A Better Chicago

Financial Statements and Independent Auditors' Report

December 31, 2017 and 2016

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, 2017 and 2016, 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.

(Continued)

Auditors' Responsibility (Continued)

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Better Chicago as of December 31, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audits 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.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
June 19, 2018

FINANCIAL STATEMENTS

A Better Chicago

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 6,322,178	$ 5,592,262
Certificate of deposit	500,555	500,000
Pledges receivable, net	1,336,713	3,208,649
Prepaid expenses	36,957	23,711
Property and equipment, net	132,461	94,355
	$ 8,328,864	$ 9,418,977
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 231,157	$ 58,319
Grants payable	1,175,000	1,177,500
Total liabilities	1,406,157	1,235,819
NET ASSETS		
Unrestricted	5,877,997	4,946,459
Temporarily restricted	1,044,710	3,236,699
Total net assets	6,922,707	8,183,158
	$ 8,328,864	$ 9,418,977

The accompanying notes are an integral part of these statements.

Miller Cooper & Co., Ltd.

A Better Chicago

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	$ 3,493,991	$ 87,511	$ 3,581,502	$ 3,693,622	$ 548,796	$ 4,242,418
Contributed services and gifts in-kind	266,934	-	266,934	800,267	-	800,267
Investment income	19,561	-	19,561	4,540	-	4,540
Net assets released from restrictions	2,279,500	(2,279,500)	-	1,933,200	(1,933,200)	-
Total revenues	6,059,986	(2,191,989)	3,867,997	6,431,629	(1,384,404)	5,047,225
Expenses						
Program	4,040,332	-	4,040,332	4,103,028	-	4,103,028
Fundraising	583,290	-	583,290	847,602	-	847,602
General and administrative	504,826	-	504,826	408,493	-	408,493
Total expenses	5,128,448	-	5,128,448	5,359,123	-	5,359,123
CHANGE IN NET ASSETS	931,538	(2,191,989)	(1,260,451)	1,072,506	(1,384,404)	(311,898)
Net assets, beginning of year	4,946,459	3,236,699	8,183,158	3,873,953	4,621,103	8,495,056
Net assets, end of year	$ 5,877,997	$ 1,044,710	$ 6,922,707	$ 4,946,459	$ 3,236,699	$ 8,183,158

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (1,260,451)	$ (311,898)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,893	50,933
Bad debt expense	1,500	14,870
Change in assets		
Pledges receivable	1,870,436	1,547,579
Prepaid expenses	(13,246)	11,127
Change in liabilities		
Accounts payable and accrued expenses	172,838	(34,097)
Grants payable	(2,500)	642,500
Net cash provided by operating activities	833,470	1,921,014
Cash flows from investing activities		
Certificate of deposit	(555)	(500,000)
Purchases of property and equipment	(102,999)	(11,085)
Net cash used in investing activities	(103,554)	(511,085)
NET INCREASE IN CASH AND CASH EQUIVALENTS	729,916	1,409,929
Cash and cash equivalents, beginning of year	5,592,262	4,182,333
Cash and cash equivalents, end of year	$ 6,322,178	$ 5,592,262

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 Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Cash and Cash Equivalents

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

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 H 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Property and Equipment, Net

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

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 either the Organization's Board of Directors or 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, 2017 will be fulfilled in 2018.

7. Net Assets

Under GAAP, not-for-profit organizations report net assets in each of three classes: permanently restricted, temporarily restricted, or unrestricted, based on the existence or absence of donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets. There were no permanently restricted net assets at December 31, 2017 or 2016.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. 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.

9. 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, 2017 and 2016, 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.

10. Contributions

The Organization reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of cash and other assets that are received without donor stipulations limiting the use of the donated assets are reported as unrestricted support. When a temporary donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions that are donor-restricted for which the restriction is satisfied in the same reporting period are classified as unrestricted.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. 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.

12. 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 F).

13. 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.

14. 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)

15. Significant Accounting Standards Applicable In Future Years

Presentation of Financial Statements for Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (2016-14). ASU 2016-14 is intended to reduce complexity by changing the way all not-for-profits classify net assets and prepare financial statements, which will result in more consistent and transparent financial reporting and disclosures for not-for-profits. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The amendments in ASU 2016-14 should be applied retrospectively in the year the ASU is first applied.

ASU 2016-14 is effective for the Organization's December 31, 2018 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-14 will have on the Organization's financial statements.

Revenue Recognition

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements of not for profit organizations issued for fiscal years beginning after December 15, 2018, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Significant Accounting Standards Applicable In Future Years (Continued)

Revenue Recognition (Continued)

ASU 2014-09 is effective for the Organization’s December 31, 2019 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the Organization's financial statements.

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 is 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.

ASU 2016-02 is effective for the Organization's December 31, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization’s financial statements.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable have been reduced by a discount of approximately 0.51% and 0.78% at December 31, 2017 and 2016, respectively. Pledges receivable are expected to be received as follows:

	2017	2016
Less than one year	$ 1,219,003	$ 2,251,450
Between one and three years	140,000	984,000
	1,359,003	3,235,450
Unamortized discount	(22,290)	(26,801)
	$ 1,336,713	$ 3,208,649

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2017 and 2016 consists of:

	2017	2016
Computers	$ 25,222	$ 25,222
Website	223,509	120,510
Furniture	48,963	48,963
Leasehold improvements	1,259	1,259
	298,953	195,954
Less accumulated depreciation	166,492	101,599
	$ 132,461	$ 94,355

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, all of the Organization's temporarily restricted net assets had time restrictions.

NOTE F - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated services during the years ended December 31, 2017 and 2016 related to salary, consulting, legal services and other donations. The fair value of these donations are $266,934 and $800,267, respectively. These amounts were recorded as both revenues and expenses in the accompanying statement of activities.

NOTE G - GRANTS PAYABLE

The following summarizes the changes in grants payable during the years ended December 31, 2017 and 2016.

	2017	2016
Balance, beginning of the year	$ 1,177,500	$ 535,000
Grants authorized	2,775,000	2,730,000
Payments made	(2,777,500)	(2,087,500)
Balance, end of the year	$ 1,175,000	$ 1,177,500

Grants authorized but unpaid at December 31, 2017, are payable in 2018. At December 31, 2017, the Organization had approved additional grants totaling $375,000, 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, 2017.

NOTE H - REVOLVING LINE OF CREDIT

The Organization has a $500,000 revolving line of credit facility with a bank. There were no outstanding borrowings, as of December 31, 2017 and 2016 or during the years then ended. Interest is charged at the borrower's option at a Prime Based Rate or the London InterBank Offered Rate (LIBOR) rate, as defined in the agreement. As part of the line of credit, the Organization has agreed to maintain a minimum balance of $500,000 in a certificate of deposit account. The line of credit facility is collateralized by all of the Organization's assets and matured on April 1, 2018. Subsequent to year-end, the Organization amended the revolving line of credit agreement to extend the maturity to April 1, 2019.

NOTE I - LEASE COMMITMENTS

The Organization leases its office space in accordance with the terms of an operating lease expiring in June 2021. The lease provides for escalating base rental installments plus additional costs such as real estate taxes and other operating costs on the property, as defined in the agreement. Rent expense for the years ended December 31, 2017 and 2016 was approximately $69,000 and $63,000, respectively.

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31 are as follows:

2018	$	55,020
2019		76,734
2020		78,269
2021		39,917
Total minimum payments required	$	249,940

NOTE J - 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, 2017 and 2016 are as follows:

	Year ended December 31, 2017			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 3,065,771	$ -	$ -	$ 3,065,771
Donor events	73,307	136,170	-	209,477
Professional services	40,005	-	290,060	330,065
Office administration	134,128	59,919	23,053	217,100
Travel	2,671	2,671	2,671	8,013
Salaries and related benefits and expenses	685,173	367,453	180,503	1,233,129
Depreciation	39,277	17,077	8,539	64,893
	$ 4,040,332	$ 583,290	$ 504,826	$ 5,128,448

	Year ended December 31, 2016			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 3,113,695	$ -	$ -	$ 3,113,695
Donor events	61,878	113,621	-	175,499
Professional services	230,820	301,836	207,916	740,572
Office administration	94,744	92,128	32,290	219,162
Travel	4,480	4,480	4,481	13,441
Salaries and related benefits and expenses	569,151	320,202	156,468	1,045,821
Depreciation	28,260	15,335	7,338	50,933
	$ 4,103,028	$ 847,602	$ 408,493	$ 5,359,123

NOTE K - CONCENTRATION OF CREDIT RISK

The Organization maintains cash and certificate of deposit balances at two 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 L - CONCENTRATION OF FUNDING SOURCES

Approximately, 28% and 24% of the Organization's contribution revenue were received from two unrelated donors in 2017 and 2016, respectively. Contributions may vary significantly from year to year.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 19, 2018**,** the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of financial position date that require additional disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

A Better Chicago

SCHEDULES OF REVENUES AND EXPENSES INFORMATION

For the years ended December 31, 2017 and 2016

For the year ended December 31, 2017

	Board and Special Initiatives*			Public**			Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
Revenues, net of releases	$ 2,429,498	$ (1,065,989)	$ 1,363,509	$ 3,630,488	(1,126,000)	$ 2,504,488	$ 3,867,997
Grants and management support	-	-	-	3,065,771	-	3,065,771	3,065,771
Uncollectible pledges	1,500	-	1,500	-	-	-	1,500
Operating expenses	2,061,177	-	2,061,177	-	-	-	2,061,177
	2,062,677	-	2,062,677	3,065,771	-	3,065,771	5,128,448
	$ 366,821	$ (1,065,989)	$ (699,168)	$ 564,717	$ (1,126,000)	$ (561,283)	$ (1,260,451)

For the year ended December 31, 2016

	Board and Special Initiatives*			Public**			Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
Revenues	$ 2,837,382	$ (1,221,700)	$ 1,615,682	$ 3,598,543	$ (167,000)	$ 3,431,543	$ 5,047,225
Grants and management support	-	-	-	3,113,695	-	3,113,695	3,113,695
Uncollectible pledges	14,500	-	14,500	370	-	370	14,870
Operating expenses	2,230,558	-	2,230,558	-	-	-	2,230,558
	2,245,058	-	2,245,058	3,114,065	-	3,114,065	5,359,123
	$ 606,824	$ (1,221,700)	$ (629,376)	$ 484,478	$ (167,000)	$ 317,478	$ (311,898)

* A Better Chicago's operating expenses and special initiatives are underwritten by its board of directors, leadership council, and restricted contributions.

** 100% of all unrestricted public donations go directly to A Better Chicago's grantees in the form of grants and management support.