

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

**Report on Audited Financial Statements**

**August 31, 2012 and 2011**

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

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
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AUGUST 31, 2012 AND 2011**

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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, 2012 and 2011 and the related statements of activities 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**

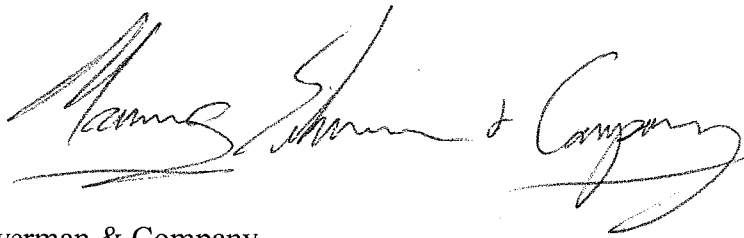
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2012 and 2011 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 that reads "Manning Silverman & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Manning Silverman & Company  
Lincolnshire, Illinois

January 31, 2013

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash in Bank	\$ 317,469	\$ 435,101
Accounts Receivable (Less Allowance for Doubtful Accounts of \$3,000 in 2012 and 2011)	127,391	110,415
Other Prepaid Expenses	6,845	2,995
Security Deposit	<u>20,443</u>	<u>19,397</u>
Total Current Assets	472,148	567,908
Fixed Assets		
Equipment	51,447	45,078
Accumulated Depreciation	<u>(45,078)</u>	<u>(45,078)</u>
Total Fixed Assets	<u>6,369</u>	<u>-</u>
Total Assets	<u>\$ 478,517</u>	<u>\$ 567,908</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 37,236	\$ 15,565
Deferred Special Event Income	<u>416</u>	<u>112,464</u>
Total Current Liabilities	37,652	128,029
Net Assets - Unrestricted	<u>440,865</u>	<u>439,879</u>
Total Liabilities and Net Assets	<u>\$ 478,517</u>	<u>\$ 567,908</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
	Total (Unrestricted)	Total (Unrestricted)
Revenues		
Special Events (Net)	\$ 428,826	\$ 273,430
Contributions	498,541	458,908
Fee for Services	<u>393,452</u>	<u>117,081</u>
Total Revenues	1,320,819	849,419
Expenses		
Conferences and Meetings	17,352	10,520
Dues and Subscriptions	610	2,941
Grants and Allocations	104,387	33,308
Information Technology	32,698	27,767
Insurance	4,348	9,209
Miscellaneous	8,606	9,673
Occupancy	92,443	92,139
Payroll and Contractors	896,210	497,506
Postage and Delivery	661	694
Bank Fees and Service Charges	39,285	19,894
Services and Consulting	27,592	6,014
Supplies	7,873	29,693
Taxes - Payroll	75,096	41,471
Telephone	9,569	6,744
Travel	<u>3,140</u>	<u>411</u>
Total Expenses	<u>1,319,870</u>	<u>787,984</u>
Net Revenues over Expenses	949	61,435
Other Revenues		
Interest Income	<u>37</u>	<u>222</u>
Excess of Revenues over Expenses	<u>\$ 986</u>	<u>\$ 61,657</u>

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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

		Total <u>(Unrestricted)</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>
 Net Assets - September 1, 2011	 \$	 439,879
Changes in Net Assets		<u>986</u>
Net Assets - August 31, 2012	\$	<u>440,865</u>

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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 986	\$ 61,657
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	(16,976)	76,497
Prepaid Expenses	(4,896)	(2,145)
(Decrease) Increase in:		
Accounts Payable and Accrued Expense	21,671	(3,220)
Deferred Event Income	<u>(112,048)</u>	<u>68,019</u>
Net Cash Provided by (Used in) Operating Activities	(111,263)	200,808
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	<u>(6,369)</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(117,632)	200,808
Cash, Beginning of Year	<u>435,101</u>	<u>234,293</u>
Cash, End of Year	\$ <u>317,469</u>	\$ <u>435,101</u>

See Independent Auditor's Report.  
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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED AUGUST 31, 2012 WITH COMPARATIVE TOTALS FOR 2011**

	2012			Total	2011
	Program	General and Administration	Fundraising		
Payroll and Contractors	\$ 800,657	\$ 59,113	\$ 36,440	\$ 896,210	\$ 497,506
Occupancy	72,888	19,555	-	92,443	92,139
Grants and Allocation	104,387	-	-	104,387	33,308
Telephone	8,921	648	-	9,569	6,744
Information Technology	30,752	1,747	199	32,698	27,767
Payroll Taxes	65,590	6,236	3,270	75,096	41,471
Insurance	5,552	(1,204)	-	4,348	9,209
Supplies	7,818	(20)	75	7,873	29,693
Bank Fees and Service Charges	33,836	4,284	1,165	39,285	19,894
Services and Consulting	21,179	6,413	-	27,592	6,014
Conferences and Meetings	14,151	2,199	1,002	17,352	10,520
Dues and Subscriptions	355	10	245	610	2,941
Travel	1,659	1,075	406	3,140	411
Postage and Delivery	228	65	368	661	694
Miscellaneous	6,718	1,888	-	8,606	759
Bad Debt	-	-	-	-	8,914
<b>Total Expenses</b>	<b>\$ 1,174,691</b>	<b>\$ 102,009</b>	<b>\$ 43,170</b>	<b>\$ 1,319,870</b>	<b>\$ 787,984</b>

See Independent Auditor's Report.

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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011**

**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, 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 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.

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.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2012 AND 2011**

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 \$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.

Contributions, Grants and Contracts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor, grantor or contracting agency. Amounts received that are designated for future periods or are restricted 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 statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include the principal amount of contributions accepted with the stipulations from the donors that the principal be maintained in perpetuity, with only the income therefrom to be expended for either general purposes or a purpose specified by the donor.

**INNER-CITY COMPUTER STARS FOUNDATION**  
**(I.C. STARS)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AUGUST 31, 2012 AND 2011**

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 \$28,729 and \$16,000 for the years ended August 31, 2012 and 2011, respectively.

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 2008 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, 2012 AND 2011**

**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. Special Events**

	<u>2012</u>	<u>2011</u>
Special Events Income	\$ 467,718	\$ 408,770
Special Events Expenses	<u>38,892</u>	<u>135,340</u>
Special Events (Net)	<u>\$ 428,826</u>	<u>\$ 273,430</u>

**5. 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 facility, which expired on July 31, 2012. Base monthly rent was \$3,630, increasing in October 2007 and in August in subsequent years. Total paid rent for the years ended August 31, 2012 and 2011 was \$78,486 and \$84,099, respectively.

The Foundation entered into a new lease for its Chicago office facility at 415 North Dearborn Avenue effective August 1, 2012 through July 31, 2023 with an unrelated party, Dearborn Street Investors, LLC. The lease calls for monthly base payments of \$10,068, with an annual increase each August to adjust for inflation. There was no rent paid under the new lease for the year ended August 31, 2012.

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

2013	\$ 100,939
2014	103,239
2015	105,794
2016	108,350
2017	110,905
Thereafter	<u>839,966</u>
Total	\$ <u>1,369,193</u>

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2012 AND 2011**

**6. 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, 2012 or 2011.

**7. Contributions**

	2012		2011	
	Cash	In-Kind	Cash	In-Kind
Corporate	\$ 167,075	\$ 28,729	\$ 158,442	\$ 16,000
Foundation	274,150	-	242,500	-
Individual	28,587	-	41,966	-
Total	\$ 469,812	\$ 28,729	\$ 442,908	\$ 16,000

**8. Compensated Absences**

Employees of the Foundation are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the costs of compensated absences when actually paid to employees.

**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, 2012 and 2011 were \$27,593 and \$26,258, respectively.

**10. Subsequent Events**

Subsequent events have been evaluated through December 14, 2012 which is the date the financial statements were available to be issued; there are no subsequent events requiring recognition and/or disclosure in the financial statements.