

**A Better Chicago**  
**Financial Statements and**  
**Independent Auditors' Report**  
**December 31, 2016 and 2015**

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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 (the Organization), which comprise the statements of financial position, as of December 31, 2016 and 2015, 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.

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**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, 2016 and 2015, 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 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.*

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Certified Public Accountants

Deerfield, Illinois  
June 26, 2017

## **FINANCIAL STATEMENTS**

**A Better Chicago**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2016 and 2015

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<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 5,592,262	\$ 4,182,333
Certificate of deposit	500,000	-
Pledges receivable, net	3,208,649	4,771,098
Prepaid expenses	23,711	34,838
Property and equipment, net	94,355	134,203
	<u>\$ 9,418,977</u>	<u>\$ 9,122,472</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 58,319	\$ 92,416
Grants payable	1,177,500	535,000
	<u>1,235,819</u>	<u>627,416</u>
<b>NET ASSETS</b>		
Unrestricted	4,946,459	3,873,953
Temporarily restricted	3,236,699	4,621,103
	<u>8,183,158</u>	<u>8,495,056</u>
	<u>\$ 9,418,977</u>	<u>\$ 9,122,472</u>

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The accompanying notes are an integral part of these statements.

**A Better Chicago**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2016 and 2015

Miller Cooper & Co., Ltd.

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	\$ 3,693,622	\$ 548,796	\$ 4,242,418	\$ 2,948,893	\$ 4,621,103	\$ 7,569,996
Special event	-	-	-	1,754,774	-	1,754,774
Contributed services and gifts in-kind	800,267	-	800,267	269,763	-	269,763
Investment income	4,540	-	4,540	283	-	283
Net assets released from restrictions	1,933,200	(1,933,200)	-	-	-	-
<b>Total revenues</b>	<b>6,431,629</b>	<b>(1,384,404)</b>	<b>5,047,225</b>	<b>4,973,713</b>	<b>4,621,103</b>	<b>9,594,816</b>
Expenses						
Program	4,103,028	-	4,103,028	2,646,523	-	2,646,523
Fundraising	847,602	-	847,602	720,548	-	720,548
General and administrative	408,493	-	408,493	374,328	-	374,328
<b>Total expenses</b>	<b>5,359,123</b>	<b>-</b>	<b>5,359,123</b>	<b>3,741,399</b>	<b>-</b>	<b>3,741,399</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,072,506</b>	<b>(1,384,404)</b>	<b>(311,898)</b>	<b>1,232,314</b>	<b>4,621,103</b>	<b>5,853,417</b>
Net assets, beginning of year	3,873,953	4,621,103	8,495,056	2,641,639	-	2,641,639
Net assets, end of year	<b>\$ 4,946,459</b>	<b>\$ 3,236,699</b>	<b>\$ 8,183,158</b>	<b>\$ 3,873,953</b>	<b>\$ 4,621,103</b>	<b>\$ 8,495,056</b>

The accompanying notes are an integral part of these statements.

**A Better Chicago**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (311,898)	\$ 5,853,417
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	50,933	36,615
Change in assets		
Pledges receivable, net	1,562,449	(4,593,517)
Prepaid expenses	11,127	(2,099)
Change in liabilities		
Accounts payable and accrued expenses	(34,097)	23,671
Grants payable	<u>642,500</u>	<u>(225,000)</u>
Net cash provided by operating activities	<u>1,921,014</u>	<u>1,093,087</u>
Cash flows from investing activities		
Certificate of deposit	(500,000)	-
Purchases of property and equipment	<u>(11,085)</u>	<u>(140,500)</u>
Net cash used in investing activities	<u>(511,085)</u>	<u>(140,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,409,929	952,587
Cash and cash equivalents, beginning of year	<u>4,182,333</u>	<u>3,229,746</u>
Cash and cash equivalents, end of year	<u>\$ 5,592,262</u>	<u>\$ 4,182,333</u>

The accompanying notes are an integral part of these statements.



**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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. Certificate of Deposit

The certificate of deposit is carried at cost and matured on April 2, 2017 and has an annual interest rate of 0.075%. The certificate of deposit is renewed automatically for an additional term of twelve months in conjunction with the revolving line of credit. See Note H for further 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.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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:

	<u>Years</u>
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, 2016 will be fulfilled in 2017.

7. Net Assets

Under accounting principles generally accepted in the United States of America (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, 2016 or 2015.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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, 2016 and 2015, 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.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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, certificate of deposit, 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.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Reclassifications

Certain reclassifications have been made to the 2015 statements in order to conform to the 2016 presentation. These reclassifications had no effect on net assets.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable have been reduced by a discount of approximately 0.78% and 0.64% at December 31, 2016 and 2015, respectively. Pledges receivable are expected to be received as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 2,251,450	\$ 2,083,195
Between one and three years	<u>984,000</u>	<u>2,719,000</u>
	3,235,450	4,802,195
Unamortized discount	<u>(26,801)</u>	<u>(31,097)</u>
	<u>\$ 3,208,649</u>	<u>\$ 4,771,098</u>

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Computers	\$ 25,222	\$ 14,137
Website	120,510	120,510
Furniture	48,963	48,963
Leasehold improvements	<u>1,259</u>	<u>1,259</u>
	195,954	184,869
Less accumulated depreciation	<u>101,599</u>	<u>50,666</u>
	<u>\$ 94,355</u>	<u>\$ 134,203</u>

**A Better Chicago**  
 NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

For the year ended December 31, 2016, there were \$3,236,699 of temporarily restricted net assets time restricted for 2017 and beyond. For the year ended December 31, 2015, there were \$4,621,103 of temporarily restricted net assets time restricted for 2016 and beyond.

NOTE F - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated services during the years ended December 31, 2016 and 2015 related to salary, consulting, legal services and other donations. The fair market value of these donations are \$800,267 and \$269,763, 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, 2016 and 2015.

	2016	2015
Balance, beginning of the year	\$ 535,000	\$ 760,000
Grants authorized	2,730,000	1,845,000
Payments made	(2,087,500)	(2,070,000)
Balance, end of the year	\$ 1,177,500	\$ 535,000

Grants authorized but unpaid at December 31, 2016, are payable in 2017. At December 31, 2016, the Organization had approved additional grants totaling \$1,900,000, 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, 2016.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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, 2016 and 2015 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, 2017. Subsequent to year-end, the Organization amended the revolving line of credit agreement to extend the maturity to April 1, 2018.

NOTE I - LEASE COMMITMENTS

The Organization has a lease agreement for office space which commenced on February 1, 2015 and will expire on March 31, 2018.

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, 2016 are as follows:

2017	\$	66,701
2018		<u>17,052</u>
	\$	<u><u>83,753</u></u>

Rent expense for the years ended December 31, 2016 and 2015 was approximately \$63,000.

**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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, 2016 and 2015 are as follows:

	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

	Year ended December 31, 2015			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	\$ 2,095,491	\$ -	\$ -	\$ 2,095,491
Donor events	-	370,942	-	370,942
Professional services	10,765	19,370	198,914	229,049
Office administration	75,398	47,001	22,465	144,864
Travel	7,679	7,679	7,679	23,037
Salaries and related benefits and expenses	435,028	265,920	140,453	841,401
Depreciation	22,162	9,636	4,817	36,615
	\$ 2,646,523	\$ 720,548	\$ 374,328	\$ 3,741,399



**A Better Chicago**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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NOTE K - CONCENTRATION OF CREDIT RISK

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 L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 26, 2017, 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, 2016 and 2015

For the year ended December 31, 2016

	<u>Board and Special Initiatives*</u>			<u>Public**</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues, net of releases	\$ 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
	<u>2,245,058</u>	<u>-</u>	<u>2,245,058</u>	<u>3,114,065</u>	<u>-</u>	<u>3,114,065</u>	<u>5,359,123</u>
	<u>\$ 592,324</u>	<u>\$ (1,221,700)</u>	<u>\$ (629,376)</u>	<u>\$ 484,478</u>	<u>\$ (167,000)</u>	<u>\$ 317,478</u>	<u>\$ (311,898)</u>

For the year ended December 31, 2015

	<u>Board and Special Initiatives*</u>			<u>Public**</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues	\$ 2,111,706	\$ 3,060,103	\$ 5,171,809	\$ 2,862,007	\$ 1,561,000	\$ 4,423,007	\$ 9,594,816
Grants and management support	-	-	-	2,095,491	-	2,095,491	2,095,491
Uncollectible pledges	-	-	-	2,600	-	2,600	2,600
Operating expenses	1,643,308	-	1,643,308	-	-	-	1,643,308
	<u>1,643,308</u>	<u>-</u>	<u>1,643,308</u>	<u>2,098,091</u>	<u>-</u>	<u>2,098,091</u>	<u>3,741,399</u>
	<u>\$ 468,398</u>	<u>\$ 3,060,103</u>	<u>\$ 3,528,501</u>	<u>\$ 763,916</u>	<u>\$ 1,561,000</u>	<u>\$ 2,324,916</u>	<u>\$ 5,853,417</u>

\* 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.