

Financial Statements and Report of
Independent Certified Public
Accountants

Kids First Chicago for Education

June 30, 2024 and 2023

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	8
Statements of cash flows	10
Notes to financial statements	11

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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, 2024 and 2023, 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, 2024 and 2023, 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
January 15, 2025

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

	2024	2023
ASSETS		
Current assets		
Cash	\$ 100,891	\$ 58,563
Due from affiliated organizations	20,000	2,125
Pledges receivable, net	1,708,600	826,000
Other receivables	14,841	10,435
Investments	3,381,094	5,102,791
Prepaid expenses	2,095	1,719
Total current assets	5,227,521	6,001,633
Long-term assets		
Pledges receivable, net	1,107,704	648,443
Property		
Office furniture and equipment	87,197	89,374
Less accumulated depreciation	(51,240)	(76,381)
Property, net	35,957	12,993
Finance lease asset		
Finance lease asset	29,746	29,746
Less accumulated depreciation	(24,098)	(14,459)
Finance lease asset, net	5,648	15,287
Total assets	\$ 6,376,830	\$ 6,678,356
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 231,279	\$ 275,514
Due to affiliated organizations	6,391	-
Financing lease liability	8,016	9,950
Total current liabilities	245,686	285,464
Long-term liabilities		
Financing lease liability	-	7,983
Total liabilities	245,686	293,447
Net assets		
Without donor restrictions	3,295,083	4,656,543
With donor restrictions	2,836,061	1,728,366
Total net assets	6,131,144	6,384,909
Total liabilities and net assets	\$ 6,376,830	\$ 6,678,356

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Donations from affiliated organization	\$ 197,014	\$ -	\$ 197,014
Contributions	1,001,461	2,876,108	3,877,569
Donated services	278,388	-	278,388
Contributed nonfinancial assets	32,663	-	32,663
Special event revenue, net	261,440	-	261,440
Interest income, net	133,469	-	133,469
Realized gain on investments, net	145,634	-	145,634
Unrealized gain on investments, net	67,425	-	67,425
Miscellaneous income	57	-	57
Net assets released from restrictions	1,768,413	(1,768,413)	-
Total revenues	3,885,964	1,107,695	4,993,659
Expenses			
Program functions			
Community engagement	2,031,886	-	2,031,886
Policy	1,432,894	-	1,432,894
Strategic communications	373,352	-	373,352
Total program functions	3,838,132	-	3,838,132
Support functions			
General and administrative	964,691	-	964,691
Fundraising	444,601	-	444,601
Total support functions	1,409,292	-	1,409,292
Total expenses	5,247,424	-	5,247,424
DEFICIT OF REVENUES OVER EXPENSES	(1,361,460)	1,107,695	(253,765)
Net assets at beginning of year	4,656,543	1,728,366	6,384,909
Net assets at end of year	\$ 3,295,083	\$ 2,836,061	\$ 6,131,144

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

Kids First Chicago for Education

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
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)	-
	<u>4,460,127</u>	<u>(924,667)</u>	<u>3,535,460</u>
Total revenues			
Expenses			
Program functions			
Community engagement	2,026,748	-	2,026,748
Policy	1,343,354	-	1,343,354
Strategic communications	417,825	-	417,825
	<u>3,787,927</u>	<u>-</u>	<u>3,787,927</u>
Total program functions			
Support functions			
General and administrative	757,694	-	757,694
Fundraising	351,029	-	351,029
	<u>1,108,723</u>	<u>-</u>	<u>1,108,723</u>
Total support functions			
Total expenses	<u>4,896,650</u>	<u>-</u>	<u>4,896,650</u>
DEFICIT OF REVENUES OVER EXPENSES	(436,523)	(924,667)	(1,361,190)
Net assets at beginning of year	<u>5,093,066</u>	<u>2,653,033</u>	<u>7,746,099</u>
Net assets at end of year	<u>\$ 4,656,543</u>	<u>\$ 1,728,366</u>	<u>\$ 6,384,909</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, 2024, with summarized information for the year ended June 30, 2023

	Program Functions				Support Functions			2024 Total Expenses	2023 Total Expenses
	Community Engagement	Policy	Strategic Communications	Total Program	General and Administrative	Fundraising	Total Support		
Personnel costs	\$ 1,361,647	\$ 1,157,841	\$ 176,552	\$ 2,696,040	\$ 380,980	\$ 332,286	\$ 713,266	\$ 3,409,306	\$ 2,936,961
Professional fees	319,531	54,479	148,640	522,650	81,063	43,160	124,223	646,873	715,665
Grants and donations to other organizations	63,102	2,045	-	65,147	6,205	-	6,205	71,352	89,400
Conferences and meetings	100,182	22,164	175	122,521	18,198	21,604	39,802	162,323	198,712
Depreciation	4,946	2,921	5,889	13,756	3,114	829	3,943	17,699	16,505
Insurance	-	-	-	-	24,834	-	24,834	24,834	19,471
Marketing	195	927	1,495	2,617	1,662	931	2,593	5,210	18,202
Occupancy	90,407	59,375	11,875	161,657	26,143	13,230	39,373	201,030	228,101
Office expenses	19,315	13,514	2,223	35,052	16,430	17,633	34,063	69,115	53,096
Technology	39,309	94,897	23,241	157,447	11,225	9,197	20,422	177,869	185,397
Travel	8,309	5,410	372	14,091	6,370	1,208	7,578	21,669	81,622
Other expenses	10,791	10,228	1,081	22,100	105,023	1,970	106,993	129,093	105,600
Donated services	-	-	-	-	278,388	-	278,388	278,388	247,918
Contributed nonfinancial assets	14,152	9,093	1,809	25,054	5,056	2,553	7,609	32,663	-
	<u>\$ 2,031,886</u>	<u>\$ 1,432,894</u>	<u>\$ 373,352</u>	<u>\$ 3,838,132</u>	<u>\$ 964,691</u>	<u>\$ 444,601</u>	<u>\$ 1,409,292</u>	<u>\$ 5,247,424</u>	<u>\$ 4,896,650</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, 2023

	Program Functions				Support Functions			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
Professional fees	239,235	224,018	178,168	641,421	59,244	15,000	74,244	715,665
Grants and donations to other organizations	89,150	-	-	89,150	250	-	250	89,400
Conferences and meetings	116,974	60,467	437	177,878	20,298	536	20,834	198,712
Depreciation	3,301	7,007	397	10,705	5,350	450	5,800	16,505
Insurance	-	-	-	-	19,471	-	19,471	19,471
Marketing	5,665	1,344	-	7,009	11,193	-	11,193	18,202
Occupancy	96,673	48,440	17,583	162,696	47,223	18,182	65,405	228,101
Office expenses	22,601	7,683	11,985	42,269	7,973	2,854	10,827	53,096
Technology	61,526	62,430	25,401	149,357	23,462	12,578	36,040	185,397
Travel	40,413	7,611	1,649	49,673	27,443	4,506	31,949	81,622
Other expenses	12,204	10,207	2,597	25,008	77,868	2,724	80,592	105,600
Donated services	28,589	28,588	28,588	85,765	162,153	-	162,153	247,918
	<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>

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

Kids First Chicago for Education

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2024	2023
Cash flows from operating activities:		
Deficit of revenues over expenses	\$ (253,765)	\$ (1,361,190)
Adjustments to reconcile deficit of revenues over expenses to net cash used in operating activities:		
Depreciation	17,699	16,505
Net realized and unrealized gains on investments	(213,059)	(66,337)
Changes in operating assets and liabilities:		
Pledges receivable, net	(1,341,861)	928,590
Other receivables	(4,406)	(7,881)
Prepaid expenses and other assets	(376)	16,526
Accounts payable and accrued expenses	(44,235)	105,561
Due to/from affiliated organizations	(11,484)	(10,512)
	<u>(1,851,487)</u>	<u>(378,738)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Capital expenditures	(31,024)	(11,840)
Purchase of investments	(15,707,681)	(22,505,208)
Sales and maturities of investments	17,642,437	22,400,007
	<u>1,903,732</u>	<u>(117,041)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Payments on finance lease obligations	(9,917)	(10,161)
	<u>(9,917)</u>	<u>(10,161)</u>
Net cash used in financing activities		
NET INCREASE (DECREASE) IN CASH	42,328	(505,940)
Cash at beginning of year	<u>58,563</u>	<u>564,503</u>
Cash at end of year	<u>\$ 100,891</u>	<u>\$ 58,563</u>

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

Kids First Chicago for Education
NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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 its community, family, and civic engagement programs, K1C aims to activate families with the information to support their children's education and contribute to the design of education policy that serves Chicago's public school children adequately and equitably. K1C utilizes a place-based approach that arms families with relevant facts, identifies key issues, and enables them to lead community- and district-wide change. K1C's direct services include one-on-one support, informational events, leadership development programs, 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 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 dual-language communications materials that unpack complicated topics and provide families with the information they need to help their children succeed and access world-class education. K1C also partners with local and national media outlets to elevate parent voices and new data insights about pressing issues within American public education.

K1C's model has led to sustained local and systemwide improvements, fostering a more equitable and inclusive public education system. Nationally, K1C serves as a model for civic engagement, inclusive policy design, parent empowerment, and racial equity.

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, 2024 and 2023

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, 2024 and 2023, the allowance for uncollectible amounts was \$0. 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, 2024 and 2023, 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:

	2024	2023
Money market funds	11%	11%
U.S. government bond	24	-
Equity core index mutual fund	13	-
Fixed income core index mutual fund	10	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, 2024 and 2023

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, 2024 and 2023, donated services totaled \$278,388 and \$247,918, 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.

Contributed Nonfinancial Assets

U.S. GAAP requires that contributions of nonfinancial assets are recognized as revenue and expenses on the accompanying statement of activities at their estimated fair value at the date of receipt.

In April 2023, the Foundation entered into an operating lease for office space in Chicago. K1C receives donated office space from the Foundation. For the years ended June 30, 2024 and 2023, contributions totaled \$32,633 and \$0 for the use of office space provided by the Foundation for no consideration.

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 equipment obtained through a lease and previously shared office space obtained through a lease. The Commercial Club Foundation (the Foundation) was obligated under an operating lease for office rent. K1C was allocated rental expense from the Foundation based on rental space that it occupied. Included in the allocated rental expense was 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

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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.

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, 2024, total current assets of \$5,227,521, less prepaid expenses of \$2,095, totaling \$5,225,426, is available for expenditure within the next year.

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.

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, 2024 and 2023

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:

	2024	2023
Amounts due in		
Less than one year	\$ 1,708,600	\$ 826,000
One to three years	1,150,000	675,000
Pledges receivable, gross	2,858,600	1,501,000
Unamortized discount	(42,296)	(26,557)
Pledges receivable, net	\$ 2,816,304	\$ 1,474,443

Pledges were discounted at 3.25% as of June 30, 2024 and 2023.

As of June 30, 2024 and 2023, K1C has conditional promises to give \$650,000 and \$1,300,000, 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:

	2024	2023
Money market funds	\$ 378,796	\$ 560,433
Equities	101,103	145,534
U.S. government bonds	804,000	-
Mutual funds		
Equities	1,232,926	2,267,014
Fixed income	835,885	2,049,560
Real estate	28,384	80,250
	\$ 3,381,094	\$ 5,102,791

Fair Value Measurements

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

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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.

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

The following tables present information about K1C's assets measured at fair value on a recurring basis as of June 30, 2024 and 2023 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.

	2024			
	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, 2024
Equities	\$ 101,103	\$ -	\$ -	\$ 101,103
U.S. government bonds	-	804,000	-	804,000
Mutual Funds				
Equities	1,232,926	-	-	1,232,926
Fixed income	835,885	-	-	835,885
Real estate	28,384	-	-	28,384
	\$ 2,198,298	\$ 804,000	\$ -	\$ 3,002,298
	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

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, 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.

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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 shared office space under a lease that expired on December 31, 2023. The Foundation was obligated under the operating lease and K1C was allocated lease expense from the Foundation based on office rental space that it occupied. K1C's total allocated rental expense under the rental arrangement aggregated to \$197,014 and \$223,876 for the years ended June 30, 2024 and 2023, respectively. K1C received 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:

	2024	2023
Lease expenses ⁽¹⁾		
Fixed lease expenses - financing	\$ 9,950	\$ 9,950
Variable lease expenses - financing	1,426	1,427
Total lease expenses	\$ 11,376	\$ 11,377

⁽¹⁾ 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:

	2024	2023
Weighted average remaining lease term (in months) - financing leases	10	22
Weighted average discount rate - financing leases	0.2%	0.2%

Amortization expense for financed leased property was \$9,639 for the years ended June 30, 2024 and 2023, respectively, and is included in depreciation expense.

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

Year Ending June 30, _____		
2025		\$ 8,025
Total minimum payments required		8,025
Less: amount representing interest		(9)
Present value of financing lease obligation		\$ 8,016

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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 \$100,157 and \$108,511 for the years ended June 30, 2024 and 2023, respectively.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023, were restricted for the following programs:

	2024	2023
Community Engagement	\$ -	\$ 189,758
Policy	119,756	264,665
General Operations (time restricted)	2,716,305	1,273,943
Total	\$ 2,836,061	\$ 1,728,366

During the years ended June 30, 2024 and 2023, net assets released from restrictions in accordance with the grant requirements were expended for the following programs:

	2024	2023
Community Engagement	\$ 364,757	\$ 696,409
Policy	465,656	597,868
Strategic Communications	50,000	117,667
General Operations (time restricted)	888,000	1,053,600
Total	\$ 1,768,413	\$ 2,465,544

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, 2024 and 2023, donations from the Foundation were \$197,014 and \$223,876, respectively. For the year ended June 30, 2024, the Foundation donated \$20,000 for the K1C Special Event.

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 \$742,376 and \$598,626 for the years ended June 30, 2024 and 2023, respectively.

Kids First Chicago for Education

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, amounts due (to)/from affiliated organizations were as follows:

	<u>2024</u>	<u>2023</u>
Commercial Club Foundation	\$ 20,000	\$ -
Civic Committee	(5,776)	2,125
Civic Consulting Alliance	<u>(615)</u>	<u>-</u>
	<u>\$ 13,609</u>	<u>\$ 2,125</u>

K1C is allocated rental expense and depreciation from the Foundation based on rental space that it occupies under a lease held by the Foundation that expired on December 31, 2023. Rent and depreciation expenses recorded for space occupied by K1C were \$197,014 and \$223,876 for the years ended June 30, 2024 and 2023, respectively. K1C received 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, 2024 and 2023, donated services for administrative and program support provided by the Civic Committee were \$245,426 and \$219,374, respectively.

K1C receives donated office space from Foundation for no consideration. For the years ended June 30, 2024 and 2023, contributions of nonfinancial assets for the office space were \$32,663 and \$0, respectively.

NOTE K - SUBSEQUENT EVENTS

K1C evaluated its June 30, 2024 financial statements for subsequent events through January 15, 2025, 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.