

**INNER-CITY COMPUTER
STARS FOUNDATION
(I.C. STARS)**

Report on Audited Financial Statements

August 31, 2015 and 2014

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
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AUGUST 31, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inner-City Computer Stars Foundation (I.C. Stars)
Chicago, Illinois

We have audited the accompanying financial statements of Inner-City Computer Stars Foundation (I.C. Stars), which are comprised of the statements of financial position as of August 31, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to 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.

Auditor's Responsibility

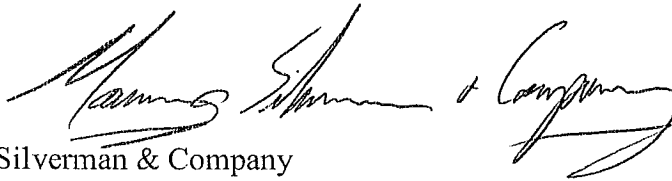
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about 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 Foundation'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 Foundation'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 that 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 Inner-City Computer Stars Foundation (I.C. Stars) as of August 31, 2015 and 2014 and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Manning Silverman & Company", is written over a horizontal line.

Manning Silverman & Company
Lincolnshire, Illinois

January 30, 2016

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014**

ASSETS

	2015	2014
Current Assets		
Cash in Bank	\$ 692,691	\$ 496,440
Accounts Receivable (Less Allowance for Doubtful Accounts of \$3,000 at August 31, 2015 and 2014)	250,105	391,366
Other Current Assets	3,740	4,799
Security Deposit	22,443	22,443
Total Current Assets	968,979	915,048
Fixed Assets		
Equipment	55,962	54,530
Accumulated Depreciation	(49,358)	(47,113)
Total Fixed Assets	6,604	7,417
Total Assets	\$ 975,583	\$ 922,465

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 71,650	\$ 197,180
Accrued Payroll and Performance Bonus	-	34,200
Deferred Revenue	138,291	16,063
Fiscal Agent Obligations	83,460	-
Total Current Liabilities	293,401	247,443
Unrestricted Net Assets	682,182	675,022
Total Liabilities and Net Assets	\$ 975,583	\$ 922,465

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Revenues		
Special Events (Net)	\$ 388,481	\$ 278,447
Contributions	601,787	562,634
Fee for Services	<u>703,728</u>	<u>694,318</u>
Total Revenues	<u>1,693,996</u>	<u>1,535,399</u>
Expenses		
Program	1,445,081	1,249,741
General and Administration	151,386	151,684
Fundraising	<u>90,369</u>	<u>34,732</u>
Total Expenses	<u>1,686,836</u>	<u>1,436,157</u>
Increase in Net Assets	7,160	99,242
Net Assets, Beginning of Year	<u>675,022</u>	<u>575,780</u>
Net Assets, End of Year	<u>\$ 682,182</u>	<u>\$ 675,022</u>

See Independent Auditor's Report.
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**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015**

	Program	General and Administration	Fundraising	Total
Payroll and Contractors	\$ 966,981	\$ 104,155	\$ 74,562	\$ 1,145,698
Payroll Taxes	47,252	28,642	3,088	78,982
Total Compensation Costs	<u>1,014,233</u>	<u>132,797</u>	<u>77,650</u>	<u>1,224,680</u>
Grants and Allocation	133,946	-	-	133,946
Occupancy	95,141	4,029	4,182	103,352
Information Technology	69,862	(1,297)	629	69,195
Marketing	38,762	-	94	38,856
Payroll Service Fees and Bank Charges	21,187	4,020	4,491	29,698
Conferences and Meetings	25,946	1,100	534	27,579
Supplies	14,121	867	597	15,585
Travel	14,221	-	-	14,221
Telephone	6,091	1,191	635	7,917
Insurance	5,262	1,953	-	7,215
Dues and Subscriptions	-	2,056	1,477	3,533
Printing and Reproduction	2,945	-	-	2,945
Postage and Delivery	2,364	-	80	2,444
Miscellaneous	-	2,425	-	2,425
Depreciation	-	2,245	-	2,245
Professional Development	1,000	-	-	1,000
Total Expenses	<u>\$ 1,445,081</u>	<u>\$ 151,386</u>	<u>\$ 90,369</u>	<u>\$ 1,686,836</u>

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**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014**

	Program	General and Administration	Fundraising	Total
Payroll and Contractors	\$ 876,731	\$ 108,903	\$ 30,698	\$ 1,016,332
Payroll Taxes	41,943	17,940	2,494	62,377
Total Compensation Costs	<u>918,674</u>	<u>126,843</u>	<u>33,192</u>	<u>1,078,709</u>
Grants and Allocation	112,319	-	-	112,319
Occupancy	90,664	14,382	-	105,046
Information Technology	31,517	1,288	39	32,844
Marketing	37,554	-	-	37,554
Payroll Service Fees and Bank Charges	24,550	713	1,097	26,360
Conferences and Meetings	13,451	819	170	14,440
Supplies	5,440	675	-	6,115
Travel	4,124	2,041	-	6,165
Telephone	4,905	1,284	-	6,189
Insurance	4,539	9	-	4,548
Dues and Subscriptions	-	-	76	76
Printing and Reproduction	828	732	-	1,560
Postage and Delivery	226	5	158	389
Miscellaneous	950	1,778	-	2,728
Depreciation	-	1,115	-	1,115
Professional Development	-	-	-	-
Total Expenses	<u>\$ 1,249,741</u>	<u>\$ 151,684</u>	<u>\$ 34,732</u>	<u>\$ 1,436,157</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 7,160	\$ 99,242
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	2,245	1,115
(Increase) Decrease in Assets:		
Accounts Receivable	141,261	(255,449)
Prepaid Expenses	-	(1,527)
Other Current Assets	1,059	(4,722)
(Decrease) Increase in Liabilities:		
Accounts Payable and Accrued Expenses	(159,730)	172,850
Deferred Revenue	122,228	(14,553)
Fiscal Agent Obligations	83,460	-
Net Cash Provided by (Used in) Operating Activities	<u>197,683</u>	<u>(3,044)</u>
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	<u>(1,432)</u>	<u>(3,084)</u>
Net Cash (Used in) Investing Activities	<u>(1,432)</u>	<u>(3,084)</u>
Increase (Decrease) in Cash and Cash Equivalents	196,251	(6,128)
Cash, Beginning of Year	<u>496,440</u>	<u>502,568</u>
Cash, End of Year	<u>\$ 692,691</u>	<u>\$ 496,440</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

1. Organization and Nature of Activities

Inner-City Computer Stars Foundation (I.C. Stars) was launched in the summer of 1999 as an innovative training laboratory to prepare inner-city young adults for high-status Informational Technology careers. Through donations from various companies that operate in the Chicagoland area, I.C. Stars is able to offer intensive computer courses to help train future professionals.

The core mission of I.C. Stars is to break the generational cycle of poverty that limits the ability of young people to participate in the economic growth of the Illinois community. By bringing the needs of industry to bright, capable inner city residents, I.C. Stars hopes to add value to the lives of young adults as well as its industry partners.

2. Significant Accounting Policies

Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis.

Information regarding the financial position and activities of the Foundation are reported in three classes of net assets (as applicable): unrestricted, temporarily restricted and permanently restricted, the latter two of which are based on the existence or absence of externally (donor) imposed restrictions on contributions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Foundation, except for those that are temporarily or permanently restricted by donors. Board designated amounts are part of unrestricted net assets.
- Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Foundation (purpose restrictions).
- Permanently Restricted Net Assets – Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of this class of net assets be retained in perpetuity as an endowment with only the income to be reclassified to unrestricted net assets.

There are no temporarily or permanently restricted net assets at August 31, 2015 or 2014.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS (Continued)
AUGUST 31, 2015 AND 2014**

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts. The Foundation estimated the allowance based on its historical experience of the relationship between actual bad debts and net amounts collected.

Property and Equipment

Property and equipment is recorded at historical cost. The Foundation capitalizes fixed asset additions over \$1,000. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Computer Equipment	3 - 5
Furniture and Office Equipment	5 - 7

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statements of activities and changes in net assets.

Contributions, Grants and Contracts

Contracts and grants are recognized as revenue in the periods to which the contracts or grants are applicable, at the face amounts stated therein. All revenues from contracts or grants are considered to be available for unrestricted use unless specifically restricted as to time or purpose by the respective grantors or contracting agencies. Certain contracts, by their restrictive and specific terms, are treated as exchange transactions, whereby amounts received in advance of the performance of services are reported as deferred revenues. Contract and grant revenues for which time or purpose restrictions expire in the period received are considered unrestricted revenues.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS (Continued)
AUGUST 31, 2015 AND 2014**

A restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

Donations are recognized as revenue upon receipt of donors' commitments. Unconditional promises to give, which do not state a due date or use restriction, are presumed to be unrestricted net assets.

In-Kind Donations

I.C. Stars receives many in-kind donations from various companies towards its mission, including computer hardware and software. The estimated value for these donations is reported as both contribution revenue and information technology expense in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses that are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs have been allocated among the programs and supporting services benefited based on time devoted to the functional areas and other appropriate methods.

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Foundation does not believe its financial statements include any uncertain tax positions. The Foundation's income tax filings for the years 2011 and thereafter remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 relevant period. Actual results could differ from those estimates.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS (Continued)
AUGUST 31, 2015 AND 2014**

Reclassification in Prior Year Financial Statements

Certain amounts originally reported in (a) the statement of activities and changes in net assets and in (b) the statement of functional expenses in the year ended August 31, 2014 have been reclassified to conform to the presentation used in the year ended August 31, 2015. These reclassifications had no effect on the excess of revenues over expenses or in reported assets, liabilities and net assets at August 31, 2014.

3. Concentrations of Credit Risk

Certain financial instruments potentially subject the Foundation to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents and receivables. The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Foundation's program and donor base. The Foundation performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

4. Contributions

Contributions have been received from the following sources:

	<u>2015</u>	<u>2014</u>
Corporate	\$ 199,177	\$ 265,354
Foundation	366,231	261,510
Individual	<u>36,379</u>	<u>35,770</u>
Total	<u>\$ 601,787</u>	<u>\$ 562,634</u>

5. Grant and Revenue Concentrations

During the years ended August 31, 2015 and 2014, a significant amount of contributed revenue was provided by a small number of grantors. A substantial reduction in the level of this support, if it were to occur, could have a significant effect on the Foundation's programs and activities.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS (Continued)
AUGUST 31, 2015 AND 2014**

6. Special Events

	2015	2014
Special Events Income	\$ 640,484	\$ 562,532
Special Events Expenses	(252,003)	(284,085)
Special Events (Net)	\$ 388,481	\$ 278,447

7. Lease of Real Estate

The Foundation currently leases its office facility through July 31, 2023. The lease calls for monthly base rental payments (that increase annually) plus the Foundation's proportionate share of the increase in the building's operating expenses and real estate taxes. The total rent expense for the respective years ended August 31, 2015 and 2014 was \$103,352 and \$105,046.

In addition, the Foundation has alternate options to (1) terminate the lease on August 1, 2019 upon payment of certain penalties or (2) extend the lease for an additional term of five years from the originally scheduled termination date.

Annual future minimum rent payments for the years ending August 31 are as follows:

2016	\$	108,350
2017		110,905
2018		124,807
2019		139,475
2020		142,284
Thereafter		433,400
Total	\$	1,059,221

8. Employment Matters

The Foundation has no "employees" as that term is regularly understood. Those individuals providing employee services to the Foundation are retained through a contractual relationship with a Professional Employer Organization (PEO). Amounts including salaries, payroll taxes, employee benefits and related costs are reported as contracted services.

Those "employees" of the Foundation are entitled to paid vacation, sick days, and personal days off, depending on job classification, length of service, and other factors. Additionally, the PEO provides health insurance and a retirement plan, the costs of which are borne by the Foundation.

**INNER-CITY COMPUTER STARS FOUNDATION
(I.C. STARS)
NOTES TO FINANCIAL STATEMENTS (Continued)
AUGUST 31, 2015 AND 2014**

9. Advertising Costs

Advertising costs, used by the Foundation to promote its programs among the audiences it serves, are expensed as incurred. Advertising expenses for the years ended August 31, 2015 and 2014 were \$38,856 and \$37,554, respectively.

10. Subsequent Events

Source Digital Marketing, LLC

On September 1, 2015, certain owned and licensed assets and the operations of a program known as Source Digital, were transferred to a separate, for-profit limited liability company, Source Digital Marketing, LLC (SDM) for a sale price of \$96,000. Payment of this amount is due no later than December 31, 2022; any interim payments are, however, contingent on the profitability of SDM in each of its fiscal years ending on or before that date. No interest is due on any unpaid balance and it may be prepaid at any time.

Because of the long period during which collection of the sales price may be made and the highly contingent nature surrounding the receipt of such payments, the transaction is not recorded in the financial statements of the Foundation in the year ended August 31, 2015.

On November 5, 2015, the Foundation provided a letter of credit in the amount of \$50,000 to SDM's bank as collateral for a working capital loan to SDM.

I C Stars Staffing, LLC

On September 2, 2015 the Foundation created a wholly-owned subsidiary limited liability company, I. C. Stars Staffing, LLC, to conduct various operations and programs within the Foundation. In future years, the operations, assets and liabilities of this entity will be consolidated with those of the Foundation in its financial statements.

Other

Other subsequent events have been evaluated through January 30, 2016, which is the date the financial statements were available to be issued; there are no other subsequent events requiring recognition and/or disclosure in the financial statements.