERSHIPS IN EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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 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.