

Financial Statements and Report of
Independent Certified Public
Accountants

Kids First Chicago for Education

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Kids First Chicago for Education

Opinion

We have audited the financial statements of Kids First Chicago for Education (the Entity), a nonprofit organization, which comprises the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Chicago, Illinois
October 21, 2022

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

	2022	2021
ASSETS		
Current assets		
Cash	\$ 564,503	\$ 108,413
Due from affiliated organizations	-	25,000
Pledges receivable, net	1,603,600	503,000
Other receivables	2,554	45
Investments	4,931,253	4,066,120
Prepaid expenses	18,245	15,136
Total current assets	7,120,155	4,717,714
Long-term assets		
Pledges receivable, net	799,433	573,723
Property		
Office furniture and equipment	79,761	109,848
Less accumulated depreciation	(71,744)	(86,962)
Property, net	8,017	22,886
Finance lease asset		
Finance lease asset	29,746	-
Less accumulated depreciation	(4,819)	-
Finance lease asset, net	24,927	-
Total assets	\$ 7,952,532	\$ 5,314,323
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 169,953	\$ 149,383
Capital lease obligations	-	1,010
Due to affiliated organizations	8,387	525
Financing lease liability	9,894	-
Total current liabilities	188,234	150,918
Long-term liabilities		
Capital lease obligations	-	235
Financing lease liability	18,199	-
Total liabilities	206,433	151,153
Net assets		
Without donor restrictions	5,093,066	4,044,256
With donor restrictions	2,653,033	1,118,914
Total net assets	7,746,099	5,163,170
Total liabilities and net assets	\$ 7,952,532	\$ 5,314,323

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Donations from affiliated organization	\$ 168,532	\$ -	\$ 168,532
Contributions	2,177,044	3,852,250	6,029,294
Donated services	231,074	-	231,074
Interest income, net	5,684	-	5,684
Realized gain on investments, net	1,728	-	1,728
Unrealized loss on investments, net	(24,906)	-	(24,906)
Loss on disposal of asset	(4,459)	-	(4,459)
Net assets released from restrictions	2,318,131	(2,318,131)	-
	<u>4,872,828</u>	<u>1,534,119</u>	<u>6,406,947</u>
Total revenues			
Expenses			
Program functions			
Community engagement	1,706,386	-	1,706,386
Policy	1,083,393	-	1,083,393
Strategic communications	298,731	-	298,731
	<u>3,088,510</u>	<u>-</u>	<u>3,088,510</u>
Total program functions			
Support functions			
General and administrative	409,316	-	409,316
Fundraising	326,192	-	326,192
	<u>735,508</u>	<u>-</u>	<u>735,508</u>
Total support functions			
Total expenses	<u>3,824,018</u>	<u>-</u>	<u>3,824,018</u>
EXCESS OF REVENUES OVER EXPENSES	1,048,810	1,534,119	2,582,929
Net assets at beginning of year	<u>4,044,256</u>	<u>1,118,914</u>	<u>5,163,170</u>
Net assets at end of year	<u>\$ 5,093,066</u>	<u>\$ 2,653,033</u>	<u>\$ 7,746,099</u>

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
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			
Expenses			
Program functions			
Community engagement	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			
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			
Total expenses	<u>3,178,253</u>	<u>-</u>	<u>3,178,253</u>
EXCESS OF REVENUES OVER EXPENSES	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 FUNCTIONAL EXPENSES

For the year ended June 30, 2022, with summarized information for the year ended June 30, 2021

	Program Functions				Support Functions			2022 Total Expenses	2021 Total Expenses
	Community Engagement	Policy	Strategic Communications	Total Program	General and Administrative	Fundraising	Total Support		
Personnel costs	\$ 992,104	\$ 774,211	\$ 104,059	\$ 1,870,374	\$ 180,806	\$ 243,759	\$ 424,565	\$ 2,294,939	\$ 1,831,027
Professional fees	263,262	119,835	110,089	493,186	35,675	48,000	83,675	576,861	571,734
Grants and donations to other organizations	64,179	-	-	64,179	1,100	-	1,100	65,279	92,111
Grants to individuals	-	-	-	-	-	-	-	-	240
Conferences and meetings	90,365	9,984	14,474	114,823	15,189	3,762	18,951	133,774	68,004
Depreciation	5,656	13,722	826	20,204	675	931	1,606	21,810	22,780
Insurance	-	-	-	-	15,646	-	15,646	15,646	16,690
Marketing	13,974	-	-	13,974	1,003	-	1,003	14,977	7,122
Miscellaneous loss	-	-	-	-	3,000	-	3,000	3,000	-
Occupancy	81,285	45,835	7,993	135,113	21,597	15,021	36,618	171,731	173,730
Office expenses	22,832	22,832	11,848	57,512	9,826	6,242	16,068	73,580	52,062
Technology	95,717	33,400	7,288	136,405	4,851	6,365	11,216	147,621	91,950
Travel	6,090	3,014	1,138	10,242	4,375	1,088	5,463	15,705	643
Other expenses	20,461	16,074	117	36,652	20,346	1,024	21,370	58,022	51,548
Donated services	50,461	44,486	40,899	135,846	95,227	-	95,227	231,073	198,612
	<u>\$ 1,706,386</u>	<u>\$ 1,083,393</u>	<u>\$ 298,731</u>	<u>\$ 3,088,510</u>	<u>\$ 409,316</u>	<u>\$ 326,192</u>	<u>\$ 735,508</u>	<u>\$ 3,824,018</u>	<u>\$ 3,178,253</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

	Program Functions				Support Functions			Total Expenses
	Community Engagement	Policy	School Quality	Total Program	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
Professional fees	129,084	320,035	94,000	543,119	28,615	-	28,615	571,734
Grants and donations to other organizations	91,866	210	-	92,076	25	10	35	92,111
Grants to individuals	240	-	-	240	-	-	-	240
Conferences and meetings	61,643	5,795	-	67,438	523	43	566	68,004
Depreciation	5,879	14,273	283	20,435	1,321	1,024	2,345	22,780
Insurance	-	-	-	-	16,690	-	16,690	16,690
Marketing	7,122	-	-	7,122	-	-	-	7,122
Occupancy	87,982	38,399	4,821	131,202	25,527	17,001	42,528	173,730
Office expenses	19,301	12,074	906	32,281	12,648	7,133	19,781	52,062
Technology	43,557	34,795	1,647	79,999	4,963	6,988	11,951	91,950
Travel	94	177	-	271	305	67	372	643
Other expenses	20,046	9,274	-	29,320	21,138	1,090	22,228	51,548
Donated services	27,688	27,689	27,689	83,066	115,546	-	115,546	198,612
	<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>

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

Kids First Chicago for Education

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2022	2021
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 2,582,929	\$ 1,034,755
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	21,810	22,780
Net realized and unrealized losses on investments	23,178	406
Loss on disposal of assets	4,459	-
Changes in operating assets and liabilities:		
Pledges receivable, net	(1,326,310)	(344,591)
Other receivables	(2,509)	35
Prepaid expenses and other assets	(7,091)	(7,827)
Accounts payable and accrued expenses	20,570	11,841
Due to/from affiliated organizations	32,862	(25,566)
	1,349,898	691,833
Cash flows used in investing activities:		
Capital expenditures	(2,599)	-
Purchase of investments	(2,989,255)	(2,975,906)
Sales and maturities of investments	2,100,944	2,395,632
	(890,910)	(580,274)
Cash flows used in financing activities:		
Payments on capital lease obligations	(1,245)	(9,660)
Payments on finance lease obligations	(1,653)	-
	(2,898)	(580,274)
NET INCREASE IN CASH	456,090	101,899
Cash at beginning of year	108,413	6,514
Cash at end of year	\$ 564,503	\$ 108,413
Supplemental disclosure of non-cash financing activities		
Finance lease right of use asset and liability incurred for equipment	\$ 29,746	\$ -

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

Kids First Chicago for Education
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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's core strategies and services include:

Community Engagement - 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 for a world-class education, 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.

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

Strategic Communications – K1C strives to make information about education policy issues accessible to communities and families to support their decision-making and allow them to become active and effective advocates for policy change. K1C do this through the development and dissemination of nonpartisan and parent-friendly communications materials that unpack complicated topics and arm families with the information that they need to help their children succeed and access world-class education.

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, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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:

	2022	2021
Money market funds	85%	81%
Fixed income mutual fund	15	19

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, 2022 and 2021

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 promises to give are not recorded as contributions until conditions are met.

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, 2022 and 2021, donated services totaled \$231,074 and \$198,612, 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 and had no associated restrictions.

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.

Leases

K1C shares office space and equipment obtained through leases that expire in various years through 2025. The Commercial Club Foundation (the Foundation) is obligated under an operating lease for office rent that expires on December 31, 2023. K1C is allocated rental expense from the Foundation based on rental space that it occupies. Included in the allocated rental expense are additional payments under leases for taxes and other operating expenses incurred during the lease period. K1C determines if a contract contains a lease when the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Upon such identification and commencement of a lease, K1C establishes a right of use ("ROU") asset and a lease liability in the statement of financial position.

A lease component is defined as an asset within the lease contract that a lessee can benefit from the use of and is not highly dependent or interrelated with other assets in the arrangement. A lease contract may contain multiple lease components. A non-lease component is defined as a component of the lease that transfers a good or service for the underlying asset, such as maintenance services.

The lease liability represents future lease payments for lease and non-lease components discounted for present value. Lease payments that may be included in the lease liability include fixed payments, variable lease payments that are based on an index or rate and payments for penalties for terminating the lease if the lessee is reasonably certain to use a termination option, among others. Variable lease payments for lease and non-lease components which are not based on an index or rate are excluded from the calculation of the lease liability and are recognized in the statement of activities during the period incurred.

The ROU asset consists of the amount of the initial measurement of the lease liability and adjusted for any lease incentives, including rent abatements and tenant improvement allowances. The ROU asset is amortized over the remaining lease term on a straight-line basis.

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The lease term is determined by taking into account the initial period as stated in the lease contract and adjusted for any renewal options that K1C is reasonably certain to exercise as well as any period of time that the lessee has control of the space before the stated initial term of the lease.

K1C uses discount rates to determine the net present value of gross lease obligations when calculating the lease liability and related ROU asset. In cases in which the rate implicit in the lease is readily determinable, that discount rate is used for purposes of the net present value calculation. In most cases, lease agreements do not have a discount rate that is readily determinable and therefore a risk-free rate determined at lease commencement or lease modification is used.

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.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. K1C elected to adopt the pronouncement for the year ending June 30, 2022 using the current adjustment method which impacted the presentation of the organization's financial condition and disclosures but there was no material impact on the results from operations.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. K1C adopted ASU 2020-07 for the year ended June 30, 2022.

NOTE C - LIQUIDITY

At June 30, 2022, total current assets of \$7,120,155, less prepaid expenses of \$18,245, totaling \$7,101,910, is available for expenditure within the next year.

At June 30, 2021, total current assets of \$4,717,714, less prepaid expenses of \$15,136, totaling \$4,702,578, 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.

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

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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:

	2022	2021
Amounts due in		
Less than one year	\$ 1,603,600	\$ 603,000
One to three years	950,500	602,500
Pledges receivable, gross	2,554,100	1,205,500
Unamortized discount	(51,067)	(28,777)
Reserve for uncollectible amounts	(100,000)	(100,000)
Pledges receivable, net	\$ 2,403,033	\$ 1,076,723

Pledges were discounted at 3.25% as of June 30, 2022 and 2021.

As of June 30, 2022 and 2021, K1C has conditional promises to give \$700,000 and \$100,000, respectively. These promises to give 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:

	2022	2021
Money market funds	\$ 4,199,795	\$ 3,311,484
Fixed income mutual fund	731,458	754,636
	\$ 4,931,253	\$ 4,066,120

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.

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.

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021 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.

	2022			
	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, 2022
Fixed income mutual fund	\$ 731,458	\$ -	\$ -	\$ 731,458
	<u>\$ 731,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,458</u>
	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
	<u>\$ 754,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,636</u>

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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 - LEASES

K1C shares office space and equipment obtained through leases that expire in various years through 2025. The Foundation is obligated under an operating lease for office rent that expires on December 31, 2023. K1C is allocated rental expense from the Foundation based on rental space that it occupies. K1C's total allocated rental expense under this rental arrangement aggregated to \$168,532 and \$171,998 for the years ended June 30, 2022 and 2021, respectively. K1C receives donations from the Foundation, reflected as revenues on the accompanying statements of activities, to pay its allocated rental costs.

K1C shares certain office equipment obtained through a financing lease with a term of 36 months.

Components of lease expense for the year ended June 30, is summarized as follows (in thousands):

	<u>2022</u>
Lease expenses (1)	
Fixed lease expenses - financing	\$ 2,240
Variable lease expenses - financing	<u>1,299</u>
 Total lease expenses	 <u>\$ 3,539</u>

(1) Lease expense represents the amount recorded within the statement of activity. Variable lease amounts represent expenses recognized as incurred which are not included in the lease liability. Fixed lease expenses are recorded on a straight-line basis over the lease term and therefore are not necessarily representative of cash payments during the same period.

Supplemental statement of financial position information related to leases at June 30, was as follows:

	<u>2022</u>
Weighted average remaining lease term (in months) - financing leases	34
Weighted average discount rate - financing leases	0.2%

Kids First Chicago for Education
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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K1C's allocated minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2022, are as follows (in thousands):

<u>Years ending June 30,</u>	
2023	\$ 115,052
2024	<u>38,945</u>
Total minimum lease payments	154,697
Less: imputed interest	<u>(23,465)</u>
Present value of future minimum lease payments	<u>\$ 131,232</u>

Amortization expense for capitalized leased property was \$9,397 and \$9,580 for the years ended June 30, 2022 and 2021, respectively, and is included in depreciation expense.

The future minimum lease payments under financing leases are as follows:

<u>Fiscal Years Ending June 30,</u>	
2023	\$ 9,950
2024	9,950
2025	<u>8,291</u>
Total minimum payments required	28,191
Less amount representing interest	<u>(98)</u>
Present value of financing lease obligation	<u>\$ 28,093</u>

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 \$74,887 and \$59,817 for the years ended June 30, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021, were restricted for the following programs:

	2022	2021
Community engagement	\$ 500,000	\$ 85,949
Policy	150,000	66,242
General operations (time restricted)	2,003,033	966,723
Total	\$ 2,653,033	\$ 1,118,914

During the years ended June 30, 2022 and 2021, net assets released from restrictions in accordance with the grant requirements were expended for the following programs:

	2022	2021
Community engagement	\$ 1,412,615	\$ 369,576
Policy	568,349	339,060
School quality	-	25,000
Strategic communications	66,667	-
General operations (time restricted)	270,500	387,500
Total	\$ 2,318,131	\$ 1,121,136

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, 2022 and 2021, donations from the Foundation were \$168,532 and \$196,998, respectively.

K1C incurs certain operational expenses, such as benefits and rent, paid by the Civic Committee and subsequently reimbursed by K1C. The appropriate expenses are recorded in K1C's accompanying statements of activities and were \$476,918 and \$438,544 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, amounts due from the Foundation were \$-0- and \$25,000, respectively.

Amounts due to Civic Committee for expenses incurred are reflected as amounts due to affiliated organizations on the accompanying statements of financial position. As of June 30, 2022 and 2021, amounts due to the Civic Committee were \$8,387 and \$525, 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 \$168,532 and \$171,998 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, donated services for administrative and program support provided by the Civic Committee were \$217,718 and \$189,211, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE K - SUBSEQUENT EVENTS

K1C evaluated its June 30, 2022 financial statements for subsequent events through October 21, 2022, the date the financial statements were available to be issued.

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