

**BIG BROTHERS BIG SISTERS
OF METROPOLITAN CHICAGO**

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of Metropolitan Chicago
Chicago, Illinois

We have audited the accompanying financial statements of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO adopted the new accounting guidance in Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*, as required by accounting principles generally accepted in the United States of America. The accounting principle was applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

Also, as discussed in Note 1 to the financial statements, BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO adopted the new accounting guidance in Accounting Standards Update (ASU) No. 2014-09 (Topic 606): *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as required by accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Ward & Davis LLP

November 5, 2020

BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

STATEMENTS OF FINANCIAL POSITION

As of June 30	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,341,065	\$ 1,197,559
Other Receivables	—	880
Government Grants Receivable	47,601	144,021
Unconditional Promises to Give	729,575	1,253,185
Prepaid Expenses	119,063	149,208
Total Current Assets	<u>3,237,304</u>	<u>2,744,853</u>
PROPERTY AND EQUIPMENT, net	<u>208,162</u>	<u>273,143</u>
OTHER ASSETS		
Restricted Cash	126,592	126,205
Unconditional Promises to Give - Long-Term, net	372,869	426,009
Total Other Assets	<u>499,461</u>	<u>552,214</u>
	<u>\$ 3,944,927</u>	<u>\$ 3,570,210</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes Payable - Current Portion	\$ 698,900	\$ —
Accounts Payable	39,617	248,442
Accrued Liabilities	104,385	83,322
Deferred Revenue	50,000	—
Deferred Rent - Current Portion	39,475	31,953
Total Current Liabilities	<u>932,377</u>	<u>363,717</u>
NONCURRENT LIABILITIES		
Notes Payable, net of Current Portion	500,000	—
Deferred Rent	130,657	170,132
Total Noncurrent Liabilities	<u>630,657</u>	<u>170,132</u>
NET ASSETS		
Without Donor Restriction	423,140	574,377
With Donor Restriction	1,958,753	2,461,984
	<u>2,381,893</u>	<u>3,036,361</u>
	<u>\$ 3,944,927</u>	<u>\$ 3,570,210</u>

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES						
Contributions						
Corporations	\$ 305,776	\$ 820,316	\$ 1,126,092	\$ 119,085	\$ 910,133	\$ 1,029,218
Foundations	182,394	435,541	617,935	141,000	549,309	690,309
Individuals	760,689	543,460	1,304,149	575,895	731,777	1,307,672
Government Grants	—	397,972	397,972	—	435,614	435,614
Big Brothers Big Sisters of America (BBBSA)	38,047	269,796	307,843	24,920	248,036	272,956
Program Related Events	21,500	—	21,500	45,500	—	45,500
Contributions In-Kind	309,342	—	309,342	97,743	—	97,743
Other Revenue	10,000	—	10,000	—	—	—
	<u>1,627,748</u>	<u>2,467,085</u>	<u>4,094,833</u>	<u>1,004,143</u>	<u>2,874,869</u>	<u>3,879,012</u>
Program Service Fees	52	—	52	1,810	—	1,810
Special Event Revenue	807,158	274,127	1,081,285	1,168,037	122,908	1,290,945
Other Revenue						
Interest Income	1,403	1,201	2,604	1,406	1,462	2,868
Net Assets Released from Restrictions	<u>3,245,644</u>	<u>(3,245,644)</u>	<u>—</u>	<u>3,109,691</u>	<u>(3,109,691)</u>	<u>—</u>
Total Revenues	<u>5,682,005</u>	<u>(503,231)</u>	<u>5,178,774</u>	<u>5,285,087</u>	<u>(110,452)</u>	<u>5,174,635</u>
EXPENSES						
Program Services	<u>4,169,429</u>		<u>4,169,429</u>	<u>3,828,651</u>		<u>3,828,651</u>
Support Services						
Management and General	872,977		872,977	874,612		874,612
Fundraising						
Direct Expenses for Special Events	165,774		165,774	345,471		345,471
Other Fundraising	625,062		625,062	500,449		500,449
	<u>1,663,813</u>		<u>1,663,813</u>	<u>1,720,532</u>		<u>1,720,532</u>
Total Expenses	<u>5,833,242</u>		<u>5,833,242</u>	<u>5,549,183</u>		<u>5,549,183</u>
CHANGES IN NET ASSETS	(151,237)	(503,231)	(654,468)	(264,096)	(110,452)	(374,548)
Net Assets, Beginning	574,377	2,461,984	3,036,361	838,473	2,572,436	3,410,909
NET ASSETS, ENDING	<u>\$ 423,140</u>	<u>\$ 1,958,753</u>	<u>\$ 2,381,893</u>	<u>\$ 574,377</u>	<u>\$ 2,461,984</u>	<u>\$ 3,036,361</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Big Brothers Big Sisters Programs	Support Services			Direct Expenses for Special Event	Total Expenses
		Management and General	Fundraising	Total		
Salaries	\$ 2,583,811	\$ 367,423	\$ 394,094	\$ 761,517	\$ —	\$ 3,345,328
Payroll Taxes	187,175	26,616	28,548	55,164	—	242,339
Employee Benefits	192,679	27,400	29,389	56,789	—	249,468
401(k) Employer Matching Contributions	20,182	2,870	3,078	5,948	—	26,130
	<u>2,983,847</u>	<u>424,309</u>	<u>455,109</u>	<u>879,418</u>	<u>—</u>	<u>3,863,265</u>
Annual Dues	33,571	4,774	5,120	9,894	—	43,465
Academic Enrichment, Scholarships and Awards	22,199	—	—	—	—	22,199
Background Checks	73,191	—	—	—	—	73,191
Bank Charges	—	18,344	—	18,344	—	18,344
Communications	21,725	3,089	3,314	6,403	—	28,128
Depreciation and Amortization	64,047	9,108	9,769	18,877	—	82,924
Donation to BBBSA	—	5,000	—	5,000	—	5,000
Equipment Expense	54,711	7,780	8,344	16,124	—	70,835
Event Entertainment	—	—	—	—	11,095	11,095
Event Other Direct Expenses	—	—	—	—	26,734	26,734
Event Prizes	—	—	—	—	24,818	24,818
Event Venue and Food and Beverage	—	—	—	—	103,127	103,127
Insurance	45,852	13,512	3,278	16,790	—	62,642
Interest	—	4,233	—	4,233	—	4,233
Miscellaneous	1,056	175	161	336	—	1,392
Occupancy	261,439	136,698	25,754	162,452	—	423,891
Office Supplies	8,883	1,263	1,355	2,618	—	11,501
Postage and Shipping	4,723	672	720	1,392	—	6,115
Printing Expense	9,423	2,340	3,372	5,712	—	15,135
Professional Fees	6,348	222,387	968	223,355	—	229,703
Program Events and Activities	301,074	—	—	—	—	301,074
Program Snacks and Supplies	68,810	—	—	—	—	68,810
Program Transportation	109,565	—	—	—	—	109,565
Recruitment/Marketing	4,694	8,289	103,574	111,863	—	116,557
Temporary Help	23,443	—	—	—	—	23,443
Training and Meetings	22,561	3,208	3,441	6,649	—	29,210
Travel	48,267	7,796	783	8,579	—	56,846
	<u>1,185,582</u>	<u>448,668</u>	<u>169,953</u>	<u>618,621</u>	<u>165,774</u>	<u>1,969,977</u>
TOTALS	\$ 4,169,429	\$ 872,977	\$ 625,062	\$ 1,498,039	\$ 165,774	\$ 5,833,242

See accompanying notes.

BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2019

	Big Brothers Big Sisters Programs	Support Services			Direct Expenses for Special Event	Total Expenses
		Management and General	Fundraising	Total		
Salaries	\$ 2,214,253	\$ 346,403	\$ 350,981	\$ 697,384	\$ —	\$ 2,911,637
Payroll Taxes	168,889	26,421	26,770	53,191	—	222,080
Employee Benefits	159,372	24,933	25,262	50,195	—	209,567
401(k) Employer Matching Contributions	17,448	2,729	2,766	5,495	—	22,943
	<u>2,559,962</u>	<u>400,486</u>	<u>405,779</u>	<u>806,265</u>	<u>—</u>	<u>3,366,227</u>
Annual Dues	25,825	4,040	4,093	8,133	—	33,958
Academic Enrichment, Scholarships and Awards	58,369	—	—	—	—	58,369
Background Checks	66,321	—	—	—	—	66,321
Bank Charges	—	25,992	—	25,992	—	25,992
Communications	17,381	2,719	2,755	5,474	—	22,855
Depreciation and Amortization	64,784	10,135	10,269	20,404	—	85,188
Equipment Expense	38,684	6,052	6,132	12,184	—	50,868
Event Entertainment	—	—	—	—	12,389	12,389
Event Other Direct Expenses	—	—	—	—	42,232	42,232
Event Prizes	—	—	—	—	82,629	82,629
Event Venue and Food and Beverage	—	—	—	—	208,221	208,221
Insurance	48,404	11,709	3,678	15,387	—	63,791
Miscellaneous	850	236	135	371	—	1,221
Occupancy	241,970	133,295	25,796	159,091	—	401,061
Office Supplies	13,727	2,148	2,176	4,324	—	18,051
Postage and Shipping	3,695	578	586	1,164	—	4,859
Printing Expense	10,743	1,970	2,157	4,127	—	14,870
Professional Fees	5,732	241,563	861	242,424	—	248,156
Program Events and Activities	258,952	—	—	—	—	258,952
Program Snacks and Supplies	60,717	—	—	—	—	60,717
Program Transportation	181,001	—	—	—	—	181,001
Recruitment/Marketing	9,943	16,577	27,361	43,938	—	53,881
Temporary Help	85,136	2,250	5,276	7,526	—	92,662
Training and Meetings	15,414	2,411	2,443	4,854	—	20,268
Travel	61,041	12,451	952	13,403	—	74,444
	<u>1,268,689</u>	<u>474,126</u>	<u>94,670</u>	<u>568,796</u>	<u>345,471</u>	<u>2,182,956</u>
TOTALS	\$ 3,828,651	\$ 874,612	\$ 500,449	\$ 1,375,061	\$ 345,471	\$ 5,549,183

See accompanying notes.

BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

STATEMENTS OF CASH FLOWS

For the Years Ended June 30	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	<u>\$ (654,468)</u>	<u>\$ (374,548)</u>
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	82,924	85,188
Donated Stocks	(42,739)	(97,763)
Proceeds from Sale of Donated Stocks	42,739	97,763
Other Receivables	880	(366)
Government Grants Receivable	96,420	100,033
Unconditional Promises to Give	576,750	238,878
Prepaid Expenses	30,145	(20,074)
Accounts Payable	(208,825)	57,845
Accrued Liabilities	21,063	(43,862)
Deferred Rent	(31,953)	(24,431)
Deferred Revenue	50,000	—
Total Adjustments	<u>617,404</u>	<u>393,211</u>
Net Cash Provided (Used) by Operating Activities	<u>(37,064)</u>	<u>18,663</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(17,943)</u>	<u>(26,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds Received from Notes Payable	<u>1,198,900</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,143,893	(7,422)
Cash and Cash Equivalents and Restricted Cash, Beginning	<u>1,323,764</u>	<u>1,331,186</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, ENDING	\$ 2,467,657	\$ 1,323,764
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Activities		
Donated Services	\$ 127,047	\$ 18,838
Donated Supplies	28,785	29,081
Donated Event Tickets and Food	153,510	49,824
	<u>\$ 309,342</u>	<u>\$ 97,743</u>
Cash and Cash Equivalents and Restricted Cash, Ending consists of:		
Cash and Cash Equivalents	\$ 2,341,065	\$ 1,197,559
Restricted Cash	<u>126,592</u>	<u>126,205</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 2,467,657</u>	<u>\$ 1,323,764</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

Big Brothers Big Sisters of Metropolitan Chicago (the Organization), an Illinois not-for-profit corporation, creates and supports one-to-one mentoring relationships that ignite the power and promise of youth. The Organization's support comes primarily from corporate, foundation and individual donors' contributions as well as government grants and various fundraising activities.

The Organization fulfills its mission through delivery of Community Based Mentoring and a variety of Site Based Mentoring Programs.

Community Based Mentoring Program. Through Community Based Mentoring, youth are matched one-to-one with caring, screened and trained adult volunteer mentors. This program offers Bigs and Littles the opportunity to spend quality time sharing local culture, exploring new educational opportunities, developing new skills and hobbies. Each match is unique, building upon the personalities, life experiences, interests and assets of the Big and Little involved. Every Big and Little is supported throughout the length of their match by a Match Support Specialist, who helps to assess the development of a healthy and positive match relationship.

Site Based Mentoring Programs. Site Based Mentoring operates similarly to Community Based Mentoring in that Bigs and Littles are matched one to one but meet at a prearranged space such as a school, community center or place of business 2-4 times per month with other Big/Little pairs. Each program is facilitated by a Program Coordinator, and includes time for a structured activity, relationship building and free time.

Flex Mentoring Program. This program was developed in partnership with ICouldBe. Employees from various companies were paired with high school students in one-on-one mentoring relationships that take place over a secure, monitored, online platform and in a supervised group setting.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for "Financial Statements of Not-for-Profit Organizations". Under the standards, the Organization is required to report information regarding its financial position based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed stipulations have been satisfied. Net assets without donor restriction may otherwise be designated for specific purposes by action of the Board of Directors. The Board designated \$450,000 for an operating reserve at June 30, 2020 and \$575,000 at June 30, 2019.

Net Assets With Donor Restriction - Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction, and reported in the statements of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Additionally, there may be funds subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Due to the nature of the reserve fund, the income earned from the net assets with donor restriction in perpetuity is also restricted in perpetuity, and is recorded as revenue with donor restriction (See Note 10).

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.

SUPPORT REVENUE

All contributions are considered available for use without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restriction that increases that net asset class.

It is the Organization's policy to sell donated securities upon receipt. Grant revenues are recognized in the period in which they are earned. At year-end, fundraising revenue received in advance of the event, if any is recorded as deferred revenue.

CASH AND CASH EQUIVALENTS

The Organization considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market accounts and a certificate of deposit.

RECEIVABLES

Receivables are stated at their net realizable value, which is the amount the Organization expects to collect. Receivables which are expected to be collected in greater than one year are recorded at the present value of their estimated future cash flows. The Organization determines an allowance for doubtful accounts based on past experience and analyses of collectability of the various receivables. The allowance for doubtful accounts was \$-0- at June 30, 2020 and 2019. Receivables are charged to bad debt expense or loss when deemed uncollectible.

PROPERTY AND EQUIPMENT

Property and equipment in excess of the capitalization threshold of \$2,500 is capitalized and carried at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets which range from 3 years for computer equipment and software to 5 years for furniture, equipment and the phone system, and 6 years for the office buildout.

DEFERRED RENT

Rent expense is recorded on the straight-line method over the life of the leases. Tenant allowances are recorded as a deferred rent liability and amortized over the term of the lease.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS IN-KIND

Contributions of goods and services are recorded at their estimated fair value at the date of contribution. Such contributions are reported as increases in net assets without donor restriction unless the donor has restricted the donation to a specific purpose. In-kind contributions of \$309,342 for 2020 included advertising of \$88,078, legal services of \$34,669, accounting services of \$4,300, supplies of \$28,785, and \$153,510 of event tickets and food used for program activities. In-kind contributions of \$97,743 for 2019 included legal services of \$10,263, accounting services of \$8,575, supplies of \$29,081, and \$49,824 of event tickets and food used for program activities.

VOLUNTEER SUPPORT (UNAUDITED)

The Organization receives donated time from volunteers as Big Brothers and Big Sisters. This donated time does not meet the criteria for financial statement recognition in conformity with accounting principles generally accepted in the United States, and therefore is not reflected in the accompanying financial statements. Management estimates that these volunteers contributed approximately 106,698 hours in 2020 and 88,164 in 2019. An approximate economic value for this volunteer time contributed for the State of Illinois is \$27.98 per hour for 2020 and \$26.89 per hour for 2019 using the most recent data released by the U.S. Bureau of Labor Statistics for both 2020 and 2019. Applying this rate, the Organization's volunteer mentor services would be valued at \$2,985,410 for 2020 and \$2,370,730 for 2019. Including the economic value of donated mentor services as part of program expenses would result in the calculation of program expenses as 83% and 82% of total Organization expenses and support services as 17% and 18% of total Organization expenses for 2020 and 2019, respectively. Program expenses as a percentage of total Organization expenses in the audited financial statements are 74% and support services expenses as a percentage of total Organization expenses in the audited financial statements of 26% for 2020 and 2019, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or support service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a *private foundation* within the meaning of Section 509(a) of the Internal Revenue Code. The Organization is similarly exempt for state purposes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES (Continued)

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, gains and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 (Topic 606): *Revenue from Contracts with Customers*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The ASU was effective for annual reporting periods beginning after December 15, 2018, but was extended until years beginning after December 15, 2019. The Organization early adopted the ASU effective July 1, 2019. Management determined there was no cumulative effect of applying the new standard to the opening balance of net assets without donor restriction and there is no impact to change in net assets without donor restriction currently or in the future.

The adoption of the ASU did not have a significant impact on the Organization's financial position, results of activities, or cash flows. A substantial portion of the Organization's revenues relates to contributions, therefore the ASU would only apply to special events revenue and program fees which are immaterial.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Special events revenue, which includes charitable contributions, registration fees, sponsorships and purchases of auction items or raffle tickets, is recorded as revenue when the event occurs, equal to the amounts received. If the amount is received in advance, the amount considered a direct benefit is deferred until the event occurs and presented in deferred revenue on the statements of financial position, while the contribution portion, the excess amount paid over the direct benefit, is recorded immediately. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenues recognized previously is consistent with how revenues are recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Mention adoption of Contributions Received standard in report letter? Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions and clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is delayed until the condition is met) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier" that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier is not achieved. An agreement that includes both is a conditional contribution. The Organization adopted the ASU commencing July 1, 2019.

As of July 1, 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents, be included in beginning and ending cash in the statements of cash flows. The adoption of Accounting Standards Update 2016-18 resulted in the reclassification of certain items related to restricted cash in the statement of cash flows for the year ended June 30, 2019.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

NOTES TO FINANCIAL STATEMENTS

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents.....	\$ 2,341,065	\$ 1,197,559
Other Receivables.....	—	880
Government Grants Receivable.....	47,601	144,021
Unconditional Promises to Give, net.....	1,102,444	1,679,194
Less: Board-Designated Net Assets	(450,000)	(575,000)
Less: Donor Restricted Net Assets – Time and Purpose.....	<u>(1,832,161)</u>	<u>(2,335,779)</u>
	<u>\$ 1,208,949</u>	<u>\$ 110,875</u>

As part of its liquidity management plan, the Organization attempts to maintain sufficient cash to meet current operating needs. Although the Organization does not intend to spend their board-designated net assets of \$450,000 and \$575,000, respectively, these amounts comprise their General Operating Reserve Fund and are available for use pursuant to the Organization's policy on the fund. The Organization's policy calls for the General Operating Reserve Fund to be equivalent to 60 days of annual fixed operating expenses.

Also of note is the fact that \$970,355 and \$1,523,218 of donor restricted net assets as of June 30, 2020 and 2019, respectively, are related to the Organization's Impact (Drive for 5) Campaign. Fundraising for this campaign is restricted to incremental program growth, innovation and marketing, regional outreach, match enrichment activity funding and formation of an endowment.

Additionally, the Organization has a \$450,000 line of credit that it could draw upon should the need arise. There were no borrowings for the year ended June 30, 2020 and 2019.

NOTE 3—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in deposit accounts at financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

NOTE 4—RESTRICTED CASH

Restricted cash includes amounts contributed to serve as a reserve fund restricted in perpetuity, used to support the stability of the Organization and the quality of the Organization's programs (see Note 10).

NOTES TO FINANCIAL STATEMENTS

NOTE 5—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of amounts receivable in:

	<u>2020</u>	<u>2019</u>
Less than One Year	\$ 729,575	\$ 1,253,185
One to Five Years	<u>397,613</u>	<u>453,798</u>
	1,127,188	1,706,983
Less: Discount to Net Present Value.....	<u>24,744</u>	<u>27,789</u>
Net Pledges Receivable	1,102,444	1,679,194
Less Current Portion.....	<u>729,575</u>	<u>1,253,185</u>
Long-Term Portion	<u>\$ 372,869</u>	<u>\$ 426,009</u>

The discount rate used in determining the net present value of unconditional promises to give is 3.50% for the years ended June 30, 2020 and 2019.

NOTE 6—PROPERTY AND EQUIPMENT

Depreciable and amortizable assets at June 30 consist of:

	<u>2020</u>	<u>2019</u>
Furniture and Fixtures	\$ 44,901	\$ 44,901
Phone System.....	34,535	34,535
IT Equipment and Server	210,867	192,924
Office Build-out.....	<u>339,910</u>	<u>339,910</u>
	630,213	612,270
Less Accumulated Depreciation and Amortization.....	<u>422,051</u>	<u>339,127</u>
	<u>\$ 208,162</u>	<u>\$ 273,143</u>

NOTE 7—LINE OF CREDIT

The Organization maintains a revolving line of credit with a maximum borrowing base of \$450,000. The line of credit is renewed annually in March and is currently effective through March 27, 2021. The line is collateralized by all of the Organization's business assets. The credit agreement requires that the line be paid down to \$-0- for at least 15 consecutive days once per year, and contains other restrictive covenants as defined in the agreement. There was no outstanding balance on the line of credit at June 30, 2020 and 2019. Interest is payable monthly on the outstanding balance at the bank's prime lending rate (3.25% at June 30, 2020). As there were no borrowings for the years ended June 30, 2020 and 2019, there was no interest expense.

NOTE 8—NOTES PAYABLE

The Organization was awarded a \$698,900 Payroll Protection Program ("PPP") loan in April 2020 through the U.S. Small Business Administration to help keep their workforce employed during the Coronavirus (COVID-19) pandemic. The loan bears interest at a fixed rate of 1.00%. All payments of principal and interest are deferred for 10 months after the end of the borrower's loan forgiveness covered period. The loan matures on April 7, 2022. The Organization expects that the full balance of their PPP loan will be forgiven therefore the full balance of this loan was classified as a current liability on the statements of financial position.

As permitted under accounting principles U.S. GAAP, the Organization is treating the possible loan forgiveness as a gain contingency under ASC 450-30. Under this standard, the proceeds from the loan and any accrued interest thereof will remain reported as a liability on the statements of financial position until the federal agency lender legally forgives the loan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8—NOTES PAYABLE (Continued)

The Organization also received a \$500,000 Economic Injury Disaster Loan (“EIDL”) in April 2020 through the U.S. Small Business Administration to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to COVID-19. The loan bears interest at 2.75% and is payable in 360 monthly installments of principal and interest of \$2,136 starting in April 2021. The loan matures on March 20, 2051. The Organization’s tangible and intangible personal property, including, but not limited to accounts receivable and equipment are collateral for the loan. As part of the EIDL program, the Organization also received a \$10,000 advance, which is subject to automatic forgiveness and has been recognized as support revenue in the statements of activities.

Principal repayments due in each of the next five years and thereafter are:

Year Ending June 30		
2021	\$	698,900
2022		10,986
2023		11,308
2024		11,640
2025		11,981
Thereafter		<u>454,085</u>
	\$	<u>1,198,900</u>

NOTE 9—NET ASSETS WITH DONOR RESTRICTION

	<u>2020</u>	<u>2019</u>
Impact Campaign	\$ 970,355	\$ 1,523,218
Programs in Highland Park	25,000	29,250
Site Based – Abbvie	—	30,000
Site Based – Bank of America	20,000	20,000
Site Based – BNY Mellon	—	20,000
Site Based – Comcast Foundation	5,667	5,000
Site Based – DRW Trading	25,000	25,000
Site Based – Paylocity	—	10,000
Site Based – PepsiCo	30,000	—
Site Based – Publicis	20,000	10,000
Site Based – S&C Electric	20,000	20,000
Site Based – Wells Fargo	—	20,000
Site Based – Vernon Hills	—	3,000
Site Based – Various Programs FY20	—	210,835
Site Based – Various Programs FY21	115,833	—
Community Based	73,667	139,833
Inspire Change	22,950	19,125
Match Enrichment	221,747	154,444
Parental Engagement and Leadership	37,500	—
Scholarship	—	5,000
Time Restricted	<u>244,442</u>	<u>91,074</u>
	<u>\$ 1,832,161</u>	<u>\$ 2,335,779</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9—NET ASSETS WITH DONOR RESTRICTION (Continued)

Amounts released from restrictions during the year ended June 30, 2020 were \$3,245,644 representing \$1,128,392 of Impact Campaign expenditures, \$53,250 of programs in Highland Park, \$1,390,442 of site-based expenses, \$356,810 of community-based expenses, \$1,053 of expenses related to diversity, equity and inclusion, \$10,000 related to scholarship expenses, \$20,000 of parental engagement and leadership expenses, \$211,477 of scholarships related to match enrichment, and \$74,220 of time restricted net assets.

Amounts released from restrictions during the year ended June 30, 2019 were \$3,109,691 representing \$827,582 of Impact Campaign expenditures, \$70,750 of programs in Highland Park, \$1,356,942 of site-based expenses, \$457,316 of community-based expenses, \$10,000 of expenses related to high school mentoring, \$130,349 of scholarships related to match enrichment, and \$256,752 of time restricted net assets.

NOTE 10—NET ASSETS WITH DONOR RESTRICTION IN PERPETUITY AND ENDOWMENT FUNDS

The Organization's endowment consists of one fund restricted in perpetuity established to act as an operating reserve fund for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES, AND SPENDING POLICY

The Board of Directors of the Organization has adopted investment and spending policies for endowment assets that attempt to provide for appropriate preservation of capital of the endowment funds. The endowment is invested in accordance with the gift instrument in a separate interest bearing account.

The Organization may withdraw endowment funds as deemed necessary to support the stability of the Organization and the quality of the Organization's programs. The Organization must repay funds withdrawn, by the close of the next fiscal year following the year which they were withdrawn. The Organization's Board of Directors has determined that these funds will be used after the Organization's unrestricted cash reserves and line of credit have been exhausted.

NOTES TO FINANCIAL STATEMENTS

NOTE 10—NET ASSETS WITH DONOR RESTRICTION IN PERPETUITY AND ENDOWMENT FUNDS (Continued)

Endowment net assets composition by type of fund as of June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Donor-Restricted Endowment Funds.....	\$ <u>126,592</u>	\$ <u>126,205</u>

Changes in endowment net assets for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment Net Assets, Beginning of Year.....	\$ <u>126,205</u>	\$ 125,512
Interest Income.....	<u>387</u>	<u>693</u>
Endowment Net Assets, End of Year	\$ <u>126,592</u>	\$ <u>126,205</u>

Due to the nature of the reserve fund, the income earned from the net assets with donor restriction in perpetuity is also restricted in perpetuity and is recorded as with donor restriction.

NOTE 11—LEASE COMMITMENTS

In March, 2016, the Organization signed a new lease agreement expanding the Organization's office space by 2,736 square feet. The new lease expires on December 31, 2023. The lease provides for monthly rental payments increasing annually plus a pro rata share of operating costs. The Organization also received \$250,000 in tenant improvements. In lieu of a security deposit, the landlord accepted an irrevocable standby letter of credit. The value of the letter of credit was \$32,175 and \$96,525 at June 30, 2020 and 2019, respectively. The letter of credit was extended to March 27, 2021.

In April 2019, the Organization signed a lease agreement for 2,608 square feet of office space at Kennedy-King College which expires on March 31, 2022. The lease provides for monthly rental payments of \$2,608.

In May, 2013, the Organization entered into a noncancelable operating lease for equipment, with rent payments beginning in July, 2013, which expired June, 2017. A lease was entered into for new office equipment, with rent payments of \$521 per month beginning in July 2017, which expires June 2021.

Rent expense for the year ended June 30, 2020 was \$367,468, of which \$3,293 was attributable to off-site storage. Rent expense for the year ended June 30, 2019 was \$351,610, of which \$2,995 was attributable to off-site storage. All amounts are included in occupancy expense in the statements of functional expenses for the years ended June 30, 2020 and 2019.

Minimum rental commitments under noncancelable lease agreements are as follows:

Year Ending June 30	
2020	\$ 327,143
2021	320,591
2022	304,641
2023	<u>154,201</u>
	<u>\$ 1,106,576</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12—EMPLOYEE BENEFIT PLAN

On January 1, 2004, the Organization adopted an employee benefit plan pursuant to Internal Revenue Code Section 401(k) where participants may make contributions from their gross pay up to the maximum allowed by law. On July 31, 2006, the plan was restated to allow the Organization to make discretionary profit sharing and/or discretionary matching contributions. The Organization made matching contributions of 100% of employee contributions up to 3% of the employee's gross compensation until February 2009. The Organization reinstated the matching contributions as of February 1, 2011. The Organization will match fifty cents on the dollar up to 3% of the participating employee's contribution, with a cap of \$2,100. A vesting schedule has been established which is tied to an employee's tenure at the Organization. The Organization made contributions of \$26,130 to the plan for the year ended June 30, 2020 and \$22,943 for the year ended June 30, 2019.

NOTE 13—RELATED PARTY TRANSACTIONS

Contributions from officers, former officers, board members and companies whose directors are also board members amounted to \$726,077 for the year ended June 30, 2020, including \$21,588 of in-kind auction and raffle donations, and \$1,189,997 for the year ended June 30, 2019, including \$19,027 of in-kind auction and raffle donations and \$8,263 of donated legal services. There were unconditional promises to give of \$222,543 and \$598,996 at June 30, 2020 and 2019, respectively, from members of the board of directors and their related companies or officers of the Organization, net of discounts.

NOTE 14—RECLASSIFICATION

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 15—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2020, the date which the financial statements were available to be issued. The COVID-19 pandemic has impacted and could further impact the Organization's operations. The extent to which the COVID-19 pandemic impacts the Organization, the results of its activities and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Organization's customers, and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

Except for the effects of the pandemic, there were no other subsequent events which require disclosure.