

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Kids First Chicago for Education**

June 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Kids First Chicago for Education

We have audited the accompanying financial statements of Kids First Chicago for Education, a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and 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.

**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. 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 Kids First Chicago for Education as of June 30, 2021 and 2020, 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.

*Grant Thornton LLP*

Chicago, Illinois  
October 15, 2021

**Kids First Chicago for Education**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 108,413	\$ 6,514
Due from affiliated organizations	25,000	630
Pledges receivable, net	503,000	525,500
Other receivables	45	80
Investments	4,066,120	3,486,252
Prepaid expenses	15,136	7,309
Total current assets	4,717,714	4,026,285
<b>Long-term assets</b>		
Pledges receivable, net	573,723	206,632
<b>Property</b>		
Office furniture and equipment	109,848	109,848
Less accumulated depreciation	(86,962)	(64,182)
Property, net	22,886	45,666
Total assets	<b>\$ 5,314,323</b>	<b>\$ 4,278,583</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 149,383	\$ 137,542
Capital lease obligations	1,010	9,660
Due to affiliated organizations	525	1,721
Total current liabilities	150,918	148,923
<b>Long-term liabilities</b>		
Capital lease obligations	235	1,245
Total liabilities	151,153	150,168
<b>Net assets</b>		
Without donor restrictions	4,044,256	3,396,283
With donor restrictions	1,118,914	732,132
Total net assets	5,163,170	4,128,415
Total liabilities and net assets	<b>\$ 5,314,323</b>	<b>\$ 4,278,583</b>

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Donations from affiliated organization	\$ 196,998	\$ -	\$ 196,998
Contributions	2,297,037	1,507,918	3,804,955
Donated services	198,612	-	198,612
Interest income, net	1,395	-	1,395
Realized gain on investments, net	1,216	-	1,216
Unrealized loss on investments, net	(1,622)	-	(1,622)
Recovery of previously recognized loss	11,454	-	11,454
Net assets released from restrictions	1,121,136	(1,121,136)	-
	<u>3,826,226</u>	<u>386,782</u>	<u>4,213,008</u>
Total revenues	3,826,226	386,782	4,213,008
<b>Expenses</b>			
Program functions			
Conducive environment	1,340,804	-	1,340,804
Policy	1,029,776	-	1,029,776
School quality	192,282	-	192,282
	<u>2,562,862</u>	<u>-</u>	<u>2,562,862</u>
Total program functions	2,562,862	-	2,562,862
Support functions			
General and administrative	360,625	-	360,625
Fundraising	254,766	-	254,766
	<u>615,391</u>	<u>-</u>	<u>615,391</u>
Total support functions	615,391	-	615,391
Total expenses	<u>3,178,253</u>	<u>-</u>	<u>3,178,253</u>
	<u>647,973</u>	<u>386,782</u>	<u>1,034,755</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	647,973	386,782	1,034,755
Net assets at beginning of year	<u>3,396,283</u>	<u>732,132</u>	<u>4,128,415</u>
Net assets at end of year	<u>\$ 4,044,256</u>	<u>\$ 1,118,914</u>	<u>\$ 5,163,170</u>

The accompanying notes are an integral part of this financial statement.

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Donations from affiliated organization	\$ 167,276	\$ -	\$ 167,276
Contributions	1,272,163	1,926,207	3,198,370
Donated services	245,180	-	245,180
Special event revenue, net	217,980	-	217,980
Interest income, net	35,340	-	35,340
Unrealized gains on investments, net	4,882	-	4,882
Loss on disposal of assets	(125)	-	(125)
Net assets released from restrictions	2,307,608	(2,307,608)	-
	<u>4,250,304</u>	<u>(381,401)</u>	<u>3,868,903</u>
Total revenues	4,250,304	(381,401)	3,868,903
<b>Expenses</b>			
Program functions			
Conducive environment	1,126,589	-	1,085,650
Policy	765,792	-	724,854
School quality	379,592	-	338,654
	<u>2,271,973</u>	<u>-</u>	<u>2,271,973</u>
Total program functions	2,271,973	-	2,271,973
Support functions			
General and administrative	469,860	-	469,860
Fundraising	379,604	-	379,604
	<u>849,464</u>	<u>-</u>	<u>849,464</u>
Total support functions	849,464	-	849,464
Total expenses	<u>3,121,437</u>	<u>-</u>	<u>3,121,437</u>
	<u>1,128,867</u>	<u>(381,401)</u>	<u>747,466</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	1,128,867	(381,401)	747,466
Net assets at beginning of year	<u>2,267,416</u>	<u>1,113,533</u>	<u>3,380,949</u>
Net assets at end of year	<u>\$ 3,396,283</u>	<u>\$ 732,132</u>	<u>\$ 4,128,415</u>

The accompanying notes are an integral part of this financial statement.

Kids First Chicago for Education

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021, with summarized information for the year ended June 30, 2020

	Program Functions			Total Program	Support Functions			2021 Total Expenses	2020 Total Expenses
	Conducive Environment	Policy	School Quality		General and Administrative	Fundraising	Total Support		
Personnel costs	\$ 846,302	\$ 567,055	\$ 62,936	\$ 1,476,293	\$ 133,324	\$ 221,410	\$ 354,734	\$ 1,831,027	\$ 1,772,550
Professional fees	129,084	320,035	94,000	543,119	28,615	-	28,615	571,734	309,091
Grants and donations to other organizations	91,866	210	-	92,076	25	10	35	92,111	135,068
Grants to individuals	240	-	-	240	-	-	-	240	38,250
Conferences and meetings	61,643	5,795	-	67,438	523	43	566	68,004	46,101
Depreciation	5,879	14,273	283	20,435	1,321	1,024	2,345	22,780	24,174
Insurance	-	-	-	-	16,690	-	16,690	16,690	15,498
Marketing	7,122	-	-	7,122	-	-	-	7,122	89,120
Miscellaneous loss	-	-	-	-	-	-	-	-	22,909
Occupancy	87,982	38,399	4,821	131,202	25,527	17,001	42,528	173,730	169,338
Office expenses	19,301	12,074	906	32,281	12,648	7,133	19,781	52,062	50,683
Technology	43,557	34,795	1,647	79,999	4,963	6,988	11,951	91,950	81,424
Travel	94	177	-	271	305	67	372	643	25,517
Other expenses	20,046	9,274	-	29,320	21,138	1,090	22,228	51,548	96,534
Donated services	27,688	27,689	27,689	83,066	115,546	-	115,546	198,612	245,180
	<u>\$ 1,340,804</u>	<u>\$ 1,029,776</u>	<u>\$ 192,282</u>	<u>\$ 2,562,862</u>	<u>\$ 360,625</u>	<u>\$ 254,766</u>	<u>\$ 615,391</u>	<u>\$ 3,178,253</u>	<u>\$ 3,121,437</u>

The accompanying notes are an integral part of this financial statement.



**Kids First Chicago for Education**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2020

	Program Functions			Support Functions			2020 Total Expenses	
	Conducive Environment	Policy	School Quality	Total Program	General and Administrative	Fundraising		Total Support
Personnel costs	\$ 556,397	\$ 549,405	\$ 213,926	\$ 1,319,728	\$ 182,053	\$ 270,769	\$ 452,822	\$ 1,772,550
Professional fees	93,793	21,792	91,199	206,784	39,533	62,774	102,307	309,091
Grants and donations to other organizations	89,968	43,100	-	133,068	2,000	-	2,000	135,068
Grants to individuals	38,250	-	-	38,250	-	-	-	38,250
Conferences and meetings	38,407	1,763	619	40,789	4,921	391	5,312	46,101
Depreciation	7,977	10,106	1,534	19,617	2,492	2,065	4,557	24,174
Insurance	-	-	-	-	15,498	-	15,498	15,498
Marketing	73,137	15,703	-	88,840	280	-	280	89,120
Miscellaneous loss	22,909	-	-	22,909	-	-	-	22,909
Occupancy	61,270	44,423	12,271	117,964	32,893	18,481	51,374	169,338
Office expenses	18,494	8,876	2,465	29,835	9,771	11,077	20,848	50,683
Technology	31,086	25,647	5,170	61,903	9,601	9,920	19,521	81,424
Travel	15,050	3,189	3,795	22,034	926	2,557	3,483	25,517
Other expenses	38,912	850	7,675	47,437	47,527	1,570	49,097	96,534
Donated services	40,939	40,938	40,938	122,815	122,365	-	122,365	245,180
	<u>\$ 1,126,589</u>	<u>\$ 765,792</u>	<u>\$ 379,592</u>	<u>\$ 2,271,973</u>	<u>\$ 469,860</u>	<u>\$ 379,604</u>	<u>\$ 849,464</u>	<u>\$ 3,121,437</u>

The accompanying notes are an integral part of this financial statement.

**Kids First Chicago for Education**

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 1,034,755	\$ 747,466
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation	22,780	24,174
Net realized and unrealized losses/(gains) on investments	406	(4,882)
Loss on disposal of assets	-	125
Changes in operating assets and liabilities		
Pledges receivable, net	(344,591)	281,401
Other receivables	35	3,322
Prepaid expenses and other assets	(7,827)	(2,966)
Accounts payable and accrued expenses	11,841	42,302
Deferred revenue	-	(25,000)
Due to/from affiliated organizations	(25,566)	(2,809)
	691,833	1,063,133
<b>Net cash provided by operating activities</b>	691,833	1,063,133
<b>Cash flows from investing activities</b>		
Capital expenditures	-	(33,200)
Purchase of investments	(2,975,906)	(3,401,676)
Sales and maturities of investments	2,395,632	2,253,098
	(580,274)	(1,181,778)
<b>Net cash used in investing activities</b>	(580,274)	(1,181,778)
<b>Cash flows used in financing activities</b>		
Payments on capital lease obligations	(9,660)	(9,565)
	(9,660)	(9,565)
<b>NET INCREASE (DECREASE) IN CASH</b>	101,899	(128,210)
<b>Cash at beginning of year</b>	6,514	134,724
<b>Cash at end of year</b>	\$ 108,413	\$ 6,514

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

**Kids First Chicago for Education**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE A - NATURE OF ORGANIZATION**

Kids First Chicago for Education (K1C) is an education nonprofit that works to ensure that every family and child in Chicago has access to a high-quality education. The organization focuses on supporting communities and families with the information and tools to identify, navigate, and advocate for quality PK-12 public education for their students and communities. In addition, with parent input and city/district leadership, K1C works to shape education policy and systems to better support all families citywide. K1C provides transparent and rigorous education analyses to families, educators, community partners and policymakers to inform data-driven and inclusive decision-making about the future of Chicago's PK-12 public schools.

K1C was initially established in 2004 by the Civic Committee of The Commercial Club of Chicago and other civic leaders.

K1C's core strategies and services include:

*Conducive Environment* - Through the creation of a community and family engagement arm of its work, K1C aims to activate families with the information to make the best choices for their children's education and to help shape education policy to better serve all of Chicago's PK-12 public school children.

K1C partners with families to gain the resources, information, access, and voice they need to achieve their vision for their children. K1C utilizes a place-based approach to advocacy that arms families with relevant facts, identifies key issues, and enables them to drive community- and district-wide change.

*Policy* - Guided by what parents say they need from their public schools, K1C pursues the policy improvements needed - e.g., fair and simplified access, adequate and equitable funding, and transparent information on school quality - within Chicago's PK-12 education system that will help ensure all students, especially low-income students of color, receive a quality education. K1C collaborates with Chicago Public Schools (CPS), the City of Chicago, and other education partners to advance evidence-based education policy, publishes white papers and reports, and creates data tools to shed light on educational inequities and support district-, school- and student-level improvements. In addition to working with grass-tops influencers, K1C also strives to make information about these policy areas accessible to communities and families to support their decision-making and allow them to become active and effective advocates for policy change.

*School Quality* - K1C offers select school improvement support for middle-performing schools to improve their academic outcomes in sustainable ways.

K1C's strength is in gluing together comprehensive data analysis, parent/community input, and city/district initiatives to solve Chicago's most pressing education concerns.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

## Kids First Chicago for Education

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

#### **Classification of Net Assets**

K1C segregates net assets into two categories according to the existence or absence of donor-imposed restrictions:

*Net assets without donor restriction* - Net assets without donor restrictions include all assets not subject to donor-imposed stipulations. Contributions without donor restrictions, investment income and net assets released from donor restrictions are reflected in this category.

*Net assets with donor restriction* - Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used for specific purposes or to a specific time period for use. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

#### **Cash**

K1C maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balances in these accounts may exceed the federally insured limits. K1C has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

#### **Allowance for Uncollectible Amounts**

K1C calculates its receivable allowance based on historical pledge receivable write offs. As of June 30, 2021 and 2020, the allowance for uncollectible amounts was \$100,000. Pledge receivables are charged to the allowance for uncollectible amounts when they are deemed uncollectible.

#### **Investments**

Investments, other than money market funds, are recorded at fair value at June 30, 2021 and 2020, and consist of high-grade, short-term investments, including mutual funds. All funds are invested according to an investment policy approved by the board of directors.

Significant concentrations of investments consisted of the following at June 30:

	2021	2020
Money market funds	81%	83%
Fixed income mutual fund	19	17

#### **Property**

Office furniture and equipment with a cost in excess of \$2,500 is capitalized, stated at cost, and depreciated on a straight-line basis over the asset's useful life, ranging from three to five years.

#### **Contributions**

Promises to give cash and other assets are reported as contributions or grants with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted gifts are reported as contributions or grants with donor restrictions even if the restrictions expire during the fiscal year in which the gift was received and are then reclassified to net assets without donor restrictions. Unconditional pledges expected to be collected within one year are recorded at their net realizable value.

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Unconditional pledges expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received.

Conditional contributions are not recorded until conditions are met. Amortization of the discount is included in contribution revenue.

***Donated Services***

U.S. GAAP establishes regulations for reporting donated services. Those regulations require that donated services meeting three criteria should be reflected on the financial statements. The three criteria are as follows: the service requires a specialized skill; work is performed by someone possessing the specialized skill; and the service is something the organization would have had to purchase if it had not been donated.

In compliance with U.S. GAAP, the value of donated services has been reflected in the accompanying statements of activities as revenue and the related expense.

For the years ended June 30, 2021 and 2020, donated services totaled \$198,612 and \$245,180, respectively, for legal services provided by business organizations and administrative and program support provided by affiliated organizations. These services were recorded at the prevailing costs and market rates for such services and the cost incurred by affiliated organizations.

***Functional Expense Allocation***

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of K1C. Those expenses include depreciation, technology, telephone, utilities, office supplies, and rent, and are allocated based on employee hours worked or square footage of office space occupied.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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.

***Reclassifications***

Certain reclassifications have been made to prior-year balances to conform to the current-year presentations.

**NOTE C - LIQUIDITY**

At June 30, 2021, total current assets of \$4,717,714, less prepaid expenses of \$15,136, totaling \$4,702,578, is available for expenditure within the next year.

At June 30, 2020, total current assets of \$4,026,285, less prepaid expenses of \$7,309, totaling \$4,018,976, were available for expenditure within the next year.

K1C receives significant contributions that are restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

K1C operates with a balanced budget and anticipates receiving sufficient revenue from donors to cover general expenditures each year.

**NOTE D - PLEDGES RECEIVABLE, NET**

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category, and are due as follows at June 30:

	2021	2020
Amounts due in		
Less than one year	\$ 603,000	\$ 625,500
One to three years	602,500	215,000
Pledges receivable, gross	1,205,500	840,500
Unamortized discount	(28,777)	(8,368)
Reserve for uncollectible amounts	(100,000)	(100,000)
Pledges receivable, net	\$ 1,076,723	\$ 732,132

Pledges were discounted at 3.25% as of June 30, 2021 and 2020.

As of June 30, 2021 and 2020, K1C has conditional contributions of \$100,000 and \$180,000, respectively. These contributions have not been recorded on the accompanying financial statements, as they are payable based on a future event occurring.

**NOTE E - INVESTMENTS**

Investments consisted of the following at June 30:

	2021	2020
Money market funds	\$ 3,311,484	\$ 2,897,156
Fixed income mutual fund	754,636	589,096
	\$ 4,066,120	\$ 3,486,252

***Fair Value Measurements***

U.S. GAAP defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. U.S. GAAP also maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market. These include mutual funds traded in an active market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes observable requires significant judgment by K1C.

K1C considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to K1C's perceived risk of that instrument.

The following tables present information about K1C's assets measured at fair value on a recurring basis as of June 30, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques utilized by K1C to determine such fair values. Money market funds, which are stated at cost, are not included in the table.

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2021
Fixed income mutual fund	\$ 754,636	\$ -	\$ -	\$ 754,636
	\$ 754,636	\$ -	\$ -	\$ 754,636

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2020
Fixed income mutual fund	\$ 589,096	\$ -	\$ -	\$ 589,096
	<u>\$ 589,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 589,096</u>

**NOTE F - FEDERAL INCOME TAX DETERMINATION**

K1C was organized and incorporated in Illinois as a not-for-profit organization in 2004. K1C has received a favorable determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended, except for income taxes pertaining to unrelated business income. The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the tax position were to be challenged by a taxing authority.

Management has determined there are no material uncertain tax positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements, and there is no interest or penalties recognized in the statements of financial position or statements of activities.

**NOTE G - COMMITMENTS**

K1C is allocated rental expense from the Commercial Club Foundation (the Foundation) based on rental space that it occupies. The Foundation is obligated under an operating lease for office rent that expires on October 31, 2021. K1C's total allocated rental expense under this rental arrangement aggregated to \$171,998 and \$167,276 for the years ended June 30, 2021 and 2020, respectively. K1C receives donations from the Foundation, reflected as revenues on the accompanying statements of activities, to pay its allocated rental costs. The lease contains escalation clauses and a renewal option. K1C's allocated future minimum annual payments to the Foundation under this arrangement at June 30, 2020, are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 33,889

K1C has entered into capital lease obligations to acquire certain office equipment. The copy machine leases have a term of 36 months and the postage machine lease has a term of 63 months.



**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Property recorded under capital leases included the following amounts at June 30:

	2021	2020
Office equipment	\$ 29,698	\$ 29,698
Less accumulated depreciation	(24,376)	(14,796)
Net capitalized leased property	\$ 5,322	\$ 14,902

Amortization expense for capitalized leased property was \$9,580 and \$9,581 for the years ended June 30, 2021 and 2020, respectively, and is included in depreciation expense.

The future minimum lease payments under these capital leases are as follows:

Fiscal Years Ending June 30,	
2022	\$ 1,016
2023	235
Total minimum payments required	1,251
Less amount representing interest	6
Present value of capital lease obligation	\$ 1,245

**NOTE H - EMPLOYEE RETIREMENT PLAN**

The Commercial Club of Chicago (Club) administers a defined contribution 401(k) plan for all employees of K1C. Eligible employees may elect to contribute up to the IRS limit of their annual compensation to the plan. K1C makes contributions equal to 5% of an employee's compensation beginning after one year of service or the required service hours, for eligible employees aged 21 years and older. Under a contract with the Club, a third-party service provider receives plan contributions, maintains participants' individual accounts, offers the investment options and pays benefits to participants or their beneficiaries. 401(k) account balances are immediately vested. K1C's contributions to the plan totaled \$59,817 and \$54,171 for the years ended June 30, 2021 and 2020, respectively.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021 and 2020, were restricted for the following programs:

	2021	2020
Conducive environment	\$ 85,949	\$ 162,500
Policy	66,242	50,000
General operations (time restricted)	966,723	519,632
Total	\$ 1,118,914	\$ 732,132

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

During the years ended June 30, 2021 and 2020, net assets released from restrictions in accordance with the grant requirements were expended for the following programs:

	2021	2020
Conducive environment	\$ 369,576	\$ 837,350
Policy	339,060	695,369
School quality	25,000	119,389
General operations (time restricted)	387,500	655,500
Total	\$ 1,121,136	\$ 2,307,608

**NOTE J - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS**

K1C receives donations from the Foundation, reflected as revenues on the accompanying statements of activities. For the years ended June 30, 2021 and 2020, donations from the Foundation were \$196,998 and \$167,276, respectively.

K1C incurs certain operational expenses, such as office supplies, paid by the Civic Committee and subsequently reimbursed by K1C. The appropriate expenses are recorded in K1C's accompanying statements of activities and were \$438,544 and \$445,940 for the years ended June 30, 2021 and 2020, respectively.

Amounts due from Foundation for donations are reflected as amounts due from affiliated organizations on the accompanying statements of financial position. As of June 30, 2021 and 2020, amounts due from the Foundation were \$25,000 and \$630, respectively.

Amounts due to Civic Committee and Civic Consulting Alliance for expenses incurred are reflected as amounts due to affiliated organizations on the accompanying statements of financial position. As of June 30, 2021 and 2020, amounts due to the Civic Committee were \$525 and \$1,721, respectively.

K1C is allocated rental expense and depreciation from the Foundation based on rental space that it occupies under a lease held by the Foundation. Rent and depreciation expenses recorded for space occupied by K1C were \$171,998 and \$167,276 for the years ended June 30, 2021 and 2020, respectively. K1C receives donations from the Foundation, reflected as revenues on the accompanying statements of activities, to pay its allocated rental expense.

For the years ended June 30, 2021 and 2020, donated services for administrative and program support provided by the Civic Committee were \$189,211 and \$232,952, respectively.

**NOTE K - SUBSEQUENT EVENTS**

K1C evaluated its June 30, 2021, financial statements for subsequent events through October 15, 2021, the date the financial statements were available to be issued.

Subsequent to year end, the Foundation also renewed its lease for office space. The new lease expires on December 31, 2023. K1C is allocated rental expense from the Foundation based on rental space that it occupies.

K1C is not aware of any other subsequent events that would require recognition or disclosure in the financial statements.