A Better Chicago

Financial Statements and
Independent Auditors' Report

December 31, 2014 and 2013

Miller Cooper & Co., Ltd.

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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 which comprise the statements of financial position, as of December 31, 2014 and 2013, and 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 of 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)

1751 Lake Cook Road, Suite 400, Deerfield, IL 60015 ■ Two North Riverside Plaza, Suite 900, Chicago, IL 60606
847.205.5000 ■ Fax 847.205.1400 ■ www.millercooper.com

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, 2014 and 2013, 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 supplemental 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 1, 2015

FINANCIAL STATEMENTS

A Better Chicago

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	$ 3,229,746	$ 2,821,605
Pledges receivable	177,581	42,051
Prepaid expenses	32,739	5,264
Property and equipment, net	30,318	4,935
	$ 3,470,384	$ 2,873,855
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 68,745	$ 52,315
Grants payable	760,000	456,000
Total liabilities	828,745	508,315
NET ASSETS		
Unrestricted	2,641,639	2,365,540
Total net assets	2,641,639	2,365,540
	$ 3,470,384	$ 2,873,855

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	$ 2,188,449	$ -	$ 2,188,449	$ 2,248,510	$ -	$ 2,248,510
Special event	1,119,516	-	1,119,516	1,044,029	-	1,044,029
Contributed services and gifts in-kind	288,123	-	288,123	305,303	-	305,303
Investment income	298	-	298	205	-	205
Net assets released from restrictions	-	-	-	150,000	(150,000)	-
Total revenues	3,596,386	-	3,596,386	3,748,047	(150,000)	3,598,047
Expenses						
Program	2,527,656	-	2,527,656	1,805,100	-	1,805,100
Fundraising	450,181	-	450,181	360,679	-	360,679
General and administrative	342,450	-	342,450	286,279	-	286,279
Total expenses	3,320,287	-	3,320,287	2,452,058	-	2,452,058
INCREASE (DECREASE) IN NET ASSETS	276,099	-	276,099	1,295,989	(150,000)	1,145,989
Net assets, beginning of year	2,365,540	-	2,365,540	1,069,551	150,000	1,219,551
Net assets, end of year	$ 2,641,639	$ -	$ 2,641,639	$ 2,365,540	$ -	$ 2,365,540

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Increase in net assets	$ 276,099	$ 1,145,989
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	7,714	3,044
Change in assets		
Accounts receivable	-	57,500
Pledges receivable	(135,530)	149,949
Prepaid expenses	(27,475)	455
Change in liabilities		
Accounts payable and accrued expenses	16,430	39,424
Grants payable	304,000	48,500
Net cash provided by operating activities	441,238	1,444,861
Cash flows from investing activities		
Purchases of property and equipment	(33,097)	-
Net cash used in investing activities	(33,097)	-
NET INCREASE IN CASH	408,141	1,444,861
Cash and cash equivalents, beginning of year	2,821,605	1,376,744
Cash and cash equivalents, end of year	$ 3,229,746	$ 2,821,605

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.

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, if any, are included in contribution revenue. Amounts reflected as pledges receivable at December 31, 2014 are expected to be collected in 2015. Accordingly, no discounts are reflected.

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 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, 2014 will be fulfilled in 2015.

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 restricted net assets at December 31, 2014 or 2013.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Unrelated Business Income Tax Matters

Accounting principles generally accepted in the United States of America require 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, 2014 and 2013, 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. Management believes it is no longer subject to income tax examinations prior to 2011, the year of the Organization's inception.

9. 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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 E).

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.

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 C - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2014 and 2013 consists of:

	2014	2013
Computers	$ 7,456	$ 5,772
Website	14,650	5,500
Furniture	22,263	-
	44,369	11,272
Less accumulated depreciation	14,051	6,337
	$ 30,318	$ 4,935

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets at December 31, 2014 and 2013.

NOTE E - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated services during the years ended December 31, 2014 and 2013 related to salary and legal services and other donations. The fair market value of these donations are $288,123 and $305,303, respectively. These amounts were recorded as both revenues and expenses in the accompanying statements of activities.

NOTE F - GRANTS PAYABLE

The following summarizes the changes in grants payable during the years ended December 31, 2014 and 2013.

	2014	2013
Balance, beginning of the year	$ 456,000	$ 407,500
Grants authorized	1,795,000	1,245,000
Payments made	(1,491,000)	(1,196,500)
Balance, end of the year	$ 760,000	$ 456,000

Grants authorized but unpaid at December 31, 2014, are payable in 2015. There are no conditional grants as of December 31, 2014 and 2013.

NOTE G - 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, 2014 and 2013 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. The line of credit facility is collateralized by all of the Organization's assets. During the year, the Organization amended the revolving line of credit agreement which removed the personal guarantee of the chief executive officer and extended the maturity to February 12, 2016.

NOTE H - LEASE COMMITMENTS

The Organization leased office space in accordance with the terms of a month-to-month lease agreement, which required monthly payments ranging from approximately $2,400 to $3,600. Rent expense for the years ended December 31, 2014 and 2013 was $41,264 and $28,085, respectively.

NOTE H - LEASE COMMITMENTS (Continued)

Subsequent to December 31, 2014, the Organization entered into a new lease agreement for office space which commenced on February 1, 2015 and will expire on March 31, 2018.

Future minimum lease payments (based on the terms of the new lease referred to above), for the years ending December 31 are as follows:

2015	$ 47,250
2016	64,745
2017	66,701
2018	17,052
	$ 195,748

NOTE I - 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, 2014 and 2013 are as follows:

	Year ended December 31, 2014			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 2,085,721	$ -	$ -	$ 2,085,721
Professional services	59,722	214,019	219,552	493,293
Office administration	47,719	24,961	16,277	88,957
Travel	14,857	10,225	8,528	33,610
Salaries and related benefits and expenses	315,298	198,565	97,129	610,992
Depreciation	4,339	2,411	964	7,714
	$ 2,527,656	$ 450,181	$ 342,450	$ 3,320,287

NOTE I - FUNCTIONAL EXPENSES (Continued)

	Year ended December 31, 2013			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 1,458,491	$ -	$ -	$ 1,458,491
Professional services	53,857	196,118	190,722	440,697
Office administration	31,600	16,281	13,072	60,953
Travel	14,493	5,468	1,478	21,439
Salaries and related benefits and expenses	244,629	142,305	80,500	467,434
Depreciation	2,030	507	507	3,044
	$ 1,805,100	$ 360,679	$ 286,279	$ 2,452,058

NOTE J - CONCENTRATION OF CREDIT RISK

1. Uninsured Cash

The Organization maintains cash 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 K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 1, 2015, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than those described in Note H, 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, 2014 and 2013

For the year ended December 31, 2014

	Board and Special Initiatives*	Public**	Total
Revenues	$ 1,696,406	$ 1,899,980	$ 3,596,386
Grants and management support	231,550	1,854,171	2,085,721
Uncollectible pledges	-	1,510	1,510
Operating expenses	1,233,056	-	1,233,056
	1,464,606	1,855,681	3,320,287
	$ 231,800	$ 44,299	$ 276,099

For the year ended December 31, 2013

	Board and Special Initiatives*	Public**	Total
Revenues	$ 941,686	$ 2,656,361	$ 3,598,047
Grants and management support	168,166	1,290,325	1,458,491
Uncollectible pledges	-	-	-
Operating expenses	993,567	-	993,567
	1,161,733	1,290,325	2,452,058
	$ (220,047)	$ 1,366,036	$ 1,145,989

* 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 core grantees in the form of grants and management support.