

HEART OF THE CITY  
Financial Statements and  
Independent Auditors' Report

December 31, 2017

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Business Development  
Software Implementation  
Tax and Accounting

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Heart of the City

We have audited the accompanying financial statements of Heart of the City (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis, as of December 31, 2017, and the related statement of support, revenue, expenses and changes in net assets – cash basis for the year 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Heart of the City as of December 31, 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note A.

### Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

COLE, MARTIN & CO., LTD.

Certified Public Accountants  
Buffalo Grove, Illinois  
November 1, 2018

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**HEART OF THE CITY  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 172,059
Restricted cash	17,265
Total Cash and cash equivalents	<u>189,324</u>
Certificate of deposit	5,003
Total Current Assets	<u>194,327</u>

**PROPERTY AND EQUIPMENT - AT COST**

Furniture and equipment	<u>25,690</u>
	25,690
Less accumulated depreciation	<u>7,822</u>
Net Property and Equipment	17,868

**OTHER ASSETS**

Security deposit	<u>4,688</u>
Total Assets	<u><u>\$ 216,883</u></u>

**LIABILITIES AND NET ASSETS**

**NET ASSETS**

Unrestricted	\$ 199,618
Temporarily restricted	17,265
Total Net Assets	<u>216,883</u>
Total Liabilities and Net Assets	<u><u>\$ 216,883</u></u>

The accompanying notes are an integral part of these financial statements

**HEART OF THE CITY  
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGE IN NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 776,999	148,500	\$ 925,499
Grants	30,353		30,353
Registration fees	136,263		136,263
In-kind	35,871		35,871
Miscellaneous income	13,796		13,796
Release from restrictions	131,235	(131,235)	-
Total Support and Revenue	<u>1,124,517</u>	<u>17,265</u>	<u>1,141,782</u>
Expenses			
Programs	838,675		838,675
General and Administrative	249,984		249,984
Total Expenses	<u>1,088,659</u>	<u>-</u>	<u>1,088,659</u>
Increase(Decrease) in net assets	35,858	17,265	53,123
Net assets, beginning of year	163,760	-	163,760
Net assets, end of year	<u>\$ 199,618</u>	<u>\$ 17,265</u>	<u>\$ 216,883</u>

The accompanying notes are an integral part of these financial statements

Heart of the City  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

1. Nature of Organization

The Heart of the City is a non-profit corporation qualified as a private operating foundation organized as a community outreach program to make soccer more accessible to all children under the laws of the State of Illinois.

2. Basis of Accounting

The accompanying financial statements have been prepared on the cash basis method of accounting used by the Organization for federal income tax purposes. Certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

3. Basis of Presentation

Information regarding the Organization's financial position and activities are reported according to the existence or absence of donor-imposed restrictions. Restricted revenue whose restrictions are met within the same year as received (that is, when the purpose restriction is accomplished) are reported as both temporarily restricted revenue and as net assets released from restriction in the accompanying financial statements.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – represent net assets that are not subject to statutory or donor-imposed stipulations.

Temporarily Restricted Net Assets – represent net assets subject to donor-Imposed stipulations that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets – represent net assets subject to donor-imposed stipulations that must be maintained permanently. The Organization does not have any permanently restricted net assets.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

5. Revenue and Support

The Organization's support comes primarily from contributions and registration fees. Revenues are recorded as received. The Organization follows ASC No. 958, "Accounting for Contributions Received and Contributions Made", and thus, support received is recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

6. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as a private operating foundation, effective date of exemption is April 7, 2014.

The Organization's Forms 990-PF, *Return of Private Foundation*, for the years ending 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Heart of the City  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Property and Equipment

The Organization capitalizes all items which have a unit cost greater than \$1,000 and a useful life more than one year. Maintenance and repairs that do not extend the useful life of the applicable assets are expensed as incurred. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. As of December 31, 2017 the Organization has no donated assets. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to five years. Depreciation expense was \$5,138 for the year ended December 31, 2017.

9. Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2017, which is included in program services expenses, was \$13,297.

NOTE B - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE C - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2018, the date which the financial statements were available to be issued.

NOTE D - OPERATING LEASE

On October 5, 2016 the Organization entered into a lease for office space in Waukegan effective November 15, 2016. Lease terms require the monthly payment of rent of \$1,887 (inclusive of common area maintenance, insurance and real estate taxes) plus utilities. The lease is a two year lease which expires on November 14, 2018.

Future commitments under the lease are as followed:

<u>Year</u>	
2018	19,814
	<u>\$ 19,814</u>

On May 11, 2018 the Organization entered into a lease for office space in Waukegan effective June 1, 2018. Lease terms require the monthly payment of rent of \$2,163 (exclusive of common area maintenance, insurance and real estate taxes) plus utilities. The lease is a three year lease which expires on May 31, 2021.

NOTE E - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at one financial institution in Illinois. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's uninsured cash balances totaled approximately \$-0-

Heart of the City  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE F – RESTRICTED CASH

Restricted cash is related to the temporarily restricted funds for the recreational league expenses. These amounts are restricted by the donor.

NOTE G – CERTIFICATE OF DEPOSIT

Certificates of deposit represent temporary investments of excess cash. The current certificate of deposit bears an interest rate of .06% with a maturity date of July 27, 2018.

NOTE H – RELATED PARTY TRANSACTIONS

During 2017 the Organization paid \$14,704 to an entity owned by a current director of the Organization. The entity provided human resources consulting services to the Organization. No outstanding balance is due to the entity at December 31, 2017.

NOTE I – MAJOR DONOR

The Organization has one major donor that accounted for approximately 80% of revenue and support for the year ended December 31, 2017. The Organization expects to maintain this relationship with the donor.

NOTE J – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, funds received from one donor were temporarily restricted and not fully expended. These funds were restricted for Recreational League expenses. The balance remaining at December 31, 2017 is \$17,265.

NOTE K – DONATED SERVICES AND IN-KIND SUPPORT

The Organization may receive services, equipment and material without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Materials and other noncash donations are recorded at cost or estimated fair value determined at the date of donation. For the year ended December 31, 2017, the Organization recorded advertising, facility usage and other donated goods that totaled \$35,871, which is included in in-kind support and revenue in the statement of support, revenues, expenses and change in net assets.



SUPPLEMENTARY INFORMATION

**HEART OF THE CITY  
SCHEDULE OF FUNCTIONAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	General and Administrative	Total
Advertising	\$ 3,539	\$ -	\$ 3,539
Bank Charges	-	576	576
Depreciation	3,738	1,400	5,138
Dues and subscriptions	3,758	-	3,758
Employee Benefits	21,457	10,917	32,374
Equipment	4,033	1,345	5,378
Field rental expense	130,460	-	130,460
In-kind - Advertising	9,758	-	9,758
In-kind - Field rental	22,893	-	22,893
In-kind - Goods	3,220	-	3,220
Insurance	12,418	6,455	18,873
Legal expense	-	25,504	25,504
League fees	61,041	-	61,041
Meals	2,781	-	2,781
Miscellaneous	-	114	114
Payroll Taxes	19,410	9,875	29,285
Printing and publications	2,338	-	2,338
Professional fees for referees	138,319	-	138,319
Professional fees, accounting	-	15,993	15,993
Rent	-	23,775	23,775
Repairs and maintenance	622	208	830
Salaries	217,336	110,575	327,911
Staff development	-	5,181	5,181
Supplies	78,424	26,141	104,565
Telephone and utilities	8,168	2,723	10,890
Tournament expenses	93,480	-	93,480
Travel, conferences and meetings	1,482	494	1,976
Volunteer Recognition	-	8,709	8,709
	<u>\$ 838,675</u>	<u>\$ 249,984</u>	<u>\$ 1,088,659</u>

The accompanying notes are an integral part of these financial statements