A Better Chicago

Financial Statements and Independent Auditors' Report

December 31, 2019 and 2018

Miller Cooper & Co., Ltd.

CONTENTS

MILLER COOPER & Co., Ltd

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
A Better Chicago
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of A Better Chicago (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Better Chicago as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note B-14 to the financial statements, the Organization adopted Accounting Standards Update (ASU) ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
June 30, 2020

FINANCIAL STATEMENTS

A Better Chicago

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	$ 8,211,292	$ 6,574,167
Certificate of deposit	-	501,934
Pledges receivable, net	5,004,839	2,732,093
Prepaid expenses	33,673	61,096
Property and equipment, net	85,122	143,617
	$ 13,334,926	$ 10,012,907

LIABILITIES AND NET ASSETS	2019	2018
LIABILITIES		
Accounts payable and accrued expenses	$ 171,192	$ 362,947
Grants payable	963,000	717,947
Total liabilities	1,134,192	1,080,894
NET ASSETS		
Without donor restrictions	7,439,643	6,671,319
With donor restrictions	4,761,091	2,260,694
Total net assets	12,200,734	8,932,013
	$ 13,334,926	$ 10,012,907

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2019 and 2018

Miller Cooper & Co., Ltd.

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	$ 5,250,960	$ 3,550,000	$ 8,800,960	$ 3,850,826	$ 3,028,984	$ 6,879,810
Contributed services and gifts in-kind	363,773	-	363,773	482,515	-	482,515
Investment return, net	123,794	-	123,794	71,455	-	71,455
Net assets released from donor restrictions	1,049,603	(1,049,603)	-	1,813,000	(1,813,000)	-
Total revenues	6,788,130	2,500,397	9,288,527	6,217,796	1,215,984	7,433,780
Expenses						
Program	4,278,587	-	4,278,587	3,647,159	-	3,647,159
Fundraising	934,655	-	934,655	942,228	-	942,228
General and administrative	806,564	-	806,564	835,087	-	835,087
Total expenses	6,019,806	-	6,019,806	5,424,474	-	5,424,474
CHANGE IN NET ASSETS	768,324	2,500,397	3,268,721	793,322	1,215,984	2,009,306
Net assets, beginning of year	6,671,319	2,260,694	8,932,013	5,877,997	1,044,710	6,922,707
Net assets, end of year	$ 7,439,643	$ 4,761,091	$ 12,200,734	$ 6,671,319	$ 2,260,694	$ 8,932,013

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 3,268,721	$ 2,009,306
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	77,678	72,037
Bad debt expense	13,800	-
(Increase) decrease in assets		
Pledges receivable	(2,286,546)	(1,395,380)
Prepaid expenses	27,423	(24,139)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(191,755)	131,790
Grants payable	245,053	(457,053)
Net cash provided by operating activities	1,154,374	336,561
Cash flows from investing activities		
Certificate of deposit	501,934	(1,379)
Purchases of property and equipment	(19,183)	(83,193)
Net cash provided by (used in) investing activities	482,751	(84,572)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,637,125	251,989
Cash and cash equivalents, beginning of year	6,574,167	6,322,178
Cash and cash equivalents, end of year	$ 8,211,292	$ 6,574,167

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND NATURE OF THE BUSINESS

A Better Chicago (the "Organization") was incorporated on January 4, 2011 as an Illinois nonprofit organization. The Organization's mission is to provide funding and management support to a portfolio of high-performing nonprofit organizations that are dramatically advancing opportunities for the Chicago region's low-income population.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

2. Cash and Cash Equivalents

The Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Certificate of Deposit

The certificate of deposit is reported at cost plus any interest income earned and has a maturity greater than three months from the date of purchase. Refer to Note I for additional information.

4. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management monitors the collection of these receivables on a routine basis. Unconditional contributions (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 fair value, which is measured as the present value of estimated future cash flows, at the date the contribution or pledge is received, to the extent estimated to be collectible by the Organization. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, are included in contribution revenue.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes accounts receivable and unconditional promises to give are fully collectible at December 31, 2019 and 2018.

5. Property and Equipment

Equipment is recorded at cost, if purchased, or fair value as of the date of donation.

Depreciation is computed using the straight-line method over the estimated useful life of the asset as follows:

	Years
Computers	3 - 5
Website	3
Furniture	5

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Property and Equipment (Continued)

Leasehold improvements are amortized over the shorter of the lease term or its estimated useful life.

6. Grants Payable

Grants are recorded once they have been approved by the Organization's Board of Directors or recommended by the Leadership Council and after the grantee has agreed to the terms and conditions of the grant. It is the Organization's intent that amounts reflected as grants payable at December 31, 2019 will be fulfilled in 2020.

7. Income Taxes

The Organization has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from taxation on income related to its exempt purposes, under section 501(a) of the Internal Revenue Code, as an organization described in section 501(c)(3). As an exempt organization, the Organization is subject to federal and state income taxes on income determined to be unrelated business taxable income, if any.

8. Unrelated Business Income Tax Matters

GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Contributions

The Organization 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 right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as net assets without donor restriction or with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

10. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Contributed Services and Gifts In-Kind

In-kind contributions are recorded at their estimated fair value as both revenue and expense in the statements of activities. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization records the estimated fair value of contributed services which meet these criteria (Note G).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Functional Expense Allocation

The cost of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, costs associated with a specific program are charged directly to that program. Costs that benefit more than one program have been allocated among the programs and supporting services benefited based on a systematic and rational method.

All expenses are charged directly to that program except for office administration, travel and depreciation which are allocated based on full time equivalents and salaries and related benefits and expenses which are allocated based on time and effort.

13. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, pledges receivable, accounts payable and accrued expenses, and grants payable, approximate fair value due to the short maturity of these instruments.

It is the Organization's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Accounting Standard Adopted in the Current Year

Contributions Received and Contributions Made

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Adoption of this standard did not result in a change in the timing or amount of revenue recognized, and therefore the adoption of this standard did not have a material impact on the financial position, results of operations, or business practices of the Organization.

15. Significant Accounting Standard Applicable In Future Years

Leases

The FASB issued ASU 2016-02, *Leases,* (Topic 842) (ASU 2016-02), in February 2016. ASU 2016-02 will require lessees to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control the use of a specific asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 was effective for annual financial statements of not for profit organizations issued for fiscal years beginning after December 15, 2019, and should be applied using a modified retrospective approach.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses* (Topic 325), *Derivatives and Hedging* (Topic 815), and *Leases* (Topic 842): Effective Dates (ASU 2019-10). ASU 2019-10 finalizes various effective date delays for private companies applying the credit losses, leases and hedging standards. As a result of ASU 2019-10, the Organization's effective date of ASU 2016-02 is deferred. ASU 2016-02 is now effective for the Organization's December 31, 2021 financial statements. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's financial statements.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 8,211,292	$ 6,574,167
Certificate of deposit	-	501,934
Pledges receivable, net	5,004,839	2,732,093
Total financial assets	13,216,131	9,808,194
Less amounts not available to be used within one year:		
Net assets with donor restrictions (Note D)	2,575,397	1,283,000
Certificate of deposit (Note I)	-	501,934
Grants payable (Note H)	963,000	717,947
	3,538,397	2,502,881
Financial assets available to meet general expenditures over the next twelve months	$ 9,677,734	$ 7,305,313

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses as well as cash on hand at the end of the year to fully fund the coming year's expected grants. The Organization's operating expenses are fully underwritten by the Board of Directors, Leadership Council and certain restricted contributions. Operating expenses are estimated at $3.2 million for the year ending December 31, 2020. Support for grantees in the form of grants and management support is funded through public donations and is estimated by management at $7.1 million for the year ending December 31, 2020. The Organization's program team meets monthly to identify and evaluate current and potential grantees using its investment model, testing for strength in the areas of program impact, leadership, operations and scale. It is the Organization's goal under its current strategic plan to grow its annual level of grant making over the next 3 to 5 years. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Organization has a $500,000 line of credit available to meet cash flow needs. However, the Organization has historically not had to draw on the line of credit.

NOTE D - PLEDGES RECEIVABLE

Pledges receivable have been reduced by a discount ranging from approximately 1.59% to 3.57% at December 31, 2019, and 0.30% to 3.57% at December 31, 2018, respectively. Pledges receivable are expected to be received as follows:

	2019	2018
Less than one year	$ 2,493,283	$ 1,499,399
Between one and three years	2,575,397	1,283,000
	5,068,680	2,782,399
Unamortized discount	(63,841)	(50,306)
	$ 5,004,839	$ 2,732,093

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018 are as follows:

	2019	2018
Computers	$ 37,078	$ 28,579
Website	314,029	303,345
Furniture	48,963	48,963
Leasehold improvements	1,259	1,259
	401,329	382,146
Less accumulated depreciation	316,207	238,529
	$ 85,122	$ 143,617

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purpose as of December 31, 2019 and 2018:

	2019	2018
Passage of time	$ 1,211,091	$ 2,260,694
Specific purpose - Catalyst Fund	3,550,000	-
	$ 4,761,091	$ 2,260,694

Net assets released from net assets with donor restrictions were as follows during the years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of time restrictions	$ 1,049,603	$ 1,813,000

NOTE G - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated services during the years ended December 31, 2019 and 2018 related to salary and legal services. The fair value of these donations are $363,773 and $482,515 in 2019 and 2018, respectively. These amounts were recorded as both revenues and expenses in the accompanying statements of activities.

NOTE H - GRANTS PAYABLE

The following summarizes the changes in grants payable during the years ended December 31, 2019 and 2018.

	2019	2018
Balance, beginning of the year	$ 717,947	$ 1,175,000
Grants authorized	2,771,237	2,347,948
Payments made	(2,526,184)	(2,805,001)
Balance, end of the year	$ 963,000	$ 717,947

NOTE H - GRANTS PAYABLE (Continued)

Grants authorized but unpaid at December 31, 2019, are payable in 2020. At December 31, 2019, the Organization had approved additional grants totaling $800,000, which were subject to the intended recipients accomplishing certain milestones, as defined in the investment agreements. These conditional grants were not reflected in the financial statements as of December 31, 2019.

NOTE I - REVOLVING LINE OF CREDIT

In May 2019, the Organization entered into a credit agreement with a financial institution for a line of credit facility. The line of credit facility allows for borrowings up to $500,000, matures on May 31, 2021, and is unsecured. Interest is charged at the borrower's option at the Prime Based Rate, Bank Offered Rate, or the London InterBank Offered Rate (LIBOR), as defined in the agreement.

Prior to entering into the above agreement, the Organization had a $500,000 line of credit facility with a bank. Interest was charged at a Prime Rate or the London InterBank Offered Rate, as defined in the agreement. As part of the agreement, the Organization agreed to maintain a minimum balance of $500,000 in a certificate of deposit account (Note B-3). The line of credit facility was collateralized by all of the Organization's assets.

There were no outstanding borrowings on the line of credit, as of December 31, 2019 and 2018 or during the years then ended.

NOTE J - LEASE COMMITMENTS

During 2019, the Organization leased its office space in accordance with the terms of an operating lease expiring in June 2021. The lease provided for escalating base rental installments as defined in the agreement. Rent expense for the years ended December 31, 2019 and 2018 was approximately $72,000 and $73,000, respectively.

NOTE J - LEASE COMMITMENTS (Continued)

Effective January 6, 2020, the Organization entered into a new lease agreement for new office space. Annual rent approximates $198,000 and expires in February 2023 with the option to extend, as defined in the agreement.

Future minimum lease payments required under the operating leases in place at December 31, 2019 are as follows:

2020	$ 78,269
2021	39,917
	$ 118,186

NOTE K - FUNCTIONAL EXPENSES

The Organization provides funding and management support to high-performing nonprofit organizations. Expenses related to this function for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019			
	Program	Fundraising	General and Administrative	Total
Grant expense and management support	$ 3,231,581	$ -	$ -	$ 3,231,581
Donor events	-	176,164	-	176,164
Professional services	206,134	-	381,039	587,173
Office administration	136,277	78,957	44,918	260,152
Travel	8,244	3,896	2,733	14,873
Salaries and related benefits and expenses	653,294	655,290	363,601	1,672,185
Depreciation	43,057	20,348	14,273	77,678
	$ 4,278,587	$ 934,655	$ 806,564	$ 6,019,806

NOTE K - FUNCTIONAL EXPENSES (Continued)

	Year ended December 31, 2018			
	Program	Fundraising	General and Administrative	Total
Grant expense and management support	$ 2,572,332	$ -	$ -	$ 2,572,332
Donor events	-	185,755	-	185,755
Professional services	341,106	-	457,875	798,981
Office administration	90,920	120,470	43,247	254,637
Travel	3,530	3,555	2,833	9,918
Salaries and related benefits and expenses	609,971	602,559	318,284	1,530,814
Depreciation	29,300	29,889	12,848	72,037
	$ 3,647,159	$ 942,228	$ 835,087	$ 5,424,474

NOTE L - CONCENTRATION OF CREDIT RISK

The Organization maintains cash and cash equivalent balances in financial institutions in Illinois. Certain accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, from time to time, have balances in excess of insured deposit limits.

NOTE M - CONCENTRATION OF FUNDING SOURCES

Approximately, 36% and 26% of the Organization’s contribution revenue were received from three donors in 2019 and 2018, respectively. One of the three donors in 2019 is a member of the Board of Directors. Approximately, 64% of the Organization's pledge receivable balance at December 31, 2019 and 2018 are from four and three donors in 2019 and 2018, respectively. One of the four donors in 2019 is a member of the Board of Directors. Contributions may vary significantly from year to year.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2020, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than Note J and the item noted below, have occurred subsequent to the statement of financial position date that require additional disclosure in the financial statements.

The direct and indirect impacts of the current COVID-19 outbreak on the Organization's donors, vendors, operations, and financing arrangements are currently unknown, as is the duration and severity of any impacts that the Organization may experience. Management is currently unable to quantify the effects that this situation will have on its operations and financial position; however, they may be significant.

On April 30, 2020, the Organization received a Small Business Administration Paycheck Protection Program loan with a bank in the amount of $219,332. The loan was offered in accordance with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan is unsecured, bears interest at a rate of 1.00%, and is eligible for forgiveness subject to the provisions of the CARES Act. For any amounts that are not forgiven, payments will begin in equal installments over a term of two years after a six month deferral period. Interested parties should refer to the agreement for a more complete description of the loan provisions.