

A Better Chicago

Financial Statements and Independent Auditors' Report

**Period from January 4, 2011 (date of inception)
through December 31, 2011**

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
A Better Chicago
Chicago, Illinois

We have audited the accompanying statement of financial position of A Better Chicago (the "Organization") as of December 31, 2011, and the related statement of activities and cash flows for the period from January 4, 2011 (date of inception) through December 31, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the period from January 4, 2011 (date of inception) through December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
March 26, 2012

FINANCIAL STATEMENTS

A Better Chicago
STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

Cash and cash equivalents	\$ 721,144
Pledges receivable	50,000
Prepaid expenses	2,046
Property and equipment, net of accumulated depreciation of \$887	<u>5,764</u>
	<u>\$ 778,954</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 10,341
Grants payable	200,000
Net assets - unrestricted	<u>568,613</u>
	<u>\$ 778,954</u>

The accompanying notes are an integral part of this statement.

A Better Chicago

STATEMENT OF ACTIVITIES

For the period from January 4, 2011 (date of inception) through December 31, 2011

Unrestricted revenues and other support	
Contributions	\$ 1,120,019
Contributed services in-kind	148,047
Investment income	<u>58</u>
	<u>1,268,124</u>
Expenses	
Program	561,863
Fundraising	67,386
General and administrative	<u>70,262</u>
	<u>699,511</u>
 INCREASE IN NET ASSETS - UNRESTRICTED	 568,613
Net assets - unrestricted, inception	<u>-</u>
Net assets - unrestricted, end of period	<u>\$ 568,613</u>

The accompanying notes are an integral part of this statement.

A Better Chicago

STATEMENT OF CASH FLOWS

For the period from January 4, 2011 (date of inception), through December 31, 2011

Cash flows from operating activities	
Increase in unrestricted net assets	\$ 568,613
Adjustment to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	887
Changes in assets	
Pledges receivable	(50,000)
Prepaid expenses	(2,046)
Changes in liabilities	
Accounts payable	10,341
Grants payable	200,000
	<hr/>
Net cash provided by operating activities	727,795
	<hr/>
Cash flows from investing activities	
Purchases of property and equipment	(6,651)
	<hr/>
Net cash used in investing activities	(6,651)
	<hr/>
NET INCREASE IN CASH	721,144
	<hr/>
Cash and cash equivalents, inception	-
	<hr/>
Cash and cash equivalents, end of period	\$ 721,144
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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.

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. 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 is included in contribution revenue. Amounts reflected as pledges receivable at December 31, 2011 are expected to be collected in 2012. Accordingly, no discounts are reflected.

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Property and Equipment, Net

Equipment is recorded at cost, if purchased, or fair value as of the date of donation. Equipment is depreciated on a straight-line basis over three to five years.

5. Grants Payable

Grants are recorded by the Organization upon approval by its Board of Directors. It is the Organization's intent that amounts reflected as grants payable at December 31, 2011 will be fulfilled in 2012.

6. Net Assets

Under accounting principles generally accepted in the United States of America, 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 or temporarily restricted net assets at December 31, 2011.

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.

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. 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 and the restriction is satisfied in the same reporting period are classified as unrestricted.

Contributions of items other than cash are recorded at their fair market values on the dates of the donations.

9. 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.

10. Contributed Goods and Services

In-kind contributions are recorded at their estimated fair value as both revenue and expense in the statement 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 contribute services which meet these criteria (Note D).

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Functional Expense Allocation

The cost of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statement 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.

12. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the nature or 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. The instruments 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 footnotes.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 consists of:

Computers	\$	1,651
Website		<u>5,000</u>
		6,651
Less accumulated depreciation		<u>887</u>
	\$	<u><u>5,764</u></u>

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE D - CONTRIBUTED GOODS AND SERVICES

The Organization received donated services during the period January 4, 2011 through December 31, 2011 related to salary and legal services. The fair market value of these donations are \$120,000 and \$28,047, respectively. These amounts were recorded as both revenues and expenses in the accompanying statement of activities.

NOTE E - GRANTS PAYABLE

The following summarizes the changes in grants payable during the period ended December 31, 2011:

Balance, beginning of the year	\$	-
Grants authorized		400,000
Payments made		<u>(200,000)</u>
Balance, end of the year	\$	<u>200,000</u>

Grants authorized but unpaid at December 31, 2011, are payable in 2012.

NOTE F - REVOLVING LINE OF CREDIT

The Organization has a \$500,000 revolving line of credit facility with a bank that expires in July 2013. There were no outstanding borrowings as of December 31, 2011. Interest is charged at the borrower's option at a Prime Based Rate or a LIBOR rate, as defined in the agreement. The line of credit facility is collateralized by all of the Organization's assets and a personal guarantee of the chief executive officer.

NOTE G - LEASE COMMITMENTS

The Organization leases office space under one operating lease which expires in April 2012. The lease requires monthly payments of \$1,125. Future minimum lease payments required under the operating lease as of December 31, 2011 are \$4,500. Rent expense for the period January 4, 2011 through December 31, 2011 amounted to \$6,185.

A Better Chicago
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE H - FUNCTIONAL EXPENSES

The Organization provides funding and management support to high-performing nonprofit organizations. Expenses related to this function for the period ended December 31, 2011 are as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total</u>
Grant expense	\$ 400,000	\$ -	\$ -	\$ 400,000
Professional services	16,936	10,804	16,936	44,676
Office administration	8,501	7,611	14,500	30,612
Travel	3,373	675	451	4,499
Salaries and related benefits and expenses	132,757	48,000	38,080	218,837
Depreciation	296	296	295	887
	<u>\$ 561,863</u>	<u>\$ 67,386</u>	<u>\$ 70,262</u>	<u>\$ 699,511</u>

NOTE I - CONCENTRATION OF CREDIT RISK

1. Uninsured Cash

The Organization maintains cash balances at one financial institution in Illinois. 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. At December 31, 2011, the Organization has uninsured cash balances of \$668,987.

2. Funding Source

For the period ended December 31, 2011, the Organization received contributions from three sources, representing approximately 69% of contribution revenues.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2012, 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.