

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

**Report on Audited Financial Statements**

**August 31, 2013 and 2012**

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

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
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AUGUST 31, 2013 AND 2012**

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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, 2013 and 2012 and the related statements of activities, changes in net assets, and cash flows for the years then ended, and statement of functional expenses with comparative totals for 2012 for the year ended August 31, 2013 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**

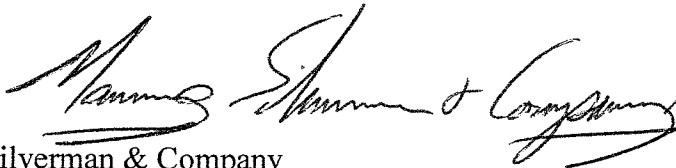
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2013 and 2012 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, likely representing a partner or principal of 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

December 20, 2013

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash in Bank	\$ 502,568	\$ 317,469
Accounts Receivable (Less Allowance for Doubtful Accounts of \$3,000 at August 31, 2013 and 2012)	135,917	127,391
Other Prepaid Expenses	550	6,845
Security Deposit	<u>20,443</u>	<u>20,443</u>
Total Current Assets	659,478	472,148
Fixed Assets		
Equipment	51,447	51,447
Accumulated Depreciation	<u>(45,999)</u>	<u>(45,078)</u>
Total Fixed Assets	<u>5,448</u>	<u>6,369</u>
Total Assets	<u>\$ 664,926</u>	<u>\$ 478,517</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 15,748	\$ 24,941
Accrued Payroll and Performance Bonus	42,782	12,295
Deferred Revenue	<u>30,616</u>	<u>416</u>
Total Current Liabilities	89,146	37,652
Net Assets - Unrestricted	<u>575,780</u>	<u>440,865</u>
Total Liabilities and Net Assets	<u>\$ 664,926</u>	<u>\$ 478,517</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, 2013 AND 2012**

	2013	2012
	<u>Unrestricted</u>	<u>Unrestricted</u>
Revenues		
Special Events (Net)	\$ 478,529	\$ 428,826
Contributions	522,222	498,541
Fee for Services	<u>631,105</u>	<u>393,452</u>
Total Revenues	<u>1,631,856</u>	<u>1,320,819</u>
Expenses		
Conferences and Meetings	12,157	17,352
Dues and Subscriptions	925	610
Grants and Allocations	80,799	104,387
Information Technology	49,427	32,698
Insurance	6,823	4,348
Marketing	39,697	27,592
Miscellaneous	338	4,505
Occupancy	102,709	92,443
Payroll and Contractors	1,076,257	896,210
Payroll Service Charges and Bank Fees	30,781	39,285
Postage and Delivery	1,095	661
Printing and Reproduction	4,995	4,101
Professional Development	1,285	-
Supplies	11,740	7,873
Taxes - Payroll	66,662	75,096
Telephone	5,988	9,569
Travel	<u>5,498</u>	<u>3,140</u>
Total Expenses	<u>1,497,176</u>	<u>1,319,870</u>
Net Revenues over Expenses	134,680	949
Other Revenues		
Interest Income	<u>235</u>	<u>37</u>
Excess of Revenues over Expenses	<u>\$ 134,915</u>	<u>\$ 986</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, 2013 AND 2012**

		<u>Unrestricted</u>
Net Assets - September 1, 2011	\$	439,879
Changes in Net Assets		<u>986</u>
Net Assets - August 31, 2012	\$	<u>440,865</u>
Net Assets - September 1, 2012	\$	440,865
Changes in Net Assets		<u>134,915</u>
Net Assets - August 31, 2013	\$	<u>575,780</u>

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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

	2013	2012
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 134,915	\$ 986
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	921	-
(Increase) Decrease in:		
Accounts Receivable	(8,526)	(16,976)
Prepaid Expenses	6,295	(4,896)
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	21,294	21,671
Deferred Event Income	30,200	(112,048)
Net Cash Provided by (Used in) Operating Activities	185,099	(111,263)
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	-	(6,369)
Increase (Decrease) in Cash and Cash Equivalents	185,099	(117,632)
Cash, Beginning of Year	317,469	435,101
Cash, End of Year	\$ 502,568	\$ 317,469

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**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2013 WITH COMPARATIVE TOTALS FOR 2012**

	2013				Total	2012
	Program	General and Administration	Fundraising			
Payroll and Contractors	\$ 975,841	\$ 72,419	\$ 27,997	\$ 1,076,257	\$ 896,210	
Occupancy	94,351	8,358	-	102,709	92,443	
Grants and Allocation	80,799	-	-	80,799	104,387	
Telephone	4,606	1,382	-	5,988	9,569	
Information Technology	43,057	6,370	-	49,427	32,698	
Payroll Taxes	45,069	19,346	2,247	66,662	75,096	
Insurance	6,815	8	-	6,823	4,348	
Supplies	11,179	394	167	11,740	7,873	
Payroll Service Fees and Bank Charges	29,227	513	1,041	30,781	39,285	
Conferences and Meetings	11,992	-	165	12,157	17,352	
Dues and Subscriptions	250	150	525	925	610	
Travel	4,735	763	-	5,498	3,140	
Postage and Delivery	889	9	197	1,095	661	
Printing and Reproduction	3,724	831	440	4,995	4,101	
Marketing	37,555	2,142	-	39,697	27,592	
Professional Development	-	1,285	-	1,285	-	
Miscellaneous	-	338	-	338	4,505	
<b>Total Expenses</b>	<b>\$ 1,350,089</b>	<b>\$ 114,308</b>	<b>\$ 32,779</b>	<b>\$ 1,497,176</b>	<b>\$ 1,319,870</b>	

See Independent Auditor's Report.  
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**INNER-CITY COMPUTER STARS FOUNDATION**  
**(I.C. STARS)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012**

**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, 2013 AND 2012**

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:

Description	Years
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

Contracts and grants are recognized as revenue in the periods in which the contracts or grants are received, at the face amounts stated therein; however, they may be subject to adjustment in subsequent periods. 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. 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. Contract and grant revenues for which time or purpose restrictions expire in the period received are considered unrestricted revenues.

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.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2013 AND 2012**

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 \$18,575 and \$28,729 for the years ended August 31, 2013 and 2012, 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 2010 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.

Reclassifications

The presentation of certain balances for the year ended August 31, 2012 have been reclassified to conform to the current year presentation.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2013 AND 2012**

**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>2013</u>	<u>2012</u>
Special Events Income	\$ 489,380	\$ 467,718
Special Events Expenses	<u>(10,851)</u>	<u>(38,892)</u>
Special Events (Net)	<u>\$ 478,529</u>	<u>\$ 428,826</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 year ended August 31, 2012 was \$78,486.

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. The rent expense under the new lease for the years ended August 31, 2013 and 2012, was \$102,709 and \$0, respectively.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2013 AND 2012**

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

2014	\$ 103,239
2015	105,794
2016	108,350
2017	110,905
2018	124,807
Thereafter	<u>715,159</u>
Total	<u>\$ 1,268,254</u>

**6. Line of Credit**

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, 2013 or 2012.

**7. Contributions**

	2013		2012	
	Cash	In-Kind	Cash	In-Kind
Corporate	\$ 188,785	\$ 18,575	\$ 167,075	\$ 28,729
Foundation	290,400	-	274,150	-
Individual	<u>25,462</u>	<u>-</u>	<u>28,587</u>	<u>-</u>
Total	<u>\$ 504,647</u>	<u>\$ 18,575</u>	<u>\$ 469,812</u>	<u>\$ 28,729</u>

**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.

**INNER-CITY COMPUTER STARS FOUNDATION  
(I.C. STARS)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AUGUST 31, 2013 AND 2012**

**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, 2013 and 2012 were \$39,697 and \$27,592, respectively.

**10. Subsequent Events**

Subsequent events have been evaluated through December 20, 2013 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.