

**Children First Fund:
The Chicago Public Schools Foundation
(An Illinois Not-for-Profit Corporation)**

Financial Statements

June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Children First Fund:
The Chicago Public Schools Foundation

Opinion

We have audited the financial statements of Children First Fund: The Chicago Public Schools Foundation (CFF), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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.

Prior Period Financial Statements

The financial statements of CFF as of June 30, 2022, were audited by other auditors whose report dated May 15, 2023, expressed an unmodified opinion on those statements.

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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 statements.

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.

Baker Tilly US, LLP

Chicago, Illinois
March 14, 2024

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Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 28,688,250	\$ 27,746,230
Grants receivable, net (Note 7)	<u>4,592,242</u>	<u>4,098,447</u>
Total assets	<u><u>\$ 33,280,492</u></u>	<u><u>\$ 31,844,677</u></u>
Liabilities and Net Assets		
Liabilities		
Grants payable	<u>\$ 1,315,120</u>	<u>\$ 1,529,854</u>
Total liabilities	<u>1,315,120</u>	<u>1,529,854</u>
Net Assets		
Without donor restrictions	740,897	491,017
With donor restrictions (Note 4)	<u>31,224,475</u>	<u>29,823,806</u>
Total net assets	<u>31,965,372</u>	<u>30,314,823</u>
Total liabilities and net assets	<u><u>\$ 33,280,492</u></u>	<u><u>\$ 31,844,677</u></u>

See notes to financial statements

**Children First Fund:
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Statement of Activities

Year Ended June 30, 2023 (with comparative totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support, Revenue and Releases From Restriction				
Public support and revenue:				
Grants and contributions	\$ 889,899	\$ 12,954,328	\$ 13,844,227	\$ 23,689,318
In-kind contributions (Note 3)	818,697	354,278	1,172,975	1,769,640
Interest income	-	500,631	500,631	-
Total public support and revenue	1,708,596	13,809,237	15,517,833	25,458,958
Net assets released from restriction (Note 6)	12,408,568	(12,408,568)	-	-
Total public support, revenue and releases from restriction	14,117,164	1,400,669	15,517,833	25,458,958
Expenses (Note 9)				
Program services	12,189,412	-	12,189,412	18,520,208
General and administrative	640,573	-	640,573	718,453
Fundraising	1,037,299	-	1,037,299	1,081,793
Total expenses	13,867,284	-	13,867,284	20,320,454
Changes in net assets	249,880	1,400,669	1,650,549	5,138,504
Net Assets, Beginning	491,017	29,823,806	30,314,823	25,176,319
Net Assets, Ending	<u>\$ 740,897</u>	<u>\$ 31,224,475</u>	<u>\$ 31,965,372</u>	<u>\$ 30,314,823</u>

See notes to financial statements

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Statement of Activities

Year Ended June 30, 2022

	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
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	518,168	24,658,151	25,176,319
Net Assets, Ending	<u>\$ 491,017</u>	<u>\$ 29,823,806</u>	<u>\$ 30,314,823</u>

See notes to financial statements

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Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,650,549	\$ 5,138,504
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in operating assets and operating liabilities:		
Grants receivable	(493,795)	421,335
Grants payable	<u>(214,734)</u>	<u>(85,677)</u>
Net cash flows from operating activities	<u>942,020</u>	<u>5,474,162</u>
Net change in cash and cash equivalents	942,020	5,474,162
Cash and Cash Equivalents, Beginning	<u>27,746,230</u>	<u>22,272,068</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 28,688,250</u></u>	<u><u>\$ 27,746,230</u></u>
Supplemental Disclosure of Cash Flow Information		
In-kind contributions	<u><u>\$ 1,172,975</u></u>	<u><u>\$ 1,769,640</u></u>

See notes to financial statements

**Children First Fund:
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Notes to Financial Statements
June 30, 2023 and 2022

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.

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.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CFF are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CFF pursuant to those stipulations, or are required to be maintained permanently by CFF.

Board Designated Net Assets

CFF's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. CFF's Board of Directors has not designated any amounts as of June 30, 2023 and 2022.

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 statements of activities as net assets released from restriction. Conditional gifts, with a measurable barrier and right of return, are not recognized until the conditions on which they depend are met or explicitly waived by the donor.

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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 and would otherwise be paid for by CFF have been reflected in the financial statements at their approximate fair value. In-kind donations for the years ended June 30, 2023 and 2022 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 measurable barriers and a right of return are recorded as expense during the year in which the conditions are 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.

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 has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

CFF follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the financial statements. Under this guidance, CFF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. CFF does not believe that it has any uncertain tax positions at June 30, 2023 and 2022.

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Subsequent Events

CFF has evaluated events through March 14, 2024, which is the date the financial statements were approved and available to be issued.

As of July 1, 2023, CFF entered into a license agreement for office space at Impact House in Chicago for a term of 12 months with monthly license fee of \$4,820.

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 \$12,189,412 and \$18,520,208 for the years ended June 30, 2023 and 2022, 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, rent and utility costs. The estimated value of these services based on the CPS budget is approximately \$819,000 and \$781,000 for the years ended June 30, 2023 and 2022, respectively.

3. Gifts-In-Kind

CFF received gifts-in-kind during the years ended June 30, 2023 and 2022, 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 benefited 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:

	2023	2022
Donated services	\$ 706,313	\$ 664,496
Donated occupancy costs	112,383	116,088
Donated school and COVID-19 supplies	354,279	989,056
Total	<u>\$ 1,172,975</u>	<u>\$ 1,769,640</u>

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

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.

5. Concentrations

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.

For the year ended June 30, 2023, CFF received approximately 61% of grants and contributions from two donors.

6. Net Assets Released From Restriction

Net assets released from restrictions as a result of satisfaction of purpose restrictions totaled \$12,408,568 and \$19,154,188 for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022.

Grants receivable at June 30, 2023 and 2022 are due as follows:

	2023	2022
Less than one year	\$ 3,450,017	\$ 3,240,935
One to five years	1,234,045	936,100
Gross	4,684,062	4,177,035
Less discount	(91,820)	(78,588)
Net	<u>\$ 4,592,242</u>	<u>\$ 4,098,447</u>

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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, 2023 and 2022. At June 30, 2023 and 2022, the remaining balance of the DAF was approximately \$272,000 and \$255,000, respectively, which is not reflected on the statements of financial position.

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, 2023 and 2022.

	2023			
	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 11,598,778	\$ -	\$ -	\$ 11,598,778
Consulting and professional fees	-	99,037	-	99,037
Donated goods and services expense	462,271	130,668	580,036	1,172,975
Salaries, wages, benefits and taxed	120,281	288,930	426,647	835,858
Other expenses	8,082	121,938	30,616	160,636
Total expenses	<u>\$ 12,189,412</u>	<u>\$ 640,573</u>	<u>\$ 1,037,299</u>	<u>\$ 13,867,284</u>
	2022			
	Program Services	General and Administrative	Fundraising	Total
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 taxed	144,790	327,519	433,993	906,302
Other expenses	9,210	103,532	149,930	262,672
Total expenses	<u>\$ 18,520,208</u>	<u>\$ 718,453</u>	<u>\$ 1,081,793</u>	<u>\$ 20,320,454</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.

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10. Lease Commitments

On January 1, 2020, CFF entered into a lease for office space in Chicago. The lease commenced on March 1, 2020 and expired on June 30, 2023.

The lease is classified as an operating lease. Rent expense totaled \$56,160 and \$57,984 for the years ended June 30, 2023 and 2022.

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:

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.

	2023	2022
Cash and cash equivalents	\$ 740,897	\$ 491,017
Total	<u>\$ 740,897</u>	<u>\$ 491,017</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 that are not included in the table above.