

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

**Report on Audited Financial Statements**

**August 31, 2011 and 2010**

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

**INNER-CITY COMPUTER STARS FOUNDATION**  
**(I.C. STARS)**  
**TABLE OF CONTENTS**  
**AUGUST 31, 2011 AND 2010**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Statement of Functional Expenses with Comparative Totals for 2010	6
Notes to Financial Statements	7 - 10



*Certified Public Accountants  
Management Consultants  
Business Advisors*

**CPA** The CPA. Never underestimate the value.

*175 Olde Half Day Road, Suite 290  
Lincolnshire, IL 60069*

*phone 847-459-8850 fax 847-537-8954*

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of financial position of Inner-City Computer Stars Foundation (I.C. Stars) as of August 31, 2011 and 2010, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of management. 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 audits 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. We believe that our audits provide 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 Inner-City Computer Stars Foundation (I.C. Stars) as of August 31, 2011 and 2010 and its activities, changes in net assets, cash flows and functional expenses for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Manning Silverman & Company  
Certified Public Accountants

February 21, 2012

*"Thank you for the opportunity to serve you and for your referrals!"*

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash in Bank	\$ 435,101	\$ 234,293
Accounts Receivable (Less Allowance for Doubtful Accounts of \$3,000 in 2011 and 2010)	110,415	186,912
Other Prepaid Expenses	2,995	850
Security Deposit	<u>19,397</u>	<u>19,397</u>
 Total Current Assets	 <u>\$ 567,908</u>	 <u>\$ 441,452</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 15,565	\$ 18,785
Deferred Special Event Income	<u>112,464</u>	<u>44,445</u>
 Total Current Liabilities	 128,029	 63,230
 Net Assets - Unrestricted	 <u>439,879</u>	 <u>378,222</u>
 Total Liabilities and Net Assets	 <u>\$ 567,908</u>	 <u>\$ 441,452</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)  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	<u>Total (Unrestricted)</u>	<u>Total (Unrestricted)</u>
Revenues		
Special Events (Net)	\$ 273,430	\$ 191,665
Contributions	458,908	533,858
Fee for Services	<u>117,081</u>	<u>147,632</u>
Total Revenues	849,419	873,155
Expenses		
Conferences and Meetings	10,520	4,643
Dues and Subscriptions	2,941	4,882
Grants and Allocations	33,308	41,703
Information Technology	27,767	21,693
Insurance	9,209	7,980
Miscellaneous	9,673	1,999
Occupancy	92,139	96,674
Payroll and Contractors	497,506	493,635
Postage and Delivery	694	718
Bank Fees and Service Charges	19,894	14,837
Services and Consulting	6,014	99,192
Supplies	29,693	6,463
Taxes - Payroll	41,471	35,850
Telephone	6,744	7,026
Travel	<u>411</u>	<u>10,566</u>
Total Expenses	<u>787,984</u>	<u>847,861</u>
Net Revenues over Expenses	61,435	25,294
Other Revenues		
Interest Income	222	221
Gain on Sale of Equipment	<u>-</u>	<u>250</u>
Total Other Revenues	<u>222</u>	<u>471</u>
Excess of Revenues over Expenses	<u>\$ 61,657</u>	<u>\$ 25,765</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)**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	<u>Total</u> <u>(Unrestricted)</u>
Net Assets - September 1, 2009	\$ 352,457
Changes in Net Assets	<u>25,765</u>
Net Assets - August 31, 2010	\$ <u>378,222</u>
Net Assets - September 1, 2010	\$ 378,222
Changes in Net Assets	<u>61,657</u>
Net Assets - August 31, 2011	\$ <u>439,879</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)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 61,657	\$ 25,765
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	76,497	24,168
Prepaid Expenses	(2,145)	17,712
(Decrease) Increase in:		
Accounts Payable and Accrued Expense	(3,220)	(7,489)
Deferred Event Income	68,019	452
Net Cash Provided by Operating Activities	200,808	60,608
Cash, Beginning of Year	234,293	173,685
Cash, End of Year	\$ 435,101	\$ 234,293

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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2011 WITH COMPARATIVE TOTALS FOR 2010**

	2011				2010
	Program	General and Administration	Fundraising	Total	
Payroll and Contractors	\$ 492,531	\$ 1,990	\$ 2,985	\$ 497,506	\$ 493,635
Occupancy	90,296	1,843	-	92,139	96,674
Grants and Allocation	33,308	-	-	33,308	41,703
Telephone	1,686	5,058	-	6,744	7,026
Information Technology	24,990	1,666	1,111	27,767	21,693
Payroll Taxes	41,056	415	-	41,471	35,850
Insurance	5,525	3,684	-	9,209	7,980
Supplies	26,724	2,969	-	29,693	6,463
Bank Fees and Service Charges	11,937	5,968	1,989	19,894	14,837
Services and Consulting	-	6,014	-	6,014	99,192
Conferences and Meetings	9,468	316	736	10,520	4,643
Dues and Subscriptions	2,941	-	-	2,941	4,882
Travel	411	-	-	411	10,566
Postage and Delivery	69	625	-	694	718
Miscellaneous	-	759	-	759	(59)
Bad Debt	2,852	3,120	2,942	8,914	2,058
<b>Total Expenses</b>	<b>\$ 743,794</b>	<b>\$ 34,427</b>	<b>\$ 9,763</b>	<b>\$ 787,984</b>	<b>\$ 847,861</b>

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, 2011 AND 2010**

**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 that prepares inner-city young adults for high-status Informational Technology careers. Through donations from various companies like Hewitt Associates, Microsoft and the Chicago Tribune, I.C. Stars is able to offer intensive computer courses to help train future professionals.

I.C. Stars core mission 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 bridging 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, 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 external 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 these classes of net assets be invested in perpetuity and only the investment income be expended.

The Foundation reports its expenses by function (i.e., by program).

**INNER-CITY COMPUTER STARS FOUNDATION**  
**(I.C. STARS)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AUGUST 31, 2011 AND 2010**

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.

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.

Concentrations of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash. 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.

In-Kind Donations

I.C. Stars receives many in-kind donations towards their mission, including computer hardware and software, from various companies at no charge to the Foundation. The estimated value for these donations included in the financial statements was \$16,000 and \$13,560 for the years ended August 31, 2011 and 2010, respectively.

Property and Equipment

Property and equipment is recorded at historical cost. The Foundation capitalizes fixed asset additions over \$5,000. 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.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2011 AND 2010**

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be unrestricted net assets.

A donor 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 statement of activities as net assets released from restrictions. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donors that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

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. 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 program 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.

**3. Special Events**

	<u>2011</u>	<u>2010</u>
Special Events Income	\$ 408,770	\$ 307,199
Special Events Expenses	<u>135,340</u>	<u>115,534</u>
Special Events (Net)	<u>\$ 273,430</u>	<u>\$ 191,665</u>

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2011 AND 2010**

**4. Lease of Real Estate**

Until July 31, 2007, the Foundation received in-kind rent from Closer Look, Inc. at no charge. Effective August 2007, the Foundation leased its Chicago facilities. The lease expires July 31, 2012. Base monthly rent is \$3,630, increasing in October 2007 and in August in subsequent years. Total paid rent for the years ended August 31, 2011 and 2010 was \$84,099 and \$90,059.

Annual future minimum rent payments for the twelve months ending August 31, 2012 are \$93,120.

**5. Debt**

The Foundation has a maximum \$50,000 line of credit with its bank. The loan bears interest at prime plus 1 1/2% per annum. Substantially all assets of the Foundation are pledged as collateral. No amount was drawn on this line of credit as of August 31, 2011 or 2010.

**6. Contributions**

	<u>2011</u>		<u>2010</u>	
	<u>Cash</u>	<u>In-Kind</u>	<u>Cash</u>	<u>In-Kind</u>
Corporate	\$ 158,442	\$ 16,000	\$ 260,774	\$ 13,560
Foundation	242,500	-	192,500	-
Individual	<u>41,966</u>	<u>-</u>	<u>67,024</u>	<u>-</u>
Total	<u>\$ 442,908</u>	<u>\$ 16,000</u>	<u>\$ 520,298</u>	<u>\$ 13,560</u>

**7. Subsequent Events**

Subsequent events have been evaluated through February 21, 2012 which is the date the financial statements were available to be issued and there are no subsequent events requiring recognition and/or disclosure.