

**CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)**

FINANCIAL STATEMENTS

June 30, 2022 and 2021

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors Children First Fund:
The Chicago Public Schools Foundation
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Children First Fund: The Chicago Public Schools Foundation ("CFF") (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities 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 CFF as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 CFF 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 CFF's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Emphasis of Matter

As discussed in Note 1 to the financial statements, CFF has adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

(Continued)

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 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 statement.

In performing an audit in accordance with 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 CFF'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 CFF'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.

Crowe LLP

Crowe LLP

Chicago, Illinois
May 15, 2023

**CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)**

**FINANCIAL STATEMENTS
(INCLUDING SINGLE AUDIT)**

June 30, 2022 and 2021

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
Chicago, Illinois

FINANCIAL STATEMENTS
(INCLUDING SINGLE AUDIT)
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors Children First Fund:
The Chicago Public Schools Foundation
Chicago, Illinois

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of Children First Fund: The Chicago Public Schools Foundation ("CFF") (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities 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 CFF as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). For the year ended June 30, 2022 we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 CFF 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 CFF's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Emphasis of Matter

As discussed in Note 1 to the financial statements, CFF has adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

(Continued)

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 GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, 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 CFF'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 CFF'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023, on our consideration of CFF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFF's internal control over financial reporting and compliance.



Crowe LLP

Chicago, Illinois
May 15, 2023

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 27,746,230	\$ 22,272,068
Grants receivable, net (Note 7)	<u>4,098,447</u>	<u>4,519,782</u>
TOTAL ASSETS	<u><u>\$ 31,844,677</u></u>	<u><u>\$ 26,791,850</u></u>
LIABILITIES AND NET ASSETS		
Grants payable	<u>\$ 1,529,854</u>	<u>\$ 1,615,531</u>
Total liabilities	<u>1,529,854</u>	<u>1,615,531</u>
Net assets		
Without donor restrictions	491,017	518,168
With donor restrictions (Note 4)	<u>29,823,806</u>	<u>24,658,151</u>
Total net assets	<u>30,314,823</u>	<u>25,176,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 31,844,677</u></u>	<u><u>\$ 26,791,850</u></u>

See accompanying notes to financial statements.

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF ACTIVITIES
Year ended June 30, 2022 (with comparative totals for the year ended June 30, 2021)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE, AND RELEASES FROM RESTRICTION			
Public support and revenue			
Grants and contributions	\$ 201,243	\$ 23,488,075	\$ 23,689,318
In-kind contributions (Note 3)	937,872	831,768	1,769,640
Interest income	-	-	-
Total public support and revenue	1,139,115	24,319,843	25,458,958
Net assets released from restriction (Note 6)	19,154,188	(19,154,188)	-
Total public support, revenue and releases from restriction	20,293,303	5,165,655	25,458,958
Expenses (Note 9)			
Program services	18,520,208	-	18,520,208
General and administrative	718,453	-	718,453
Fundraising	1,081,793	-	1,081,793
Total expenses	20,320,454	-	20,320,454
Changes in net assets	(27,151)	5,165,655	5,138,504
Net assets beginning of year	518,168	24,658,151	25,176,319
Net assets end of year	\$ 491,017	\$ 29,823,806	\$ 30,314,823

See accompanying notes to financial statements.

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE, AND RELEASES FROM RESTRICTION			
Public support and revenue			
Grants and contributions	\$ 149,596	\$ 19,981,345	\$ 20,130,941
In-kind contributions (Note 3)	788,955	6,844,283	7,633,238
Interest income	-	9,939	9,939
Total public support and revenue	938,551	26,835,567	27,774,118
Net assets released from restriction (Note 6)	23,112,921	(23,112,921)	-
Total public support, revenue and releases from restriction	24,051,472	3,722,646	27,774,118
Expenses (Note 9)			
Program services	22,328,016	-	22,328,016
General and administrative	599,180	-	599,180
Fundraising	1,157,725	-	1,157,725
Total expenses	24,084,921	-	24,084,921
Changes in net assets	(33,449)	3,722,646	3,689,197
Net assets beginning of year	551,617	20,935,505	21,487,122
Net assets end of year	\$ 518,168	\$ 24,658,151	\$ 25,176,319

See accompanying notes to financial statements.

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,138,504	\$ 3,689,197
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in operating assets and operating liabilities		
Grants receivable	421,335	736,498
Grants payable	<u>(85,677)</u>	<u>399,923</u>
Net cash from operating activities	<u>5,474,162</u>	<u>4,825,618</u>
Net change in cash and cash equivalents	5,474,162	4,825,618
Cash and cash equivalents, beginning of year	<u>22,272,068</u>	<u>17,446,450</u>
Cash and cash equivalents, end of year	<u><u>\$ 27,746,230</u></u>	<u><u>\$ 22,272,068</u></u>
Supplemental disclosure of cash flow information		
In-kind contributions	\$ 1,769,640	\$ 7,633,238

See accompanying notes to financial statements.

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Children First Fund: The Chicago Public Schools Foundation ("CFF"), is a nonprofit organization incorporated under the Illinois General Not-For-Profit Corporation Act. CFF was founded in 1996 to improve the quality of education in and increase support of the Chicago Public Schools system ("Corporation") in particular by directing resources towards areas of identified need, by providing mechanisms through which community, foundation and civic resources can be allocated for educational programs and initiatives in a stable, equitable and timely manner, increasing community, foundation and civic involvement with and support for the Chicago Public School system, and by such other means as are appropriate and consistent with the purpose of the Corporation.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified, with no effect on net assets or change in net assets, to conform to the current year presentation.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: The financial statement presentation follows the guidance of the Financial Accounting Standards Board. Accordingly, CFF reports information regarding its financial position and activities in two classes of net assets: net assets with donor restriction and net assets without donor restriction based upon the existence or absence of donor-imposed restrictions.

Support Recognition: Contributions and grants received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Unconditional contributions are recorded at fair value at the date of the donation.

Sources of Revenue: CFF receives its support from individuals, private corporations, foundations, hospitals, universities and government entities. CFF has a policy that all contributions and grants will be assessed an administrative fee of 6%. The administrative fee is recognized as revenue without donor restrictions and is included in grants and contributions within CFF's statements of activities.

Gifts In-Kind: A number of organizations have made in-kind donations or volunteered their services to CFF. Donated goods and services requiring specific expertise have been reflected in the financial statements at their approximate fair value. In-kind donations for the year ended June 30, 2022 and 2021 consist of salaries and benefits, occupancy, school supplies and supplies relating to the COVID-19 pandemic.

Grants Expense and Grants Payable: Unconditional grants are recorded as expense in the period the grant is approved. Grants subject to certain conditions and a right of return are recorded as expense during the year in which the conditions are substantially met. Grants payable within one year are recorded at their fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of their future cash outflows using U.S. Treasury rates for the period of the respective multi-year grant.

Cash and Cash Equivalents: CFF considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Carrying amounts approximate fair value.

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: CFF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision has been made for federal income taxes in the accompanying financial statements.

CFF follows guidance with respect to accounting for uncertain tax positions. No provision has been made for income taxes in the accompanying financial statements, as CFF has had no significant unrelated business income. If CFF incurs interest and penalties, CFF recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. CFF has no amounts accrued for interest or penalties as of June 30, 2022 and 2021. CFF does not expect the total amount of unrecognized tax benefit to significantly change in the next 12 months.

Newly Adopted Accounting Pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities and changes in net assets disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. CFF adopted the new guidance using a retrospective approach. See Note 3 for additional information regarding contributed nonfinancial assets.

NOTE 2 - RELATED-PARTY TRANSACTIONS

As described in Note 1 to the financial statements, CFF is related to the Chicago Public Schools (CPS) system. Program expenses of \$18,520,208 and \$22,328,016 for the years ended June 30, 2022 and 2021, respectively, primarily represent grants to CPS and schools within the CPS system.

Certain expenses incurred in connection with general operations of CFF are paid by CPS and recorded as in-kind contributions on CFF's statements of activities. The types of expenses include certain salaries and benefits, rent and utility costs. The estimated value of these services based on the CPS budget is approximately \$781,000 and \$789,000 for the years ended June 30, 2022 and 2021, respectively. See Note 3 for additional information regarding CFF's gifts-in-kind.

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3 – GIFTS-IN-KIND

CFF received gifts-in-kind during the years ended June 30, 2022 and 2021, including donated services, donated office space and certain supplies primarily related to school needs to counteract the COVID-19 pandemic. These gifts-in-kind were recognized at fair value on the date of receipt. The fair value of the gifts-in-kind were determined as follows:

Donated Services – The fair value of donated services was determined based on the combination of the actual cost of the compensation and benefits paid to the individuals providing services and the actual amount of time spent in service of CFF.

Donated Occupancy Costs – The fair value of donated occupancy costs was based on an estimate of the space occupied and related cost for space utilized that benefitted CFF.

Donated School and COVID-19 Supplies – The fair value of the School and COVID-19 supplies was based on the actual cost of the supplies donated as evidenced by invoicing provided by the companies donating the related supplies.

The following table summarizes CFF's gift-in-kind:

	<u>2022</u>	<u>2021</u>
Donated services	\$ 664,496	\$ 657,152
Donated occupancy costs	116,088	131,803
Donated school and COVID-19 supplies	<u>989,056</u>	<u>6,844,283</u>
Total	<u>\$ 1,769,640</u>	<u>\$ 7,633,238</u>

CFF utilized all gifts-in-kind in the operations of CFF including the grantmaking and administration of the organization.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTION

All net assets with donor restriction are restricted for specific program activities that support the Chicago Public Schools system.

NOTE 5 - CONCENTRATION OF CREDIT RISK

CFF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CFF has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on these balances.

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions as a result of satisfaction of purpose restrictions totaled \$19,154,188 and \$23,112,921 for the years ended June 30, 2022 and 2021, respectively.

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 - GRANTS RECEIVABLE

Grants receivable are unconditional promises to give from various donors. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted discount rate of 5%. Amortization of the discount is included in contributions. CFF had no outstanding conditional promises as of June 30, 2022 and 2021.

Grants receivable at June 30, 2022 and 2021 are due as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 3,240,935	\$ 4,029,858
One to five years	<u>936,100</u>	<u>541,500</u>
Gross	4,177,035	4,571,358
Less discount	<u>(78,588)</u>	<u>(51,576)</u>
Net	<u>\$ 4,098,447</u>	<u>\$ 4,519,782</u>

NOTE 8 - DONOR ADVISED FUND

CFF maintains a donor advised fund (DAF) with The Chicago Community Foundation for Board Designated Funds to ensure the promotion of the CFF mission and stability of operations. The Board of Directors of CFF serves as the advisor to the DAF and grant distributions are to be made only to Children First Fund or Chicago Public Schools. The Board of Directors of CFF, as advisor to the donor advised fund, retains the ability to recommend grants of up to the entire balance of the DAF to Children First Fund or Chicago Public Schools. The DAF distributions must be approved by the Chicago Community Foundation. There were no grants made by The Chicago Community Foundation during the years ended June 30, 2022 and 2021. At June 30, 2022 and 2021, the remaining balance of the DAF was approximately \$255,000 and \$287,000, respectively, which is not reflected on the statements of financial position.

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 9 - EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of CFF. The table below presents these functional expenses by their natural classification for the years ended June 30, 2022 and 2021.

	2022			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 17,269,289	\$ -	\$ -	\$ 17,269,289
Consulting and professional fees	-	112,551	-	112,551
Donated goods and services expense	1,096,919	174,851	497,870	1,769,640
Salaries, wages, benefits and taxes	144,790	327,519	433,993	906,302
Other expenses	<u>9,210</u>	<u>103,532</u>	<u>149,930</u>	<u>262,672</u>
Total expenses	<u>\$ 18,520,208</u>	<u>\$ 718,453</u>	<u>\$ 1,081,793</u>	<u>\$ 20,320,454</u>

	2021			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 15,305,350	\$ -	\$ -	\$ 15,305,350
Consulting and professional fees	-	92,562	-	92,562
Donated goods and services expense	6,950,701	150,596	531,941	7,633,238
Salaries, wages, benefits and taxes	64,819	267,280	376,874	708,973
Other expenses	<u>7,146</u>	<u>88,742</u>	<u>248,910</u>	<u>344,798</u>
Total expenses	<u>\$ 22,328,016</u>	<u>\$ 599,180</u>	<u>\$ 1,157,725</u>	<u>\$ 24,084,921</u>

CFF's primary program service is to improve the quality of education in and increase support of the Chicago Public Schools system. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

NOTE 10 - LEASE COMMITMENTS

On January 1, 2020, CFF entered a 2-year lease for office space in Chicago. The lease commenced on March 1, 2020 and expires on Jun 30, 2023.

The lease is classified as an operating lease. Rent expense totaled \$57,984 and \$65,436 for the years ended June 30, 2022 and 2021.

The following is a schedule of minimum future rental payments under the office space lease:

2023	<u>\$ 66,732</u>
Total	<u>\$ 66,732</u>

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 11 - LIQUIDITY AND AVAILABILITY

CFF's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 491,017	\$ 518,168
	<u>\$ 491,017</u>	<u>\$ 518,168</u>

As part of CFF's liquidity management, CFF invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, CFF has donor restricted net assets that are available to be released from restriction within the next year for programmatic purposes based on satisfaction of donor restrictions.

SUPPLEMENTAL SCHEDULES

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Grantor Period</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Award Amount</u>	<u>Sub-recipient Pass Through</u>	<u>Total Federal Expenditures</u>
Federal financial cash assistance						
U.S. Department of Treasury						
Emergency Educational Support Grants -						
COVID-19: Coronavirus Relief Fund	11/8/2021 - 3/31/2022	21.019	134038	\$ 8,503,040	\$ -	\$ 6,709,239
COVID-19: Chicago Connected - Coronavirus Relief Fund	6/1/2020 - 6/30/2022	21.019	NA	1,595,000	915,830	915,830
Total ALN 20.019 for U.S. Department of Treasury						7,625,069
Total Expenditures of Federal Awards						\$ 7,625,069

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Children First Fund: The Chicago Public Schools Foundation ("CFF") (an Illinois not-for-profit corporation), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CFF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CFF.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. CFF has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - AWARDS TO SUBRECIPIENTS

Expenditures reimbursed by CFF and included in the Schedule of Expenditures of Federal Awards were made to the following subrecipients under the listed grants for the year ended June 30, 2022:

<u>Sub Recipient</u>	<u>SEFA Grant</u>	<u>Amount</u>
Accurate Biometrics	21.019	\$ 418
Asian Human Services	21.019	36,000
Back of the Yards Neighborhood Council	21.019	48,300
Brighton Park Neighborhood Council	21.019	85,800
Center for Changing Lives	21.019	52,800
Chicago Urban League	21.019	27,000
Coalition for a Better Chinese American Community	21.019	34,100
Gads Hill Center	21.019	71,100
Greater Auburn Gresham Development Corp	21.019	49,000
Hope Technology and Education Center, NFP	21.019	15,375
Latinos Progresando	21.019	18,300
Logan Square Neighborhood Association	21.019	6,500
Metropolitan Family Services	21.019	46,000
North Lawndale Employment Network	21.019	9,300
Northwest Side Housing Center	21.019	101,000
Phalanx Family Services	21.019	88,700
Project Exploration	21.019	31,500
Puerto Rican Cultural Center	21.019	45,000
Southwest Organizing Project	21.019	70,487
Teamwork Englewood	21.019	4,350
The Resurrection Project	21.019	6,000
The YMCA of Metro Chicago	21.019	68,800
		<u>\$ 915,830</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors Children First Fund:
The Chicago Public Schools Foundation
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children First Fund: The Chicago Public Schools Foundation ("CFF") (an Illinois not-for-profit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CFF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFF's internal control. Accordingly, we do not express an opinion on the effectiveness of CFF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The "C" is large and stylized, with the word "Crowe" written in a cursive script and "LLP" in a more formal, blocky font.

Crowe LLP

Chicago, Illinois
July 13, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors Children First Fund:
The Chicago Public Schools Foundation
Chicago, Illinois

Report on Compliance for Major Federal Program

Qualified Opinion on Major Federal Program

We have audited Children First Fund: The Chicago Public Schools Foundation's ("CFF") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on CFF's major federal program for the year ended June 30, 2022. CFF's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, CFF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Coronavirus Relief Fund program for the year ended June 30, 2022.

Basis for Qualified Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CFF and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of CFF's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Coronavirus Relief Fund Program

As described in the accompanying schedule of finding and questioned costs, CFF did not comply with requirements regarding Assistance Listing No. 21.019 Coronavirus Relief Fund as described in finding number 2022-001 for subrecipient monitoring. Compliance with such requirement is necessary, in our opinion, for CFF to comply with the requirements applicable to that program.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CFF's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CFF's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CFF's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 CFF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of CFF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CFF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

Government Auditing Standards requires the auditor to perform limited procedures on CFF's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. CFF's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. CFF is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. CFF's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

(Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on CFF's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. CFF's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

CFF is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. CFF's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Children First Fund: The Chicago Public Schools Foundation's ("CFF") as of and for the year ended June 30, 2022, and have issued our report thereon dated May 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Crowe LLP

Chicago, Illinois
July 13, 2023

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The type of report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program:

Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

☒ Yes ☐ None reported

Identification of major programs:

ALN Numbers

Name of Federal Program or Cluster

U.S. Department of the Treasury

21.019	COVID-19: Emergency Educational Support Grants – Coronavirus Relief Fund
21.019	COVID-19: Chicago Connected – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II - Financial Statement Findings

None

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION III - Federal Award Findings and Questioned Costs

Finding 2022-001

Subject: Coronavirus Relief Fund – Chicago Connected Subrecipient Monitoring
Federal Agency: United States Department of the Treasury
Federal Program: Chicago Connected – Coronavirus Relief Fund
Assistance Listing Number: 21.019
Pass-Through Entity: City of Chicago
Compliance Requirements: Subrecipient Monitoring
Audit Findings: Material Noncompliance, Material Weakness

Criteria

In accordance with 2 CFR section 200.332 related to requirements for pass-through entities, all pass-through entities must address the following relative to information provided to subrecipients:

- Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes detailed federal award identification information as described in 2 CFR section 200.332(a)(1)
- All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award
- Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports
- A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- Appropriate terms and conditions concerning closeout of the subaward.

Additionally, 2 CFR section 200.332 requires the following monitoring activities:

- Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring
- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include
- Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501.
- Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records

Condition

CFF did not communicate the required information to subrecipients noted in the criteria including the communication of what funding represented federal funding and was subject to the related grant requirements. Additionally, while CFF in conjunction with program partners monitored the activities of the sub-grantees, the extent and results of this monitoring was not formally documented. Finally, CFF did not formally monitor audit results for the sub-grantees.

(Continued)

CHILDREN FIRST FUND:
THE CHICAGO PUBLIC SCHOOLS FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

Cause

CFF has not historically received federal grant funding. As a result, management was not familiar with certain administrative requirements related to program oversight.

Effect or potential effect

Without information regarding the federal nature of certain pass-through funding, sub-grantees may broadly fail to comply with applicable federal requirements. Furthermore, this could impact CFF's ability to properly oversee sub-grantees and take necessary corrective action, if applicable.

Questioned cost

None

Context

As part of testing this major program, requests were made to review agreements with sub-grantees and inquiries were made of CFF management relative to important requirements in 2 CFR section 200.332 and corresponding actions taken by CFF. These audit procedures identified that these key activities were not conducted. The entire amount of federal expenditures for the year (\$915,830) were passed through to subrecipients. This finding is applicable for each subrecipient relationship.

Identification as a repeat finding

This is not a repeat finding.

Recommendation

We recommend that in the future CFF take the necessary steps to adhere to the requirements in 2 CFR section 200.332 relative to the monitoring of subrecipients.

View of responsible officials

The Chicago Connected initiative was supported by various external partners, including government and philanthropic funders. As the fiscal sponsor, the Children First Fund executed service agreements with each participating community-based organization (CBO), that noted the amount they were awarded. As deliverables were met, CFF made payments based on when the funds came in since they were not designated to a particular CBO by funder. As a result, CFF did not notify CBOs which payments came from federal vs philanthropic funding. Understanding that this is required when it comes to distributing federal funds to subrecipients, CFF will ensure that its internal controls are updated to include this moving forward.