THE YEAR IN REVIEW 2015
For many Illinois nonprofits, 2015 was an exceptionally difficult year. Challenges from the city, the state, and the economy caused program shortfalls across crucial sectors, including literacy. As always, the Chicago Literacy Alliance held to its mission of increasing impact by providing opportunities for creative and effective collaboration. This year, against one of the most tumultuous civic backgrounds in recent history, the value of that mission — and its implications for the more than 75 organizations participating — became absolutely clear.

With the opening of the Literacenter, a dream many years in the making, we created the country’s first nonprofit shared workspace dedicated to literacy. In this innovative and inspiring space, literacy groups serving all parts of the spectrum began gathering to build capacity and find support. For some organizations, the Literacenter represents their first official office, and supplies hitherto unknown credibility and resources. For others, relocation to the Literacenter has been a chance to dramatically reduce their space costs, leading to greater program budgets. For everyone, being in the same place has meant ongoing opportunities to connect, converse, and collaborate. We’ve provided programs ranging from weekly best practice workshops and monthly social gatherings all the way through an ongoing professional development cohort and an annual conference, and have watched partnerships and projects blossom throughout.

In the following pages, we present this year’s highlights of our home, our work, and the magic our members have experienced. Literacy remains a crucial issue in our community, and we remain dedicated to our vision of a 100% literate city. This year, more than ever, proved that this vision must be achieved together. We are proud, humbled, and committed to be a galvanizing part of the cause.
North America's first shared workspace dedicated exclusively to literacy organizations.

**OPENED: MAY 2015**

**WINNER: Chicago Inno 50 On Fire Award, 2015**

- **18 members in May, 78 members in December**
- **38,000 total sqft**
- **14 meeting rooms, 2 big social spaces**
- **23 member offices, 5 easy-to-ride Literascooters**
Our students have stated they have felt welcomed and are excited to be part of an organization where change leads to growth and greater possibilities. The high-tech environment and state of the art conference rooms have allowed us to continue and sustain our programs.

Rich Dominguez
Executive Director
Literacy Chicago

The Literacenter is a major statement for our cause. As the first space of its kind in the country, it is the physical manifestation of our commitment to literacy in Chicago and to the organizations that bring their energy, time, and determination to the issue. But we are not the first team to discover that shared workspace is a key element to achieving our vision of a 100% literate city. Research across the 350+ nonprofit shared workspaces operating in North America shows that places like the Literacenter increase effectiveness, efficiency, and impact, and that they are a proven accelerator of positive change across the field. In a seminal impact study co-sponsored by The Kresge Foundation and The Lodestar Foundation, the Nonprofit Centers Network demonstrated that, among nonprofit organizations in shared workspaces:

• 72% experienced improvement in awareness/credibility
• 65% experienced enhanced staff morale
• 66% experienced greater collaboration, leading to better effectiveness
• 68% experienced significant improvement in their ability to achieve mission

“THE SPACE HAS BROUGHT A NEWFOUND ENERGY TO OUR STUDENT PROGRAMS.”

“ORGANIZATIONS IN SHARED SPACES EXPERIENCE SIGNIFICANT IMPROVEMENTS IN THEIR OVERALL EFFECTIVENESS AND EFFICIENCY, WHICH ULTIMATELY YIELD GREATER IMPACTS FOR THE COMMUNITIES THEY SERVE.”

- Nonprofit Centers Network, 2011

SPACE
“WE ARE RECEIVING TRAINING AND SERVICES THAT WE WOULD NOT HAVE BEEN ABLE TO AFFORD PREVIOUSLY.”

When you’re a relatively small non-profit like HEART, partnerships are a necessity. The Chicago Literacy Alliance connects us with other great organizations within its network and gives us opportunities to build additional partnerships.

Mickey Kudia
Chicago Program Manager
HEART

SUPPORT
BACK OFFICE SERVICES
Through arrangements with back office partners, we offered our members highly discounted back office services including payroll, accounting, HR, and insurance.

TRAININGS
This year’s training opportunities included public speaking, volunteer management, social media, board development, corporate fundraising, evaluation, and more.

#FundAdultEd
To help share our resources with those who need them most, we offered free memberships to adult literacy organizations most affected by the state budget crisis.
"THE LITERACENTER HAS BEEN TRANSFORMATIVE FOR OPEN BOOKS."

Our membership in the Chicago Literacy Alliance has broadened our reach, exposed us to unique perspectives, and helped us solve shared issues. It would normally take weeks to arrange everyone’s schedule for a meeting, but now all we have to do is stroll upstairs and see who is available.

Tim O’Brien
Executive Director
Open Books

CHICAGO HOPES FOR KIDS + LITERACY WORKS + OPEN BOOKS
worked together to provide coordinated books, tutoring, and services for a homeless shelter near the Literacenter.

BOOKWALLAH + KIDS LIKE US
found ways to cross-reference Indian storybooks for their programs.

CISC + LITERACY WORKS
 teamed up to offer parent and professional development workshops to partner schools.

INFINITEACH + SMART CHICAGO
partnered to get iPad apps for students with autism into schools and libraries.

THE VIOLA PROJECT + WITS
connected their networks to start a new after-school program.

CABRINI CONNECTIONS + EMERALD CITY THEATRE
shared resources to introduce students to the wonders of live performance.

ART & LANGUAGE COLLABORATIONS + LITERACY WORKS
gave each other powerful ideas for new approaches to adult learning.

CHICAGO HOPES FOR KIDS + CHICAGO LITERACY ALLIANCE + OPEN BOOKS + WITS
sourced hundreds of high-quality books, matched them to student requests, wrapped them, and donated them to students in homeless shelters for the holidays.
RESULTS

98% said that their membership is valuable.

81% found Literacenter’s programs valuable and worth the time.

78% reported that the Literacenter facilitates new relationships and opportunities for collaboration.

Industry Benchmark: 66%

89% said that the Literacenter helps their organization work more efficiently.

Industry Benchmark: 68%

 Membership survey conducted December 2015.

“THE SHARED SPACE HAS ENCOURAGED US TO INITIATE NEW PARTNERSHIPS.”

Because of the superb facilities and services, as well as the common space, we are now able to bring in interns to help us with our work — and we are able to spend less time “getting things done.” We also have a professional and pleasant place to bring our associates, funders, and other guests.

Betsy Rubin
Adult & Family Literacy Specialist
Literacy Works
BROWN BAG SESSIONS

Every week, we welcomed members to join us for our Brown Bag lunchtime workshop sessions on topics of general nonprofit interest and specific literacy strategies. 2015’s lineup included...

- Social Media Best Practices
- Google Grants and AdWords
- Board Development
- Volunteer Management
- Working with Foundations
- Email Marketing
- Theories of Change
- Storytelling
- Understanding the Affordable Care Act
- Board Fundraising
- Nonfiction Text
- Best Practices for Onscreen Interviews
- Major Gifts 101
- The Four Animals of Communication
- Hi-Lo Writing
- Collective Impact
- Corporate Development
- Understanding Adult Literacy When You Work with Parents
- End-of-Year Fundraising Planning
- Giving Tuesday
- Developing a Great Internship Program
- Music in the Classroom
- Digital Literacy

EXPERT MENTOR HOURS

Each month, we invited a local expert to hold open office hours. Ranging from lawyers and accountants to evaluation specialists and school network administrators, they gave our members individual advice and priceless referrals.

CONFABS

These monthly meetups, our longest-running tradition, continued strong in 2015. Featuring presentations from two members each time, they were the starting point for many collaborative projects over the year.

LITERACY NIGHTS

Once again in 2015, we gathered members together at Literacy Nights to share an array of books and resources with families. With more than 600 people attending, these events continued our collaborative work in the city.
STATE OF LITERACY SYMPOSIUM

THE CHICAGO LITERACY ALLIANCE
CORDIALLY INVITES YOU TO ATTEND ITS
FIRST ANNUAL
STATE OF LITERACY
SYMPOSIUM

THURSDAY
NOVEMBER 9
AM - 3 PM
1919

FEATURING EXPERTS FROM
WORKING IN THE SCHOOLS □
(LITS)
□ LITERACY WORKS
CHICAGO PUBLIC SCHOOLS DEPT. OF LITERACY
NORTHWESTERN UNIVERSITY
AND MORE

SEE ALL THE DETAILS AND REGISTER AT
WWW.CHICAGOLITERACYALLIANCE.ORG

LITERACENTER
641 W. LAKE ST. SUITE 200
CHICAGO, IL 60661

EVENTS

SOCIAL EVENTS

In the colorful surroundings of the Literacenter, we premiered a wide lineup of social events in 2015, from monthly movie nights through a semi-annual Rock Band tournament, occasional Lounge Hours, and the instant hit McGonagall Cup bad poetry competition. As members gathered for board games, birthday celebrations, and book clubs, we watched relationships bloom and friendships flourish, leading to ever more collaboration and good will.

THE GRIM READER’S REVELRY

For Halloween, we threw the only soirée in Chicago offering a literary séance with Mary Shelley...and that was just the start of the eerie entertainment. More than 125 ghoulish guests joined us for preternatural palm-reading, tricky tarot, frightful face painting, the phantasmal photobooth, devilish drinks, dastardly desserts, and the formidably famous Haunted Dance party, all to support our wicked work and show off our spooky space.

STATE OF LITERACY SYMPOSIUM

Featuring a day-long lineup of speakers from all parts of the literacy world — including early childhood learning, K-12 schoolwork, adult literacy, linguistic research, and education reporting — our first annual Symposium filled our 200-seat house and sparked conversations all across the spectrum. Outside experts joined us to provide perspective, best practices, informed opinions, and ways to further the cause, while the lunch break included opportunities to learn more about our member organizations and make connections on topics of interest.
“I HAVE COME TO KNOW OTHER MEMBERS AND FIND THEM ALL TO BE VERY FRIENDLY AND ACCOMMODATING.”

We can exchange ideas and participate in each other’s events. I am currently tutoring a student through Literacy Chicago and it has been a wonderful experience.

Toni Pullen
Development Coordinator
Cabrini Connections

826CHI
AARP Experience Corps
Acts of Love
Anixter Center
Arts & Language Collaboration
Barrel of Monkeys
Bennett Day School
Big Shoulders Fund
Bookwallah
Cabrini Connections
Central States SER
Centro Romero
Changing Worlds
Chicago Cares
Chicago Children’s Museum
Chicago Citywide Literacy Coalition
Chicago Debate Commission
Chicago Foundation for Education
Chicago HOPES for Kids
Chicago Lights
Chicago Literary Hall of Fame
Chicago Public Schools Department of Literacy
Chicago Public Schools Network 6
Children’s Literacy Initiative
College Possible
Communities in Schools of Chicago
Companions Journeying Together
Contexts
East Village Youth Program
Elis House
Emerald City Theatre
Future Hires
Health Heroes
HEART
Horology Learning
Infiniteach
Injustice Watch
Innovations for Learning
Insight Project for Kids
Inspire Girls Academy
Insurance Industry Charitable Foundation
Jenner Academy of the Arts
Kids Like Us
Launch U
Literacy Chicago
Literacy Volunteers of Illinois
Literacy Works
Literately
Mad Hatters
Midtown Educational Foundation
Open Books
People’s Resource Center
Poetic License, Inc.
Polk Bros. Fdns. Center for Urban Education
Reach Out and Read
Reading Difficulty Solutions
Reading in Motion
Reading is Fundamental in Chicago
Reading with Pictures
Roots of Success
Schuler Scholars Program
SitStayRead
Smart Chicago Collaborative
St. Leonard’s Ministries
StoryBus
Strategic Learning Initiatives
The Feltre School
The Silver Line
The Viola Project
Thrive Chicago
Tutoring Chicago
Umoja Student Development Corporation
WestEd
Working in the Schools (WITS)
Writers Theatre
WTTW Chicago
YMCA of Metropolitan Chicago
Young Chicago Authors
BOARD OF DIRECTORS

Stacy Ratner, Chair
Open Books

Mike Ban, Vice Chair
Chicago Literacy Alliance

Brenda Palm, Treasurer
Working In The Schools (WITS)

Karl Androes, Secretary
Reading In The Schools

Evan Georgi
Reading Is Fundamental Chicago

Linas Grikis
Polsinelli

Kate McIlvain
SitStayRead

Jenné Myers
Chicago Cares

Nicole O’Connell
Schuler Scholar Program

Becky Raymond
Chicago Citywide Literacy Coalition

TEAM

Mike Ban
Executive Director

Anthony Bostler
Systems Manager

Heather Bronson
Communications Manager

Jen Daniels-Lake
Membership Manager

Alison Hanold
Partnerships Director

Jimmy Martin
Facilities Director

Erin McCann
Community Manager

Stacy Ratner
Co-Founder & Creative Director

SUPPORTERS

ANONYMOUS
THE BRINSON FOUNDATION
THE FIELD FOUNDATION OF ILLINOIS
IFF
INSPERITY
INSURANCE INDUSTRY CHARITABLE FOUNDATION
THE KEVIN KAPLAN FOUNDATION
LEGACY PROFESSIONALS
LOFT DEVELOPMENT
THE PAUL M. ANGELL FAMILY FOUNDATION
WINTRUST BANK

Stephen Ban
Whitney Belcher
Ann Covode
Eileen Donde
Thomas Eichorn
Angela Eichorn
Laurie Goldstein
Christine Kenny
James Krozer
Mickey Kudia
Kimberly Lindquist
Azlyn Miller
Patrick T. Murphy
Shanti Nagarkatti
Mark & Nancy Ratner
James Rhein
Lynne Richman & Biff Behr
Betsy Rubin
Carol Senderowitz
Larry Serota
Emily Stava
Bob Taylor
“WE HAVE FOUND A HOME FOR OURSELVES AND OUR PURPOSE.”

I think the real value is all of us under one roof. I know we are going to have conversations as we see each other in the hallway. This feels like home to us, not like an office space.

Brenda Palm
CEO
Working In The Schools (WITS)

FINANCIALS

To the Board of Directors of The Chicago Literacy Alliance

We have audited the financial statements of The Chicago Literacy Alliance (CLA) for the year ended December 31, 2015, and have issued our report thereon dated July 1, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated February 20, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal controls of CLA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in any meetings concerning planning matters.
Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by CLA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2015. We noted no transactions entered into by CLA during the year that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management’s estimate of the functional allocation of expenses and the value of donated services. Management estimated the allocation of functional expenses based on costs associated with the programs and supporting services benefited. Estimates of the value of donated services were based on information obtained from the donors. We evaluated the key factors and assumptions used to develop the accounting estimates used in the financial statements and determined that they are reasonable in relation to the financial statements taken as a whole.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. There are no financial statement disclosures that are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The first attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management has corrected the misstatements noted on the second attached schedule. Misstatements detected as a result of audit procedures are described on the attached schedule as “Correcting.” Adjustments proposed by us, as directed by management, were not detected as a result of audit procedures and are described on the attached schedule as “Expected.” We have distinguished between material and immaterial adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 1, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to CLA’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CLA’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Other Matter

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Intended Use of this Letter

This information is intended solely for the information and use of the Board of Directors and management of The Chicago Literacy Alliance and is not intended to be and should not be used by anyone other than these specified parties.

Legacy Professionals LLP

Chicago, Illinois
July 1, 2016

---

Chicago Literacy Alliance
Uncorrected Financial Statement Misstatements
Year Ended December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>Dr</th>
<th>Cr</th>
<th>Net Income Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets - Equipment</td>
<td>$2,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Lease Obligation - Copy Machine</td>
<td>$2,950</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

To capitalize equipment leased under a capital lease agreement.
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Chicago Literacy Alliance

Report on the Financial Statements
We have audited the accompanying financial statements of The Chicago Literacy Alliance, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and of cash flows for the years 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 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.

Auditors’ 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 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 audit opinion.

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Chicago Literacy Alliance as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Legacy Professionals LLP
Chicago, Illinois
July 1, 2016
The Chicago Literacy Alliance

Statements of Financial Position
December 31, 2015 and 2014

Assets
Cash $2,214,194 $1,531
Accounts receivable 76,267 13,096
Prepaid expenses 1,214 -
Inventory 627,848 -
Property and equipment-net 1,017,467 1,017,467
Total assets $3,239,772 $2,165,093

Liabilities and Net Assets
Accounts payable and accruals 86,433 86,433
Deferred revenue 1,659 -
Leases 6,789 6,789
Total liabilities 1,579,189 1,579,189
Net assets and net assets temporarily restricted 66,460 66,460
Net assets temporarily restricted 53,635 53,635
Net assets unrestricted 1,214,194 1,214,194
Total net assets 1,277,754 1,277,754

Stockholder's equity
Unrestricted $1,214,194 $1,214,194
Temporarily restricted 76,267 76,267
Total stockholder's equity $1,290,461 $1,290,461

Net capital excess $1,267,460 $1,267,460

See accompanying notes to financial statements.
# THE CHICAGO LITERACY ALLIANCE
## STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(950,997)</td>
<td>$ 997,593</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>43,333</td>
<td>2,799</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(13,896)</td>
<td>-</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>1,017,467</td>
<td>(1,017,467)</td>
</tr>
<tr>
<td>Inventory</td>
<td>(1,254)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(74,957)</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(5,291)</td>
<td>8,000</td>
</tr>
<tr>
<td>Accrued payroll and payroll liabilities</td>
<td>(6,728)</td>
<td>6,728</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>46,001</td>
<td>-</td>
</tr>
<tr>
<td>Deferred lease incentive</td>
<td>538,435</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$592,113</td>
<td>(2,347)</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |            |            |
| Purchase of property and equipment | (657,205) | (16,795)   |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |            |            |
| Proceeds from loans               | 350,000    | 4,000      |
| Principal payments on loans       | (19,665)   | (3,000)    |
| Net cash provided by financing activities | 330,335    | 1,000      |

| **NET INCREASE (DECREASE) IN CASH** | 270,243    | (18,142)   |

| **CASH** | Beginning of year | 1,951 | 20,093 |
| End of year | $ 272,194 | $ 1,951 |

| **SUPPLEMENTAL DISCLOSURES** |            |            |
| Interest paid                | $ 9,331    | $ -        |

See accompanying notes to financial statements.

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# THE CHICAGO LITERACY ALLIANCE
## NOTES TO FINANCIAL STATEMENTS
**DECEMBER 31, 2015 AND 2014**

### NOTE 1. NATURE OF THE ORGANIZATION
The Chicago Literacy Alliance (CLA) is an association of over 90 member organizations dedicated to meeting literacy needs for people of all ages and backgrounds. The CLA is dedicated to increasing the combined impact of its member agencies by providing opportunities for creative and effective collaboration. Working together, CLA envisions a future in which 100% of Chicagoland residents are functionally literate, and in which that shared literacy is a defining characteristic and point of pride for the city. In May 2015, the CLA opened the Literacenter, the country's only nonprofit shared workspace devoted exclusively to literacy. In addition to 41,000 square feet of colorful, creative, and affordable space, the Literacenter provides weekly programs on related topics (working with foundations, theory of change, social media best practices, volunteer management, etc.), expert office hours with nonprofit and literacy professionals, opportunities for members to present their programs to each other, open meetings for the entire community, social gatherings, and ongoing opportunities to know one another better by simply being in the same space.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Method of Accounting
The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation
In order to conform with the provisions of generally accepted accounting principles, CLA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of the CLA. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the CLA, the environment in which it operates and the purposes specified in its articles of incorporation.

**Temporarily Restricted** - Temporarily restricted net assets result from (a) contributions and other inflows of assets, the use of which by CLA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of CLA pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of CLA pursuant to those stipulations.

---

See accompanying notes to financial statements.
NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Permanently Restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the organization to expend part or all of the income or other economic benefits derived from the donated assets. At December 31, 2015 and 2014, CLA had no permanently restricted net assets.

Cash - Cash consists of monies held in bank checking accounts.

Pledges Receivable - Unconditional promises to give are recognized as revenue in the period that the promises are received. Conditional promises to give are recognized when the conditions are substantially met. CLA considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made. All pledges receivable at December 31, 2015 and 2014 were due within one year of initial recognition, and therefore, a present value discount was not necessary.

Inventory - Inventory consists primarily of promotional items and is stated at the lower of cost or market.

Property and Equipment - Property and equipment are recorded at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the life of the asset are expensed currently. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives of the related assets:

- Furniture and equipment: 5 - 10 years
- Leasehold improvements: 12 years
- Computer software: 5 years

Deferred Revenue - Deferred revenue consists of membership dues received by CLA for future years.

Deferred Lease Incentive - As part of a leasing arrangement, CLA received incentives in the form of free rent as well architectural design fees paid by the landlord. CLA recognizes these incentives as reductions of rental expense on a straight-line basis over the term of the lease.
NOTE 3. CONCENTRATION OF CREDIT RISK

Cash consists of monies held in checking accounts without significant withdrawal restrictions. CLA places its cash with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to $250,000 per financial institution. Balances may at times exceed insured limits.

NOTE 4. TAX STATUS

CLA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under Section 170(b)(1)(A). CLA is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

CLA files Form 990, Return of Organization Exempt from Income Tax. CLA’s returns are subject to examination by the Internal Revenue Service until the applicable statute of limitations expires.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$403,775</td>
<td>$ -</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>245,791</td>
<td>-</td>
</tr>
<tr>
<td>Computer software</td>
<td>24,435</td>
<td>16,795</td>
</tr>
<tr>
<td></td>
<td>674,001</td>
<td>16,795</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(46,133)</td>
<td>(2,799)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$627,868</td>
<td>$13,996</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense was $43,333 and $2,799 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6. TEMPORARILY RESTRICTED ASSETS

There were no temporarily restricted assets at December 31, 2015. At December 31, 2014, temporarily restricted net assets consisted of a pledge receivable for $1,017,467. This restriction was released once the pledge was received in January 2015.

NOTE 7. SPECIAL EVENTS

CLA held the Grim Reader’s Revelry in 2015 and Trivia Night in 2014. Proceeds from these events are shown net of their related expenses on the statement of activities. Net special events revenue for the years ended December 31, 2015 and 2014 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$18,799</td>
<td>$2,080</td>
</tr>
<tr>
<td>Expenses</td>
<td>(17,140)</td>
<td>(1,166)</td>
</tr>
<tr>
<td>Special events - net</td>
<td>$1,659</td>
<td>$914</td>
</tr>
</tbody>
</table>

NOTE 8. OPERATING LEASE - AS LESSEE

On December 31, 2014, the CLA executed a lease for office space to serve as the headquarters for the Literacenter. The lease commenced on May 1, 2015 and expires April 2027. A letter of credit for $1,000,000 expiring in January 2016 was provided by a donor to act as the security deposit for this property; during 2015 this letter of credit was extended through January 2017. The lease calls for monthly rent payments as well as additional rent in the form of a proportionate share of real estate tax increases over the base year amount. The agreement included an abatement of rent for five months in 2015 and two months in 2016, as well as the payment of certain architectural design fees by the landlord.

In December 2015, the CLA entered into a lease for a copier machine for use at the Literacenter. This lease requires monthly payments of $151 and continues through December 2020.

The following is a schedule by year of future minimum rental payments required under non-cancellable lease terms of these operating leases as of December 31, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Copier</th>
<th>Office</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December 31,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$1,812</td>
<td>$758,433</td>
<td>$760,245</td>
</tr>
<tr>
<td>2017</td>
<td>1,812</td>
<td>934,404</td>
<td>936,216</td>
</tr>
<tr>
<td>2018</td>
<td>1,812</td>
<td>957,764</td>
<td>959,576</td>
</tr>
<tr>
<td>2019</td>
<td>1,812</td>
<td>981,708</td>
<td>983,520</td>
</tr>
<tr>
<td>2020</td>
<td>1,812</td>
<td>1,006,251</td>
<td>1,008,063</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>6,980,525</td>
<td>6,980,525</td>
</tr>
<tr>
<td></td>
<td>$9,060</td>
<td>$11,619,085</td>
<td>$11,628,145</td>
</tr>
</tbody>
</table>
NOTE 9. OPERATING LEASE - AS LESSOR

CLA leases office space to two member tenants under sublease agreements that expire in April 2027. The monthly rental rates under these agreements increase annually and ranged from $3,750 to $12,133 during the year ended December 31, 2015. Rental income received during the year ended December 31, 2015 from these subleases totaled $46,767.

The following is a summary by year of future minimum rental income to be received under these noncancellable sublease agreements at December 31, 2015:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 193,775</td>
</tr>
<tr>
<td>2017</td>
<td>198,622</td>
</tr>
<tr>
<td>2018</td>
<td>203,574</td>
</tr>
<tr>
<td>2019</td>
<td>208,657</td>
</tr>
<tr>
<td>2020</td>
<td>213,893</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,483,855</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 2,502,376</td>
</tr>
</tbody>
</table>

In addition to the sublease agreement noted above, CLA also rents individual offices, conference rooms, storage space and cubicles, primarily to its member organizations, on a monthly basis. Certain expenses incurred that are directly attributable to member tenants, such as printing, copy costs and utilities, are billed to those members. Rental income and reimbursed expenses received from these arrangements totaled $39,391 during the year ended December 31, 2015.

NOTE 10. LOAN PAYABLE

In May 2015, CLA entered into a loan agreement to fund the purchase of property and equipment to be used at the Literacentre. This loan is secured by the assets purchased with the loan proceeds as well as by one of CLA’s bank accounts, which at December 31, 2015 had a balance of $25,000. The loan requires monthly payments of principal and interest of $3,712 and has an interest rate of 5%. The loan will mature in June 2025.

Future minimum principal payments under the loan agreement are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 28,375</td>
</tr>
<tr>
<td>2017</td>
<td>29,827</td>
</tr>
<tr>
<td>2018</td>
<td>31,353</td>
</tr>
<tr>
<td>2019</td>
<td>32,957</td>
</tr>
<tr>
<td>2020</td>
<td>34,643</td>
</tr>
<tr>
<td>Thereafter</td>
<td>179,180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 336,335</td>
</tr>
</tbody>
</table>

Total interest paid in relation to the loan was $9,351 during the year ended December 31, 2015.

NOTE 11. CONCENTRATIONS

CLA’s pledge for a contribution of $1,017,467 from one donor accounted for approximately 88% of total revenue for the year ended December 31, 2014.

NOTE 12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, CLA engaged in certain transactions with members of the Board of Directors. These included donated legal services of $15,879 and $86,433 in 2015 and 2014, respectively. In 2014, two interest-free loans totaling $4,000 were made by Board members to CLA. Both of the loans were repaid in full as of December 31, 2015.
### THE CHICAGO LITERACY ALLIANCE
### SCHEDULE OF FUNCTIONAL EXPENSES
#### YEAR ENDED DECEMBER 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Administrative and Services</th>
<th>General</th>
<th>Fundraising and Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting fees</td>
<td>$ 100</td>
<td>$ 902</td>
<td>$ -</td>
<td>$ 1,002</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>5,908</td>
<td>17</td>
<td>$ -</td>
<td>5,925</td>
</tr>
<tr>
<td>Consulting</td>
<td>-</td>
<td>-</td>
<td>21,237</td>
<td>21,237</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,799</td>
<td>-</td>
<td>-</td>
<td>2,799</td>
</tr>
<tr>
<td>Dues, subscriptions, and memberships</td>
<td>325</td>
<td>50</td>
<td>-</td>
<td>375</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4,246</td>
<td>125</td>
<td>-</td>
<td>4,371</td>
</tr>
<tr>
<td>Information technology</td>
<td>86,433</td>
<td>-</td>
<td>-</td>
<td>86,433</td>
</tr>
<tr>
<td>Legal fees</td>
<td>277</td>
<td>31</td>
<td>-</td>
<td>308</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>652</td>
<td>163</td>
<td>-</td>
<td>815</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>1,939</td>
<td>485</td>
<td>-</td>
<td>2,424</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>20,000</td>
<td>5,000</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>Travel</td>
<td>1,055</td>
<td>181</td>
<td>578</td>
<td>1,814</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 123,734</td>
<td>$ 6,954</td>
<td>$ 21,815</td>
<td>$ 152,503</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Administrative and Services</th>
<th>General</th>
<th>Fundraising and Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting fees</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consulting</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dues, subscriptions, and memberships</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Information technology</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Legal fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
DEDICATED TO INCREASING THE COMBINED IMPACT OF OUR COMMUNITY’S LITERACY ORGANIZATIONS BY PROVIDING OPPORTUNITIES FOR CREATIVE AND EFFECTIVE COLLABORATION.