

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Kids First Chicago for Education**

June 30, 2023 and 2022

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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 comprise the statements of financial position as of June 30, 2023 and 2022 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, 2023 and 2022, 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 16, 2023

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

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 58,563	\$ 564,503
Due from affiliated organizations	2,125	-
Pledges receivable, net	826,000	1,603,600
Other receivables	10,435	2,554
Investments	5,102,791	4,931,253
Prepaid expenses	1,719	18,245
Total current assets	6,001,633	7,120,155
<b>Long-term assets</b>		
Pledges receivable, net	648,443	799,433
<b>Property</b>		
Office furniture and equipment	89,374	79,761
Less accumulated depreciation	(76,381)	(71,744)
Property, net	12,993	8,017
<b>Finance lease asset</b>		
Finance lease asset	29,746	29,746
Less accumulated depreciation	(14,459)	(4,819)
Finance lease asset, net	15,287	24,927
Total assets	\$ 6,678,356	\$ 7,952,532
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 275,514	\$ 169,953
Due to affiliated organizations	-	8,387
Financing lease liability	9,950	9,894
Total current liabilities	285,464	188,234
<b>Long-term liabilities</b>		
Financing lease liability	7,983	18,199
Total liabilities	293,447	206,433
<b>Net assets</b>		
Without donor restrictions	4,656,543	5,093,066
With donor restrictions	1,728,366	2,653,033
Total net assets	6,384,909	7,746,099
Total liabilities and net assets	\$ 6,678,356	\$ 7,952,532

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

**Kids First Chicago for Education**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues</b>			
Donations from affiliated organization	\$ 223,876	\$ -	\$ 223,876
Contributions	1,173,971	1,540,877	2,714,848
Donated services	247,918	-	247,918
Interest income, net	173,503	-	173,503
Realized loss on investments, net	(10,212)	-	(10,212)
Unrealized gain on investments, net	76,549	-	76,549
Miscellaneous income	108,978	-	108,978
Net assets released from restrictions	2,465,544	(2,465,544)	-
Total revenues	4,460,127	(924,667)	3,535,460
<b>Expenses</b>			
Program functions			
Community engagement	2,026,748	-	2,026,748
Policy	1,343,354	-	1,343,354
Strategic communications	417,825	-	417,825
Total program functions	3,787,927	-	3,787,927
Support functions			
General and administrative	757,694	-	757,694
Fundraising	351,029	-	351,029
Total support functions	1,108,723	-	1,108,723
Total expenses	4,896,650	-	4,896,650
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	(436,523)	(924,667)	(1,361,190)
<b>Net assets at beginning of year</b>	5,093,066	2,653,033	7,746,099
<b>Net assets at end of year</b>	\$ 4,656,543	\$ 1,728,366	\$ 6,384,909

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

**Kids First Chicago for Education**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues</b>			
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)	-
Total revenues	4,872,828	1,534,119	6,406,947
<b>Expenses</b>			
Program functions			
Community engagement	1,706,386	-	1,706,386
Policy	1,083,393	-	1,083,393
Strategic communications	298,731	-	298,731
Total program functions	3,088,510	-	3,088,510
Support functions			
General and administrative	409,316	-	409,316
Fundraising	326,192	-	326,192
Total support functions	735,508	-	735,508
Total expenses	3,824,018	-	3,824,018
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,048,810	1,534,119	2,582,929
<b>Net assets at beginning of year</b>	4,044,256	1,118,914	5,163,170
<b>Net assets at end of year</b>	\$ 5,093,066	\$ 2,653,033	\$ 7,746,099

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, 2023, with summarized information for the year ended June 30, 2022

	Program Functions				Support Functions			2023 Total Expenses	2022 Total Expenses
	Community Engagement	Policy	Strategic Communications	Total Program	General and Administrative	Fundraising	Total Support		
Personnel costs	\$ 1,310,417	\$ 885,559	\$ 151,020	\$ 2,346,996	\$ 295,766	\$ 294,199	\$ 589,965	\$ 2,936,961	\$ 2,294,939
Professional fees	239,235	224,018	178,168	641,421	59,244	15,000	74,244	715,665	576,861
Grants and donations to other organizations	89,150	-	-	89,150	250	-	250	89,400	65,279
Conferences and meetings	116,974	60,467	437	177,878	20,298	536	20,834	198,712	133,774
Depreciation	3,301	7,007	397	10,705	5,350	450	5,800	16,505	21,810
Insurance	-	-	-	-	19,471	-	19,471	19,471	15,646
Marketing	5,665	1,344	-	7,009	11,193	-	11,193	18,202	14,977
Miscellaneous loss	-	-	-	-	-	-	-	-	3,000
Occupancy	96,673	48,440	17,583	162,696	47,223	18,182	65,405	228,101	171,731
Office expenses	22,601	7,683	11,985	42,269	7,973	2,854	10,827	53,096	73,580
Technology	61,526	62,430	25,401	149,357	23,462	12,578	36,040	185,397	147,621
Travel	40,413	7,611	1,649	49,673	27,443	4,506	31,949	81,622	15,705
Other expenses	12,204	10,207	2,597	25,008	77,868	2,724	80,592	105,600	58,022
Donated services	28,589	28,588	28,588	85,765	162,153	-	162,153	247,918	231,073
	<u>\$ 2,026,748</u>	<u>\$ 1,343,354</u>	<u>\$ 417,825</u>	<u>\$ 3,787,927</u>	<u>\$ 757,694</u>	<u>\$ 351,029</u>	<u>\$ 1,108,723</u>	<u>\$ 4,896,650</u>	<u>\$ 3,824,018</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

	Program Functions				Support Functions			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
Professional fees	263,262	119,835	110,089	493,186	35,675	48,000	83,675	576,861
Grants and donations to other organizations	64,179	-	-	64,179	1,100	-	1,100	65,279
Conferences and meetings	90,365	9,984	14,474	114,823	15,189	3,762	18,951	133,774
Depreciation	5,656	13,722	826	20,204	675	931	1,606	21,810
Insurance	-	-	-	-	15,646	-	15,646	15,646
Marketing	13,974	-	-	13,974	1,003	-	1,003	14,977
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
Office expenses	22,832	22,832	11,848	57,512	9,826	6,242	16,068	73,580
Technology	95,717	33,400	7,288	136,405	4,851	6,365	11,216	147,621
Travel	6,090	3,014	1,138	10,242	4,375	1,088	5,463	15,705
Other expenses	20,461	16,074	117	36,652	20,346	1,024	21,370	58,022
Donated services	50,461	44,486	40,899	135,846	95,227	-	95,227	231,073
	<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>

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>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
(Deficit) excess of revenues over expenses	\$ (1,361,190)	\$ 2,582,929
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	16,505	21,810
Net realized and unrealized (gains) losses on investments	(66,337)	23,178
Loss on disposal of assets	-	4,459
Changes in operating assets and liabilities:		
Pledges receivable, net	928,590	(1,326,310)
Other receivables	(7,881)	(2,509)
Prepaid expenses and other assets	16,526	(7,091)
Accounts payable and accrued expenses	105,561	20,570
Due to/from affiliated organizations	(10,512)	32,862
Net cash provided by (used in) operating activities	(378,738)	1,349,898
<b>Cash flows used in investing activities:</b>		
Capital expenditures	(11,840)	(2,599)
Purchase of investments	(22,505,208)	(2,989,255)
Sales and maturities of investments	22,400,007	2,100,944
Net cash used in investing activities	(117,041)	(890,910)
<b>Cash flows used in financing activities:</b>		
Payments on capital lease obligations	-	(1,245)
Payments on finance lease obligations	(10,161)	(1,653)
Net used in financing activities	(10,161)	(2,898)
<b>NET (DECREASE) INCREASE IN CASH</b>	(505,940)	456,090
<b>Cash at beginning of year</b>	564,503	108,413
<b>Cash at end of year</b>	\$ 58,563	\$ 564,503
<b>Supplemental disclosure of non-cash financing activities:</b>		
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, 2023 and 2022**

**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, tools, and skills needed 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 within Chicago's PK-12 public education system.

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 and support their children's education, and to help shape education policy to serve Chicago's public school children adequately and equitably. K1C partners with families to help them 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. K1C's direct services include one-on-one support, informational events, leadership development opportunities, and community-based convenings and presentations.

***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 early learning through grade 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 state-, district-, school- and student-level improvements.

***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 does 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, 2023 and 2022

#### **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, 2023 and 2022, the allowance for uncollectible amounts was \$0 and \$100,000 at June 30, 2023 and 2022, respectively. 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, 2023 and 2022, 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:

	2023	2022
Money market funds	11%	85%
Fixed income mutual fund	-	15
Fixed income core index mutual fund	18	-
Equity US Large Cap mutual fund	14	-

#### **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

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 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, 2023 and 2022, donated services totaled \$247,918 and \$231,074, 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. The Commercial Club Foundation (the Foundation) is obligated under an operating lease for office rent. 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 statements 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 statements of activities during the period incurred.

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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.

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.

**NOTE C - LIQUIDITY**

At June 30, 2023, total current assets of \$6,001,633, less prepaid expenses of \$1,719, totaling \$5,999,914, is available for expenditure within the next year.

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.

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:

	2023	2022
Amounts due in		
Less than one year	\$ 826,000	\$ 1,603,600
One to three years	675,000	950,500
Pledges receivable, gross	1,501,000	2,554,100
Unamortized discount	(26,557)	(51,067)
Reserve for uncollectible amounts	-	(100,000)
Pledges receivable, net	\$ 1,474,443	\$ 2,403,033

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Pledges were discounted at 3.25% as of June 30, 2023 and 2022.

As of June 30, 2023 and 2022, K1C has conditional promises to give \$1,300,000 and \$700,000, 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:

	2023	2022
Money market funds	\$ 560,433	\$ 4,199,795
Equities	145,534	-
Mutual funds		
Equities	2,267,014	-
Fixed income	2,049,560	731,458
Real estate	80,250	-
	\$ 5,102,791	\$ 4,931,253

***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.

**Kids First Chicago for Education**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022 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.

	2023			
	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, 2023
Equities	\$ 145,534	\$ -	\$ -	\$ 145,534
Mutual Funds				
Equities	2,267,014	-	-	2,267,014
Fixed income	2,049,560	-	-	2,049,560
Real estate	80,250	-	-	80,250
	\$ 4,542,358	\$ -	\$ -	\$ 4,542,358
	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
	\$ 731,458	\$ -	\$ -	\$ 731,458

**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 of 1986, as amended,



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except for income taxes pertaining to unrelated business income. The Financial Accounting Standards Board 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 \$223,876 and \$168,532 for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Lease expenses <sup>(1)</sup>		
Fixed lease expenses - financing	\$ 9,950	\$ 2,240
Variable lease expenses - financing	1,427	1,299
Total lease expenses	\$ 11,377	\$ 3,539

<sup>(1)</sup> Lease expense represents the amount recorded within the statements of activities. 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:

	2023	2022
Weighted average remaining lease term (in months) - financing leases	22	34
Weighted average discount rate - financing leases	0.2%	0.2%

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

K1C's allocated minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2023, are as follows:

<u>Years Ending June 30,</u>		
2024		\$ 49,227
	Total minimum lease payments	49,227
	Less: imputed interest	<u>(609)</u>
	Present value of future minimum lease payments	<u>\$ 48,618</u>

K1C entered into finance lease obligations to acquire certain office equipment. The copy machine lease has a term of 36 months.

Amortization expense for financed leased property was \$0 and \$9,397 for the years ended June 30, 2023 and 2022, 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>		
2024		\$ 9,950
2025		<u>8,025</u>
	Total minimum payments required	17,975
	Less: amount representing interest	<u>(42)</u>
	Present value of financing lease obligation	<u>\$ 17,933</u>

In April 2023, the Foundation entered into a lease agreement for office space at an alternative office location in Chicago. The term of the lease shall commence on the later of 30 days after the landlord delivers the leased premises to the Foundation with improvements completed or March 1, 2024. The term of the lease is 120 months from the commencement date and may be extended for two periods of five years. The lease contains a lease abatement period of 20 months, as well as escalating rent payments and variable lease expenses. Upon lease commencement K1C will be allocated lease expense from the Foundation based on office rental space that it occupies.

**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 \$108,511 and \$74,887 for the years ended June 30, 2023 and 2022, respectively.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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

Net assets with donor restrictions at June 30, 2023 and 2022, were restricted for the following programs:

	2023	2022
Community engagement	\$ 189,758	\$ 500,000
Policy	264,665	150,000
General operations (time restricted)	1,273,943	2,003,033
Total	\$ 1,728,366	\$ 2,653,033

During the years ended June 30, 2023 and 2022, net assets released from restrictions in accordance with the grant requirements were expended for the following programs:

	2023	2022
Community engagement	\$ 696,409	\$ 1,412,615
Policy	597,868	568,349
Strategic communications	117,667	66,667
General operations (time restricted)	1,053,600	270,500
Total	\$ 2,465,544	\$ 2,318,131

**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, 2023 and 2022, donations from the Foundation were \$223,876 and \$168,532, 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 \$598,626 and \$476,918 for the years ended June 30, 2023 and 2022, respectively.

Amounts due from (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, 2023 and 2022, amounts due from (to) the Civic Committee were \$2,125 and \$(8,387), 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 \$223,876 and \$168,532 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, donated services for administrative and program support provided by the Civic Committee were \$219,374 and \$217,718, respectively.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE K - SUBSEQUENT EVENTS**

K1C evaluated its June 30, 2023 financial statements for subsequent events through October 16, 2023, 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.