

P.S. IT'S SOCIAL D/B/A  
CURT'S CAFE

FINANCIAL STATEMENTS

For the year ended  
December 31, 2016

## Independent Auditor's Opinion

To the Board of Directors  
P.S. It's Social d/b/a Curt's Cafe  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the statement of financial position of the P.S. It's Social d/b/a Curt's Café as of December 31, 2016, and the related statements of activity, functional expenses and cash flows 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 P.S. It's Social d/b/a Curt's Café as of December 31, 2016 and the results of its activity and its cash flows the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 30, 2018

*Peetree & Co.*

P.S. IT'S SOCIAL D/B/A CURT'S CAFE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

ASSETS

Current Assets	
Cash	\$140,441
Food inventory	1,586
Prepaid expenses	<u>3,711</u>
Total current assets	<u>145,738</u>
Fixed Assets	
Leasehold improvements	92,387
Furniture and fixtures	96,766
Accumulated depreciation	<u>(119,336)</u>
	69,817
Other assets	
Security deposits	<u>2,309</u>
Total assets	<u>\$217,864</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 4,857
Accrued expenses	<u>1,689</u>
Total current liabilities	6,546
Long term liabilities	
Loan from officer	<u>81,500</u>
Total liabilities	<u>88,046</u>
Net Assets	
Unrestricted Net Assets	<u>129,818</u>
	<u>\$217,864</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Restaurant sales	\$397,666		\$ 397,666
Less cost of goods sold	<u>184,223</u>		<u>184,223</u>
Restaurant gross margin	213,443		213,443
Grants and donations	365,772	\$96,500	462,272
Fundraising events, net	<u>53,097</u>		<u>53,097</u>
Total support	<u>632,312</u>	<u>96,500</u>	<u>728,812</u>
<b>EXPENSES:</b>			
Wages and benefits	349,620		349,620
Occupancy	100,202		100,202
Repairs and maintenance	11,970		11,970
Equipment	8,723		8,723
Contracted services	14,165		14,165
Student training	89,884		89,884
Office expenses	26,289		26,289
Insurance	22,096		22,096
Advertising	5,186		5,186
Depreciation	23,198		23,198
Professional fees	32,866		32,866
Travel	1,992		1,992
Other	<u>21,022</u>		<u>21,022</u>
	<u>707,213</u>		<u>707,213</u>
Support over expenses from operations	(74,901)	96,500	21,799
<b>OTHER INCOME(EXPENSES):</b>			
Transfers	96,500	(96,500)	
Forgiveness of debt	61,343		61,343
Rental income	<u>2,000</u>		<u>2,000</u>
Increase in net assets	84,942		84,942
Net assets, beginning of year, as restated	<u>44,876</u>	-	<u>44,876</u>
Net assets, end of year	\$129,818	-	<u>\$129,818</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 84,942
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	23,198
Forgiveness of debt	(61,343)
Increase in food inventory	(116)
Increase in prepaid expenses	(3,711)
Increase in security deposits	(309)
Decrease in accounts payable and accrued liabilities	<u>(1,663)</u>
Net cash provided by operating activities	<u>40,998</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in City of Evanston loan	(2,130)
Decrease in loan from officer	<u>(2,500)</u>
Net cash used by financing activities	(4,630)
CASH, BEGINNING OF YEAR	<u>104,073</u>
CASH, END OF YEAR	<u>\$ 140,441</u>

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION PURPOSE AND FUNCTION

P.S. It's Social d/b/a Curt's Cafe ("Curt's") is a not-for-profit organization organized April 28, 2011 whose purpose is to provide leadership, life and job skills, training and job placement to young ex-offenders and at risk youth. Curt's operates to restaurants as part of providing this training.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### (A) Principles of Accounting

Curt's policy is to prepare its financial statements using the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenditures are recognized when the obligation is incurred. If an expenditure results in an asset having an estimated useful life extending substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

#### (B) Property and Equipment

Office equipment is capitalized at cost. Depreciation is recorded using the straight-line method over two to seven years. Leasehold improvements are depreciated over 15 years.

#### (C) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (D) Net Assets

Net assets of Curt's are considered unrestricted or restricted using definitions as follows:

"Unrestricted net assets" are not subject to donor imposed restrictions.

"Temporarily restricted net assets" are subject to donor imposed restrictions that may or will be met by actions of the Curt's and/or the passage of time.

"Permanently restricted net assets" are subject to donor imposed restrictions which do not expire or lapse.

NOTES TO FINANCIAL STATEMENTS

(E) Contributed services

Services requiring specialized professional knowledge are contributed to Curt's from time to time. In 2016, Curt's received no contributed professional services. Contributed services not requiring specialized knowledge are not recorded.

(F) Income Taxes

Curt's is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Curt's federal Exempt Organization Business Income Tax Returns for 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

(G) Compensated Absences

Employees of Curt's are compensated for vacation, sick days and personal days off, depending on job classification, length of service, and other factors. The estimated liability for such compensated absences cannot be reasonably estimated as of December 31, 2016.

NOTE 3: LEASES

Curt's operates in two leased facilities. One lease that provides for rent of \$2,000 monthly until October 31, 2017 plus utilities. Curt's has an option to renew the lease for an additional three year term at increased rents.

The other lease is a sub-lease from a related party and provides for rent of \$3,700 monthly until December 31, 2017 plus contingent rents based upon utility charges, real estate taxes and insurance for a portion of the premises and \$1,000 monthly until December 15, 2018 for the remainder of the premises. Curt's has an option to renew the first lease for an additional three year term. The related party forgave \$61,343 of unpaid rent in 2016.

Minimum rents due under non-cancelable leases as of December 31, 2016 are:

2017	\$ <u>64,400</u>
------	------------------

Rent expense for the year ended December 31, 2016 was \$78,470.

NOTE 4: CREDIT RISK CONCENTRATIONS

Curt's maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, there were no uninsured cash balances.

Note 5: RELATED PARTIES



NOTES TO FINANCIAL STATEMENTS

Curt's received a loan of \$81,500 from a related party. The loan is non-interest bearing and is payable in monthly installments of \$1,000.

Note 6: PROGRAM EXPENDITURES

Expenditures by major program/category consist of:

Programs:

Restaurant operations	\$470,953
Social services	171,831
General and administrative	1,551
Fundraising	<u>62,878</u>
Total Expenditures	<u>\$707,213</u>

Additionally event income is shown net of expenses of \$38,262.

Note 7: PRIOR PERIOD ADJUSTMENT

Various accounting errors from prior years were identified during 2016. The net effect of these changes on prior net assets was a decrease of \$33,799.

Note 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 30, 2018 which is the date the financial statements were available to be issued.