

**BIG BROTHERS BIG SISTERS  
OF METROPOLITAN CHICAGO**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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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, 2021 and 2020, 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 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 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, 2021 and 2020, 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.

Warady & Davis LLP

October 29, 2021

BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

STATEMENTS OF FINANCIAL POSITION

As of June 30	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,182,051	\$ 2,341,065
Other Receivables	9,800	—
Government Grants Receivable	478,051	47,601
Unconditional Promises to Give	1,224,141	729,575
Prepaid Expenses	158,563	119,063
Total Current Assets	<u>4,052,606</u>	<u>3,237,304</u>
PROPERTY AND EQUIPMENT, net	<u>146,081</u>	<u>208,162</u>
<b>OTHER ASSETS</b>		
Restricted Cash	126,593	126,592
Unconditional Promises to Give - Long-Term, net	347,001	372,869
Total Other Assets	<u>473,594</u>	<u>499,461</u>
	<u>\$ 4,672,281</u>	<u>\$ 3,944,927</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Notes Payable - Current Portion	\$ 715,425	\$ 698,900
Accounts Payable	96,509	39,617
Accrued Liabilities	154,093	104,385
Deferred Revenue	—	50,000
Deferred Rent - Current Portion	46,997	39,475
Total Current Liabilities	<u>1,013,024</u>	<u>932,377</u>
<b>NONCURRENT LIABILITIES</b>		
Notes Payable, net of Current Portion	500,000	500,000
Deferred Rent	83,660	130,657
Total Noncurrent Liabilities	<u>583,660</u>	<u>630,657</u>
<b>NET ASSETS</b>		
Without Donor Restriction	660,833	423,140
With Donor Restriction	2,414,764	1,958,753
	<u>3,075,597</u>	<u>2,381,893</u>
	<u>\$ 4,672,281</u>	<u>\$ 3,944,927</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Contributions and Grants						
Corporations	\$ 140,430	\$ 644,500	\$ 784,930	\$ 305,776	\$ 820,316	\$ 1,126,092
Foundations	312,999	729,852	1,042,851	182,394	435,541	617,935
Individuals	804,126	669,090	1,473,216	760,689	543,460	1,304,149
Government Grants	—	683,343	683,343	—	397,972	397,972
Payroll Protection Program Loan and Interest Forgiveness	—	705,008	705,008	—	—	—
Big Brothers Big Sisters of America (BBBSA)	20,377	203,173	223,550	38,047	269,796	307,843
Program Related Events	20,000	—	20,000	21,500	—	21,500
Contributions In-Kind	248,935	10,133	259,068	309,342	—	309,342
Other Revenue	—	—	—	10,000	—	10,000
Special Event Revenue	840,857	—	840,857	807,158	274,127	1,081,285
	<u>2,387,724</u>	<u>3,645,099</u>	<u>6,032,823</u>	<u>2,434,906</u>	<u>2,741,212</u>	<u>5,176,118</u>
Program Service Fees	—	—	—	52	—	52
Other Revenue						
Investment Income	1,612	201	1,813	1,403	1,201	2,604
Net Assets Released from Restrictions	<u>3,189,289</u>	<u>(3,189,289)</u>	<u>—</u>	<u>3,245,644</u>	<u>(3,245,644)</u>	<u>—</u>
Total Revenues	<u>5,578,625</u>	<u>456,011</u>	<u>6,034,636</u>	<u>5,682,005</u>	<u>(503,231)</u>	<u>5,178,774</u>
<b>EXPENSES</b>						
Program Services	<u>3,635,678</u>	<u>—</u>	<u>3,635,678</u>	<u>4,169,429</u>	<u>—</u>	<u>4,169,429</u>
Support Services						
Management and General	886,257	—	886,257	872,977	—	872,977
Fundraising						
Direct Expenses for Special Events	113,908	—	113,908	165,774	—	165,774
Other Fundraising	705,089	—	705,089	625,062	—	625,062
	<u>1,705,254</u>	<u>—</u>	<u>1,705,254</u>	<u>1,663,813</u>	<u>—</u>	<u>1,663,813</u>
Total Expenses	<u>5,340,932</u>	<u>—</u>	<u>5,340,932</u>	<u>5,833,242</u>	<u>—</u>	<u>5,833,242</u>
CHANGES IN NET ASSETS	237,693	456,011	693,704	(151,237)	(503,231)	(654,468)
Net Assets, Beginning	423,140	1,958,753	2,381,893	574,377	2,461,984	3,036,361
<b>NET ASSETS, ENDING</b>	<b>\$ 660,833</b>	<b>\$ 2,414,764</b>	<b>\$ 3,075,597</b>	<b>\$ 423,140</b>	<b>\$ 1,958,753</b>	<b>\$ 2,381,893</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Big Brothers Big Sisters Programs	Support Services			Direct Expenses for Special Event	Total Expenses
		Management and General	Fundraising	Total		
Salaries	\$ 2,382,865	\$ 388,012	\$ 424,448	\$ 812,460	\$ —	\$ 3,195,325
Payroll Taxes	172,972	28,166	30,811	58,977	—	231,949
Employee Benefits	210,501	34,277	37,496	71,773	—	282,274
401(k) Employer Matching Contributions	19,403	3,159	3,456	6,615	—	26,018
	<u>2,785,741</u>	<u>453,614</u>	<u>496,211</u>	<u>949,825</u>	<u>—</u>	<u>3,735,566</u>
Annual Dues	37,565	6,117	6,691	12,808	—	50,373
Academic Enrichment, Scholarships and Awards	29,953	—	—	—	—	29,953
Background Checks	74,520	—	—	—	—	74,520
Bank Charges	—	14,001	—	14,001	—	14,001
Communications	20,752	3,379	3,696	7,075	—	27,827
Depreciation and Amortization	55,545	9,045	9,894	18,939	—	74,484
Equipment Expense	48,786	7,944	8,690	16,634	—	65,420
Event Entertainment	—	—	—	—	2,300	2,300
Event Other Direct Expenses	—	—	—	—	19,006	19,006
Event Prizes	—	—	—	—	33,998	33,998
Event Venue and Food and Beverage	—	—	—	—	58,604	58,604
Insurance	47,612	14,580	2,502	17,082	—	64,694
Interest	—	20,624	—	20,624	—	20,624
Library Literature	2,134	347	380	727	—	2,861
Miscellaneous	—	4,037	—	4,037	—	4,037
Occupancy	246,653	128,400	24,133	152,533	—	399,186
Office Supplies	2,860	466	509	975	—	3,835
Postage and Shipping	3,712	604	661	1,265	—	4,977
Printing Expense	7,078	1,200	1,260	2,460	—	9,538
Professional Fees	9,454	198,021	1,178	199,199	—	208,653
Program Events and Activities	209,223	—	—	—	—	209,223
Program Snacks and Supplies	13,551	—	—	—	—	13,551
Program Transportation	185	—	—	—	—	185
Recruitment/Marketing	9,353	16,795	144,658	161,453	—	170,806
Temporary Help	130	2,733	16	2,749	—	2,879
Training and Meetings	25,770	4,196	4,590	8,786	—	34,556
Travel	5,101	154	20	174	—	5,275
	<u>849,937</u>	<u>432,643</u>	<u>208,878</u>	<u>641,521</u>	<u>113,908</u>	<u>1,605,366</u>
<b>TOTALS</b>	<b>\$ 3,635,678</b>	<b>\$ 886,257</b>	<b>\$ 705,089</b>	<b>\$ 1,591,346</b>	<b>\$ 113,908</b>	<b>\$ 5,340,932</b>

See accompanying notes.

## BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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>
<b>TOTALS</b>	<b>\$ 4,169,429</b>	<b>\$ 872,977</b>	<b>\$ 625,062</b>	<b>\$ 1,498,039</b>	<b>\$ 165,774</b>	<b>\$ 5,833,242</b>

See accompanying notes.



## BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	<u>\$ 693,704</u>	<u>\$ (654,468)</u>
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities		
Depreciation and Amortization	74,484	82,924
PPP Loan and Interest Forgiveness	(705,008)	—
Noncash PPP Interest Expense	7,322	1,593
Donated Stocks	(64,703)	(42,739)
Proceeds from Sale of Donated Stocks, net	64,703	42,739
Other Receivables	(9,800)	880
Government Grants Receivable	(430,450)	96,420
Unconditional Promises to Give	(468,698)	576,750
Prepaid Expenses	(39,500)	30,145
Accounts Payable	56,892	(208,825)
Accrued Liabilities	48,494	19,470
Deferred Revenue	(50,000)	50,000
Deferred Rent	(39,475)	(31,953)
Total Adjustments	<u>(1,555,739)</u>	<u>617,404</u>
Net Cash Used by Operating Activities	<u>(862,035)</u>	<u>(37,064)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(12,403)	(17,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds Received from Notes Payable	<u>715,425</u>	<u>1,198,900</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(159,013)</b>	<b>1,143,893</b>
Cash and Cash Equivalents and Restricted Cash, Beginning	<u>2,467,657</u>	<u>1,323,764</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, ENDING</b>	<b>\$ 2,308,644</b>	<b>\$ 2,467,657</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Activities		
Donated Services	\$ 171,346	\$ 127,047
Donated Supplies	66,719	28,785
Donated Special Event Food and Beverage	10,133	—
Donated Event Tickets and Food	10,870	153,510
	<u>\$ 259,068</u>	<u>\$ 309,342</u>
Cash and Cash Equivalents and Restricted Cash, Ending consists of:		
Cash and Cash Equivalents	\$ 2,182,051	\$ 2,341,065
Restricted Cash	<u>126,593</u>	<u>126,592</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 2,308,644</u>	<u>\$ 2,467,657</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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**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 \$597,139 for an operating reserve at June 30, 2021 and \$450,000 at June 30, 2020.

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

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**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 AND SPECIAL EVENTS 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.

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.

The Employee Retention Credit (ERC) was enacted in 2020 under the CARES Act and was significantly expanded and extended for all of 2021 by the American Rescue Plan Act. The purpose of this refundable credit is to help businesses keep employees on payroll by offsetting some of the associated costs. ERC is conditional on the Organization meeting certain employer eligibility criteria, as well as incurring qualifying expenses with specific per-employee caps. As such, the Organization is accounting for the ERC as a conditional government grant under ASC 958-605. For the year ended June 30, 2020, the Organization met the conditions on eligibility and incurred qualified costs, which entitled it to an ERC of \$338,371. The amount is reported in grants and contributions with donor restriction on the statements of activities and government grants receivable on the statements of financial position.

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.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2021 and 2020 as the Organization believes all amounts were collectible. 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.

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 \$259,068 for 2021 included donated services of \$171,346 comprised of recruitment/marketing of \$130,228, professional fees of \$40,018 (legal services of \$31,423, accounting services of \$6,075 and IT consulting of \$2,520) and training of \$1,100. Additionally, the Organization received program events and activities of \$15,084, program snacks and supplies of \$62,505, and special event food and beverage of \$10,133.

In-kind contributions of \$309,342 for 2020 included donated services of \$127,047 comprised of recruitment/marketing of \$88,078 and professional fees of \$38,969 (legal services of \$34,669 and accounting services of \$4,300). Additionally, the Organization received program snacks and supplies of \$28,785, and \$153,510 of event tickets and food used for program activities.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 109,136 hours in 2021 and 106,698 in 2020. An approximate economic value for this volunteer time contributed for the State of Illinois is \$29.37 per hour for 2021 and \$27.98 per hour for 2020 using the most recent data released by the U.S. Bureau of Labor Statistics for both 2021 and 2020. Applying this rate, the Organization's volunteer mentor services would be valued at \$3,205,324 for 2021 and \$2,985,410 for 2020. Including the economic value of donated mentor services as part of program expenses would result in the calculation of program expenses as 81% and 83% of total Organization expenses and support services as 19% and 17% of total Organization expenses for 2021 and 2020, respectively. Program expenses as a percentage of total Organization expenses in the audited financial statements are 70% for 2021 and 74% for 2020, respectively and support services expenses as a percentage of total Organization expenses in the audited financial statements are 30% for 2021 and 26% for 2020, 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.

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.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## 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 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 June 30, 2023 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.

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents.....	\$ 2,182,051	\$ 2,341,065
Other Receivables .....	9,800	—
Government Grants Receivable .....	478,051	47,601
Unconditional Promises to Give, net.....	1,571,142	1,102,444
Less: Board-Designated Net Assets.....	(597,139)	(450,000)
Less: Donor Restricted Net Assets .....	<u>(2,414,764)</u>	<u>(1,832,161)</u>
	<u>\$ 1,229,141</u>	<u>\$ 1,208,949</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 \$597,139 and \$450,000 as of June 30, 2021 and 2020, 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.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

Also of note is the fact that \$1,366,930 and \$970,355 of donor restricted net assets as of June 30, 2021 and 2020, 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, 2021 and 2020.

**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.

Credit risk associated with government grants receivable and unconditional promises to give are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors supportive of the Organization's mission. The other receivable represents the ERC which is due from the US Treasury and a vendor overpayment which was subsequently collected.

**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).

**NOTE 5—UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of amounts receivable in:

	<u>2021</u>	<u>2020</u>
Less than One Year .....	\$ 1,224,141	\$ 729,575
One to Five Years .....	<u>369,513</u>	<u>397,613</u>
	1,593,654	1,127,188
Less: Discount to Net Present Value .....	<u>22,512</u>	<u>24,744</u>
Net Pledges Receivable .....	1,571,142	1,102,444
Less Current Portion .....	<u>1,224,141</u>	<u>729,575</u>
Long-Term Portion .....	\$ <u>347,001</u>	\$ <u>372,869</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, 2021 and 2020.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 6—PROPERTY AND EQUIPMENT**

Depreciable and amortizable assets at June 30 consist of:

	<u>2021</u>	<u>2020</u>
Furniture and Fixtures .....	\$ 44,901	\$ 44,901
Phone System.....	34,535	34,535
IT Equipment and Server .....	178,443	210,866
Office Build-out.....	<u>339,910</u>	<u>339,910</u>
	597,789	630,212
Less Accumulated Depreciation and Amortization .....	<u>451,708</u>	<u>422,050</u>
	<u>\$ 146,081</u>	<u>\$ 208,162</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, 2022. 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, 2021 and 2020. Interest is payable monthly on the outstanding balance on the one-month LIBOR rate (.1005% at June 30, 2021) plus 2%. As there were no borrowings for the years ended June 30, 2021 and 2020, 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 full balance of the PPP loan—was forgiven on February 23, 2021 including interest of \$6,108. The loan was classified as a current liability on the statements of financial position at June 30, 2020.

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.

On January 26, 2021, the Organization applied for and was approved for a second installment of a PPP loan from the SBA of an additional \$715,425. The loan has similar terms as the first installment and interest will accrue at 1%. The Organization could become eligible for up to 100% forgiveness of the loan amount plus accrued interest and any amount of principal and interest not forgiven by the SBA would mature on January 26, 2026. The full balance of the PPP loan—was forgiven on September 24, 2021 including interest of \$4,469.



## 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. Monthly payments are applied to interest only until accrued interest is repaid. The loan matures on March 20, 2050. 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 for the year ended June 30, 2020.

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

Year Ending June 30		
2022 .....	\$	715,425
2023 .....		14,329
2024 .....		12,432
2025 .....		12,778
2026 .....		13,134
Thereafter .....		<u>447,327</u>
	\$	<u>1,215,425</u>

**NOTE 9—NET ASSETS WITH DONOR RESTRICTION**

	<u>2021</u>	<u>2020</u>
Impact Campaign .....	\$ 1,366,930	\$ 970,355
Programs in Highland Park .....	4,000	25,000
Site Based – Bank of America .....	20,000	20,000
Site Based – Brookfield Properties .....	60,000	—
Site Based – Comcast Foundation .....	10,667	5,667
Site Based – DRW Trading .....	—	25,000
Site Based – Paylocity .....	20,000	—
Site Based – PepsiCo .....	—	30,000
Site Based – Publicis .....	—	20,000
Site Based – S&C Electric .....	—	20,000
Site Based – Wells Fargo .....	—	—
Site Based – Vernon Hills .....	—	—
Site Based – Various Programs FY21 .....	—	115,833
Site Based – Various Programs FY22 .....	20,833	—
Community Based .....	20,000	73,667
Inspire Change .....	22,950	22,950
Match Enrichment .....	204,479	221,747
Parental Engagement and Leadership .....	32,500	37,500
Time Restricted – ERC .....	338,372	—
Time Restricted .....	<u>167,440</u>	<u>244,442</u>
	<u>\$ 2,288,171</u>	<u>\$ 1,832,161</u>

NOTES TO FINANCIAL STATEMENTS

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**NOTE 9—NET ASSETS WITH DONOR RESTRICTION (Continued)**

Amounts released from restrictions during the year ended June 30, 2021 were \$3,189,289 representing \$749,022 of Impact Campaign expenditures, \$4,000 of programs in Highland Park, \$1,038,422 of site-based expenses, \$134,882 of community-based expenses, \$30,000 of parental engagement and leadership expenses, \$215,886 of match enrichment expenses, \$312,069 of time restricted net assets and \$705,008 of Payroll Protection Loan and Interest Forgiveness.

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.

**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>2021</u>	<u>2020</u>
Donor-Restricted Endowment Funds .....	<u>\$ 126,593</u>	<u>\$ 126,592</u>

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

	<u>2021</u>	<u>2020</u>
Endowment Net Assets, Beginning of Year .....	<u>\$ 126,592</u>	<u>\$ 126,205</u>
Interest Income .....	<u>1</u>	<u>387</u>
Endowment Net Assets, End of Year .....	<u>\$ 126,593</u>	<u>\$ 126,592</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 at June 30, 2021 and 2020, respectively. The letter of credit was extended to March 27, 2022.

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 expired June 2021 and is now being leased on a month-to-month basis.

Rent expense for the year ended June 30, 2021 was \$364,285, of which \$2,805 was attributable to off-site storage. Rent expense for the year ended June 30, 2020 was \$367,468, of which \$3,293 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, 2021 and 2020.

Minimum rental commitments under noncancelable lease agreements are as follows:

Year Ending June 30	
2022 .....	\$ 320,591
2023 .....	304,641
2024 .....	<u>154,201</u>
	<u>\$ 779,433</u>

NOTES TO FINANCIAL STATEMENTS

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**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 \$26,018 to the plan for the year ended June 30, 2021 and \$26,130 for the year ended June 30, 2020.

**NOTE 13—RELATED PARTY TRANSACTIONS**

Contributions from officers, former officers, board members and companies whose directors are also board members amounted to \$366,136 for the year ended June 30, 2021, including \$12,633 of in-kind auction and raffle donations, and \$726,077 for the year ended June 30, 2020, including \$21,588 of in-kind auction and raffle donations. There were unconditional promises to give of \$155,382 and \$222,543 at June 30, 2021 and 2020, 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 October 29, 2021, the date which the financial statements were available for issue. Except for the second installment of the PPP loan forgiveness disclosed in Note 8, there were no other subsequent events which require disclosure.