

Financial Statements and Report of
Independent Certified Public
Accountants

Kids First Chicago for Education

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statement of functional expenses	8
Statements of cash flows	9
Notes to financial statements	10

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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 (the Entity), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018, 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 24, 2019

Kids First Chicago for Education
STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2019	2018
CURRENT ASSETS		
Cash	\$ 134,724	\$ 29,349
Pledges receivable, net	723,500	716,032
Other receivables	3,402	2,120
Investments	2,332,792	1,566,904
Prepaid expenses and other assets	4,343	6,748
Total current assets	3,198,761	2,321,153
LONG-TERM ASSETS		
Pledges receivable, net	290,033	412,608
PROPERTY		
Office furniture and equipment	84,022	72,584
Less accumulated depreciation	(47,257)	(40,619)
Property, net	36,765	31,965
TOTAL ASSETS	\$ 3,525,559	\$ 2,765,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 95,240	\$ 113,876
Deferred revenue	25,000	-
Capital lease obligations	9,564	4,592
Due to affiliated organizations	3,900	7,580
Total current liabilities	133,704	126,048
LONG-TERM LIABILITIES		
Capital lease obligations	10,906	1,662
TOTAL LIABILITIES	144,610	127,710
NET ASSETS		
Without donor restrictions	2,267,416	1,409,376
With donor restrictions	1,113,533	1,228,640
Total net assets	3,380,949	2,638,016
TOTAL LIABILITIES AND NET ASSETS	\$ 3,525,559	\$ 2,765,726

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Donations from affiliated organization	\$ 156,634	\$ -	\$ 156,634
Corporate contributions, foundation grants and individual contributions	1,234,542	1,682,312	2,916,854
Donated services	260,416	-	260,416
Interest income, net	38,115	-	38,115
Realized gains on investments, net	33	-	33
Unrealized gains on investments, net	4,734	-	4,734
Loss on disposal of assets	(1,215)	-	(1,215)
Net assets released from restrictions	1,797,419	(1,797,419)	-
Total revenues	3,490,678	(115,107)	3,375,571
Expenses			
Program functions			
Conducive Environment	875,150	-	875,150
Policy	667,228	-	667,228
School Quality	255,816	-	255,816
Other programs	116,329	-	116,329
Total program functions	1,914,523		1,914,523
Support functions			
General and administrative	386,352	-	386,352
Fundraising	331,763	-	331,763
Total support functions	718,115	-	718,115
Total expenses	2,632,638		2,632,638
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	858,040	(115,107)	742,933
Net assets at beginning of year	1,409,376	1,228,640	2,638,016
Net assets at end of year	\$ 2,267,416	\$ 1,113,533	\$ 3,380,949

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Donations from affiliated organization	\$ 160,664	\$ -	\$ 160,664
Corporate contributions, foundation grants and individual contributions	664,716	857,480	1,522,196
Donated services	309,559	-	309,559
Interest income, net	13,110	-	13,110
Realized gains on investments, net	76	-	76
Unrealized losses on investments, net	(942)	-	(942)
Miscellaneous revenue	274	-	274
Net assets released from restrictions	1,517,985	(1,517,985)	-
Total revenues	2,665,442	(660,505)	2,004,937
Expenses			
Program functions			
Conducive Environment	714,805	-	714,805
Policy	554,986	-	554,986
School Quality	347,848	-	347,848
Other programs	130,764	-	130,764
Total program functions	1,748,403	-	1,748,403
Support functions			
General and administrative	433,074	-	433,074
Fundraising	340,729	-	340,729
Total support functions	773,803	-	773,803
Total expenses	2,522,206	-	2,522,206
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	143,236	(660,505)	(517,269)
Net assets at beginning of year	1,266,140	1,889,145	3,155,285
Net assets at end of year	<u>\$ 1,409,376</u>	<u>\$ 1,228,640</u>	<u>\$ 2,638,016</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, 2019, with Summarized Information for the Year Ended June 30, 2018

	Program Functions				Support Functions			Total Expenses	2018 Total	
	Conducive Environment	Policy	School Quality	Other Programs	Total Program	General and Administrative	Fundraising			Total Support
Personnel costs	\$ 506,490	\$ 473,860	\$ 108,201	\$ -	\$ 1,088,551	\$ 119,566	\$ 231,031	\$ 350,597	\$ 1,439,148	\$ 1,223,196
Professional fees	80,025	49,183	133,827	-	263,035	23,852	55,076	78,928	341,963	458,202
Grants and donations to organizations	44,179	20,000	-	-	64,179	1,000	-	1,000	65,179	112,550
Conferences and meetings	26,972	7,942	814	-	35,728	3,817	2,429	6,246	41,974	18,324
Depreciation	8,970	5,518	886	-	15,374	2,225	2,654	4,879	20,253	21,542
Insurance	-	-	-	-	-	14,381	-	14,381	14,381	14,465
Marketing	75,821	3,080	-	-	78,901	12,000	-	12,000	90,901	95,448
Occupancy	62,794	44,169	7,960	-	114,923	22,409	21,343	43,752	158,675	164,733
Office expenses	15,206	9,177	1,360	-	25,743	8,076	5,200	13,276	39,019	33,968
Technology	40,076	48,572	1,982	-	90,630	2,514	6,753	9,267	99,897	36,150
Travel	3,698	5,113	545	-	9,356	2,650	4,204	6,854	16,210	13,464
Other expenses	10,919	614	241	-	11,774	29,775	3,073	32,848	44,622	20,605
Donated services	-	-	-	116,329	116,329	144,087	-	144,087	260,416	309,559
	<u>\$ 875,150</u>	<u>\$ 667,228</u>	<u>\$ 255,816</u>	<u>\$ 116,329</u>	<u>\$ 1,914,523</u>	<u>\$ 386,352</u>	<u>\$ 331,763</u>	<u>\$ 718,115</u>	<u>\$ 2,632,638</u>	<u>\$ 2,522,206</u>

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

Kids First Chicago for Education

STATEMENTS OF CASH FLOWS

Years Ended June 30,

	2019	2018
Cash flows from operating activities		
Excess (deficit) of revenues over expenses	\$ 742,933	\$ (517,269)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities		
Depreciation	20,253	21,542
Net realized and unrealized (gains) losses on investments	(4,767)	866
Loss on disposal of assets	1,215	-
Changes in operating assets and liabilities		
Pledges receivable, net	115,107	625,498
Other receivables	(1,282)	(1,105)
Prepaid expenses and other assets	1,874	(5,203)
Accounts payable and accrued expenses	(18,636)	50,011
Deferred revenue	25,000	-
Due to affiliated organizations	(3,680)	2,626
Net cash provided by operating activities	878,017	176,966
Cash flows from investing activities		
Capital expenditures	(2,609)	(9,330)
Purchase of investments	(3,056,726)	(1,724,198)
Sales and maturities of investments	2,295,605	1,451,004
Net cash used in investing activities	(763,730)	(282,524)
Cash flows from financing activities		
Payments on capital lease obligations	(8,912)	(6,107)
NET INCREASE (DECREASE) IN CASH	105,375	(111,665)
Cash at beginning of year	29,349	141,014
Cash at end of year	\$ 134,724	\$ 29,349
Supplemental disclosure for non-cash financing activities		
Capital lease obligations incurred for equipment	\$ 27,468	\$ 2,230

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

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

NOTE A - NATURE OF ORGANIZATION

Kids First Chicago for Education (K1C), (formerly New Schools for Chicago), 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 empowering communities and families with the information and tools to identify, navigate, and advocate for quality PK-12 public school options for their students and communities. Then, 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 analysis 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 by the Civic Committee of The Commercial Club of Chicago and other civic leaders to support Renaissance 2010, an initiative to create 100 new public schools of choice in the City of Chicago's most challenged communities. In its first ten years, K1C raised money, supported the incubation and expansion of new public-school models, made grants to fund the start-up of schools, and hosted a New Schools EXPO for parents, students, and community members.

In 2015, the organization shifted its emphasis from opening new schools to addressing families' barriers to quality education options within Chicago's public education system.

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 empower 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 offers free enrollment workshops to help parents and students understand their school options and navigate the application process. K1C also works with parents to help them advocate for education issues that are important to their families and communities, with the goal of having high-performing schools and programs in every area of the city.

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, transparent information about 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 underperforming schools to improve their academic outcomes in sustainable ways. K1C leverages the technical, business, and operational expertise from strategic partners and service providers to support schools on their path to improvement, while documenting learning that can be applied to more schools to positively impact more students.

Other Programs – K1C receives donated services from the Civic Committee, an affiliated organization, for other programs and records the related expenses under other programs.

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.

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

On July 20, 2018, the board of directors approved a resolution to change NSC's name to Kids First Chicago for Education. NSC elected this name change to better reflect a greater focus on parent engagement and policy advocacy.

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).

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 write offs. For the years ended June 30, 2019 and 2018, the allowance for uncollectible amounts was \$100,000. The 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, 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
Money market funds	81%	90%
Fixed income mutual fund	19	10

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

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 asset's useful life, ranging from three to five years.

Grants and 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. 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, 2019 and 2018, donated services totaled \$260,416 and \$309,559, respectively, for travel and 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.

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information presented in its financial statements about its liquidity and availability of resources, investment returns and associated expense, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial statements. K1C implemented ASU 2016-14 effective for the year ended June 30, 2019.

NOTE C – LIQUIDITY

At June 30, 2019, total current assets of \$3,198,761, less prepaid and other assets of \$4,343, totaling \$3,194,418, is 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.

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:

	2019	2018
Amounts due in		
Less than one year	\$ 823,500	\$ 816,032
One to three years	303,000	427,500
 Pledges receivable, gross	 1,126,500	 1,243,532
Unamortized discount	(12,967)	(14,892)
Reserve for uncollectible amounts	(100,000)	(100,000)
Pledges receivable, net	\$ 1,013,533	\$ 1,128,640

Pledges were discounted at 3.25% as of June 30, 2019 and 2018.

As of June 30, 2019, K1C has conditional contributions of \$1,257,869. These contributions have not been recorded on the accompanying financial statements, as they are payable based on a future event occurring.

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

NOTE E - INVESTMENTS

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.

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.

Investments consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 1,888,578	\$ 1,407,456
Fixed income mutual fund	444,214	159,448
	<u>\$ 2,332,792</u>	<u>\$ 1,566,904</u>

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

The following table presents information about K1C's assets measured at fair value on a recurring basis as of June 30, 2019 and 2018 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.

	2019			
	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, 2019
Fixed income mutual fund	\$ 444,214	\$ -	\$ -	\$ 444,214
	<u>\$ 444,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,214</u>
	2018			
	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, 2018
Fixed income mutual fund	\$ 159,448	\$ -	\$ -	\$ 159,448
	<u>\$ 159,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,448</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 \$156,634 and \$160,664 for the years ended June 30, 2019 and 2018, 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, 2019, are as follows:

Years ending June 30,

2020	\$ 98,782
2021	100,945
2022	33,889

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

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.

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

	2019	2018
Office equipment	\$ 29,698	\$ 19,813
Less accumulated depreciation	(5,215)	(12,425)
Net capitalized leased property	\$ 24,483	\$ 7,388

Amortization expense for capitalized leased property was \$5,003 and \$6,073 for the years ended June 30, 2019 and 2018, respectively, and is included in depreciation expense.

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

Fiscal years ending June 30.

2020	\$ 9,726
2021	9,726
2022	1,016
2023	235
Total minimum payments required	20,703
Less amount representing interest	(233)
Present value of capital lease obligation	\$ 20,470

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, up to IRS compensation limits established for the year, 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 \$43,817 and \$31,106 for the years ended June 30, 2019 and 2018, respectively.

Kids First Chicago for Education

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2019 and 2018

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018, were restricted for the following programs:

	2019	2018
Conducive Environment	\$ 100,000	\$ 196,852
School Quality	100,000	196,852
General operations (time restricted)	913,533	834,936
Total	\$ 1,113,533	\$ 1,228,640

During the years ended June 30, 2019 and 2018, net assets released from restrictions in accordance with the grant requirements were expended for the following programs:

	2019	2018
Conducive Environment	\$ 475,000	\$ 474,129
Policy	531,566	271,875
School Quality	147,321	150,000
General operations (time restricted)	643,532	621,981
Total	\$ 1,797,419	\$ 1,517,985

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, 2019 and 2018, donations from the Foundation were \$156,634 and \$160,664, 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 totaled were \$415,467 and \$391,458 for the years ended June 30, 2019 and 2018, respectively.

Amounts due to Civic Committee and Civic Consulting Alliance (CCA) are reflected as amounts due to affiliated organizations on the accompanying statements of financial position. As of June 30, 2019, and 2018, amounts due to the Civic Committee totaled were \$3,707 and \$7,580, respectively. As of June 30, 2019, and 2018, amounts due to CCA totaled were \$193 and \$-0-, 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 totaled were \$156,634 and \$160,664 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, donated services for administrative and program support provided by the Civic Committee totaled were \$245,543 and \$297,950, respectively.

NOTE K - SUBSEQUENT EVENTS

K1C evaluated its June 30, 2019, financial statements for subsequent events through October 24, 2019, the date the financial statements were available to be issued and is not aware of any subsequent events that would require recognition or disclosure in the financial statements.