

CHICAGO INFRASTRUCTURE TRUST

**Financial Statements and
Independent Auditors' Report**

For the Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chicago Infrastructure Trust
Chicago, Illinois

We have audited the accompanying financial statements of **Chicago Infrastructure Trust (the "Trust")**, a nonprofit organization, which comprise the statement of financial position as of December 31, 2015 and the related statements of activities 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 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Infrastructure Trust as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Trust for the year ended December 31, 2014 were audited by other auditors, whose report dated August 14, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shado J. Renteria

Chicago, Illinois
October 18, 2016

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
(with summarized comparative totals for 2014)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$467,050	\$838
Grants receivable	-	213,035
Prepaid expenses	7,340	-
Total Current Assets	474,390	213,873
Fixed Assets		
Furniture and fixtures	12,822	12,822
Machinery and equipment	48,642	48,642
	61,464	61,464
Less Accumulated depreciation and amortization	(25,465)	(6,687)
Fixed assets, net	35,999	54,777
Other Assets		
Security Deposit	2,558	2,558
TOTAL ASSETS	\$512,947	\$271,208
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank overdraft	-	\$4,359
Accounts payable	170,429	117,529
Accrued expenses	61,372	62,298
Due to others	66,700	-
Capital lease obligations- short-term portion	15,876	15,207
Total Current Liabilities	314,377	199,393
Long-Term Liabilities		
Capital lease obligations- long-term portion	13,230	27,103
TOTAL LIABILITIES	327,607	226,496
Net Assets		
Unrestricted	32,237	44,712
Temporarily restricted	153,103	-
Total Net Assets	185,340	44,712
TOTAL LIABILITIES AND NET ASSETS	\$512,947	\$271,208

See Independent Auditors' Report and Notes to Financial Statements

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(with summarized comparative totals for 2014)

	Unrestricted	Temporarily Restricted	2015	2014
REVENUE				
Grant	\$28,395	\$1,285,000	\$1,313,395	\$1,000,000
Service Fee	100,000	-	100,000	150,000
Net assets released from restrictions	1,131,897	(1,131,897)	-	-
TOTAL REVENUE	1,260,292	153,103	1,413,395	1,150,000
EXPENSES				
Program Services				
Project and Program Initiatives				
Salaries, wages and benefits	525,952	-	525,952	-
Professional fees: consultants	150,353	-	150,353	-
Total Program Services	676,305	-	676,305	-
Support Activities				
Salaries, wages and benefits	175,317	-	175,317	374,436
Professional fees: consultants	150,353	-	150,353	369,645
Professional fees: audit and accounting	94,413	-	94,413	89,128
Professional fees: IT support	14,640	-	14,640	76,315
Professional fees: website design	24,780	-	24,780	28,511
General and administrative	8,528	-	8,528	12,351
Office supplies and expenses	13,872	-	13,872	30,073
Committee expenses	1,262	-	1,262	7,253
Computer and software	2,355	-	2,355	5,988
Telephone and internet	10,278	-	10,278	7,899
Travel and meals	9,341	-	9,341	29,048
Occupancy	35,880	-	35,880	23,932
Insurance	36,665	-	36,665	42,474
Depreciation and amortization	18,778	-	18,778	6,687
Penalties	-	-	-	1,548
Total Supporting Activities	596,462	-	596,462	1,105,288
TOTAL EXPENSES	1,272,767	-	1,272,767	1,105,288
Change in Net Assets	(12,475)	153,103	140,628	44,712
NET ASSETS				
Beginning of Year	44,712	-	44,712	-
End of the Year	\$32,237	\$153,103	\$185,340	\$44,712

See Independent Auditors' Report and Notes to Financial Statements

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(with summarized comparative totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$140,628	\$44,712
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,778	6,687
(Increase) decrease in assets:		
Grants receivable	213,035	(135,229)
Prepaid expenses	(7,340)	(1,033)
Increase (decrease) in liabilities:		
Bank overdraft	(4,359)	4,359
Accounts payable	52,900	29,680
Accrued expenses	(926)	39,523
Deferred revenue	-	(1,042)
Due to others	66,700	-
	<u>479,416</u>	<u>(12,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(61,464)
	<u>-</u>	<u>(61,464)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	-	(61,464)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligation	(13,204)	42,310
	<u>(13,204)</u>	<u>42,310</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	(13,204)	42,310
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	466,212	(31,497)
CASH AND CASH EQUIVALENTS, Beginning of Year		
	838	32,335
	<u>838</u>	<u>32,335</u>
CASH AND CASH EQUIVALENTS, End of Year		
	<u>\$467,050</u>	<u>\$838</u>
Supplementary information:		
Interest paid during the year:	\$4,684	\$627

See Independent Auditors' Report and Notes to Financial Statements

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – NATURE OF ACTIVITIES

Organization: The Chicago Infrastructure Trust (the "Trust") was incorporated as a non-profit organization on April 24, 2012 under executive order of the Mayor and City Council resolution. The Trust operates exclusively for civic and charitable purposes in the Chicago Metropolitan area and is a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Trust assists the people of the City of Chicago, the City government and its sister agencies in providing alternative financing and project delivery options for transformative infrastructure projects. To accomplish this, the Trust hopes to structure innovative financing strategies and attract capital from diverse groups of investors. The Trust also hopes to achieve and demonstrate real risk transfer to third-party investors, and to stimulate cross-agency financing while creating efficient capital structures.

The Trust was established in 2012 under the support of the City of Chicago, who agreed to supply the initial funding to commence operations. The initial funding was set at \$2.5 million in grants, after which the Trust was expected to procure alternative sources of revenue. For the years ended December 31, 2015 and 2014 grants from the City of Chicago were the Trust's primary source of revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Trust have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation: The Trust presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from support and fundraising expenses.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents: The Trust considers cash on deposit at bank(s) to be cash equivalents.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition: Grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until they become unconditional: that is, when the conditions on which they depend are substantially met. Service revenues are recognized at project completion.

Grants Receivable: Receivables are reported net of an allowance for doubtful accounts, if any. Management's estimate of the allowance is based on historical collection experience and a review of the current status of grants receivable. It is reasonably possible that management's estimate of the allowance will change. There was no allowance against grants receivable at December 31, 2015 and 2014.

Capitalization and depreciation: Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed. The assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated Useful Life</u>	<u>Method</u>
Furniture and fixtures	5 years	Straight-line
Machinery and equipment	3 years	Straight-line

Impairment of long-lived assets: The Trust reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses were recognized during the years ended December 31, 2015 and 2014.

Prepaid Expenses: Advance payments for expenses related to subscriptions and insurance policies are classified as prepaid expenses.

Net Assets: The Trust classifies its net assets, and revenue based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets represent resources for which use has been temporarily restricted by the donor as to its usage or by the passage of time. When a donor restriction has been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Permanently restricted net assets: Net assets represent resources that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Trust. The Trust had no permanently restricted net assets during the years ended December 31, 2015 and 2014.

Leases: Lease expenses are recorded based on the payments required by the lease agreement. Accounting principles generally accepted in the United States of America require that the lease payments be straight-lined over the life of the lease; however, the effect of using actual lease payments is not materially different from the results that would have been obtained under the straight-line method.

Income Taxes: The Trust has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2015 and 2014. Due to its tax exempt status, the Trust is not subject to income taxes, but is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Trust has no other tax positions which must be considered for disclosure. Income tax returns filed by the Trust are subject to examination by the Internal Revenue Service for a period of three years. While no tax returns are currently being examined by the Internal Revenue Service, tax years since inception remain open.

Comparative Financial Information: The financial statements include prior-year summarized comparative information. Such information does not include sufficient data to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Functional Allocation of Expenses: The costs of providing 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 benefited, as well as administrative functions.

Reclassifications: Certain amounts in the December 31, 2014 Financial Statements have been reclassified to conform to the current presentation.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 3 – CASH DEPOSITS

The Trust maintains its cash and cash equivalents in bank deposits and is insured within limits of the Federal Deposit Insurance Corporation. At certain times during the year, cash balances exceed the insured amounts. At December 31, 2015 and 2014, the uninsured bank balance was approximately \$217,100 and \$0, respectively. The Trust has not experienced any losses in such accounts. The Trust's management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 – LEASE COMMITMENTS

Facilities: The Trust entered into a three-year operating lease beginning August 1, 2014 and ending July 31, 2017, for office space at 35 East Wacker Drive, Suite 1450, Chicago, Illinois in the amount of \$2,558 per month, which escalates annually on August 1. Rent expenses for the years ended December 31, 2015 and 2014 totaled \$32,661 and \$12,789, respectively.

Equipment: The Trust also leases office equipment under one operating lease for total annual lease payments of approximately \$6,624 and one capital lease, both with initial lease terms in excess of one year.

The operating lease expense for office equipment for the years ended December 31, 2015 and 2014 totaled \$6,624 and \$2,760, respectively.

At December 31, 2015 and 2014 capital lease asset balances are as follows:

	<u>2015</u>	<u>2014</u>
Leased office equipment	\$ 48,642	\$ 48,642
Less accumulated amortization	(21,619)	(5,505)
Leased office equipment, net	<u>\$ 27,022</u>	<u>\$ 43,137</u>
Amortization expense	<u>\$ 16,114</u>	<u>\$ 5,505</u>

Future minimum lease payments under these commitments are as follows:

<u>Years Ending December 31,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 38,366	\$ 22,500	\$ 60,866
2017	24,790	18,854	43,644
2018	-	6,624	6,624
2019	-	3,864	3,864
	<u>\$ 63,156</u>	<u>\$ 51,842</u>	<u>\$ 114,998</u>

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 5 – CONCENTRATIONS

A substantial portion of the Trust's revenue was received from the City of Chicago. Substantial revenue is defined as revenue earned from any source that is in excess of 10% of the total revenue of the Trust. For the period ended December 31, 2015 and 2014, revenue earned from the City of Chicago was 93% and 87%, respectively, of total revenue. Should the City of Chicago discontinue funding the Trust, and the Trust not receive other awarded grants, the Trust will require additional sources of financing.

NOTE 6 – GRANTS

During the years ended December 31, 2015 and 2014, the City of Chicago awarded grants in the amount of \$2,585,000 and \$1,000,000, respectively. Of the 2015 grant, \$1.3 million is committed for the year 2016. Furthermore, this commitment is subject to the City's appropriation.

Grants are subject to grantor audits, which could result in claims against the Trust for disallowed costs or noncompliance with grantor restrictions.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$153,103 and \$0 as of December 31, 2015 and 2014 respectively, are available for the Trust as defined in the grantor's agreement.

NOTE 8 – UNCERTAINTIES

During 2015, former consultants, contractors and employees asserted in writing that they were owed amounts for various past due fees and expense reimbursement. As of the date of this report, certain of the claims for such past due amounts were paid by the Trust and certain other claims remained pending, for which an accrual has been established.

NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through October 18, 2016, the date the financial statements were available to be issued and determined that there were no significant subsequent events to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.