BIG BROTHERS BIG SISTERS
OF METROPOLITAN CHICAGO

FINANCIAL STATEMENTS

JUNE 30, 2022

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO'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 BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO'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.

Warady & Davis LLP

November 4, 2022

STATEMENTS OF FINANCIAL POSITION

As of June 30	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 2,124,903**	$ 2,182,051
Other Receivables	**894**	9,800
Government Grants Receivable	**415,834**	478,051
Unconditional Promises to Give	**1,268,969**	1,224,141
Prepaid Expenses	**150,495**	158,563
Total Current Assets	**3,961,095**	4,052,606
PROPERTY AND EQUIPMENT, net	**88,387**	146,081
OTHER ASSETS		
Restricted Cash	**126,594**	126,593
Unconditional Promises to Give - Long-Term, net	**753,040**	347,001
Total Other Assets	**879,634**	473,594
	$ 4,929,116	$ 4,672,281
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes Payable - Current Portion	**$ 12,095**	$ 715,425
Accounts Payable	**186,138**	96,509
Accrued Liabilities	**160,568**	154,093
Deferred Rent - Current Portion	**54,519**	46,997
Total Current Liabilities	**413,320**	1,013,024
NONCURRENT LIABILITIES		
Notes Payable, net of Current Portion	**485,671**	500,000
Deferred Rent	**29,140**	83,660
Total Noncurrent Liabilities	**514,811**	583,660
NET ASSETS		
Without Donor Restriction	**836,413**	660,833
With Donor Restriction	**3,164,572**	2,414,764
	4,000,985	3,075,597
	$ 4,929,116	$ 4,672,281

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	**2022**			2021		
	Without Donor Restriction	**With Donor Restriction**	**Total**	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES						
Contributions and Grants						
Corporations	**$ 354,954**	**$ 438,000**	**$ 792,954**	$ 140,430	$ 644,500	$ 784,930
Foundations	**172,359**	**767,454**	**939,813**	312,999	729,852	1,042,851
Individuals	**765,019**	**1,196,470**	**1,961,489**	804,126	669,090	1,473,216
Government Grants	—	**95,762**	**95,762**	—	683,343	683,343
Payroll Protection Program Loan and Interest Forgiveness	—	**719,894**	**719,894**	—	705,008	705,008
Big Brothers Big Sisters of America (BBBSA)	**12,197**	**365,211**	**377,408**	20,377	203,173	223,550
Program Related Events	**22,500**	—	**22,500**	20,000	—	20,000
Contributions In-Kind	**581,603**	—	**581,603**	248,935	10,133	259,068
Special Event Revenue	**1,252,063**	**15,504**	**1,267,567**	840,857	—	840,857
	3,160,695	**3,598,295**	**6,758,990**	2,387,724	3,645,099	6,032,823
Other Revenue						
Investment Income	**25**	**118**	**143**	1,612	201	1,813
Other Income	**53,631**	—	**53,631**	—	—	—
	53,656	**118**	**53,774**	1,612	201	1,813
Net Assets Released from Restrictions	**2,848,605**	**(2,848,605)**	—	3,189,289	(3,189,289)	—
Total Revenues	**6,062,956**	**749,808**	**6,812,764**	5,578,625	456,011	6,034,636
EXPENSES						
Program Services	**3,970,025**	—	**3,970,025**	3,635,678	—	3,635,678
Support Services						
Management and General	**967,154**	—	**967,154**	886,257	—	886,257
Fundraising						
Direct Expenses for Special Events	**273,496**	—	**273,496**	113,908	—	113,908
Other Fundraising	**676,701**	—	**676,701**	705,089	—	705,089
	1,917,351	—	**1,917,351**	1,705,254	—	1,705,254
Total Expenses	**5,887,376**	—	**5,887,376**	5,340,932	—	5,340,932
CHANGES IN NET ASSETS	**175,580**	**749,808**	**925,388**	237,693	456,011	693,704
Net Assets, Beginning	**660,833**	**2,414,764**	**3,075,597**	423,140	1,958,753	2,381,893
NET ASSETS, ENDING	**$ 836,413**	**$ 3,164,572**	**$ 4,000,985**	$ 660,833	$ 2,414,764	$ 3,075,597

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Direct Expenses for Special Event	Total Expenses
Salaries	$ 2,216,452	$ 399,135	$ 477,119	$ 876,254	$ —	$ 3,092,706
Payroll Taxes	166,390	29,963	35,817	65,780	—	232,170
Employee Benefits	187,390	33,744	40,338	74,082	—	261,472
401(k) Employer Matching Contributions	21,084	3,797	4,539	8,336	—	29,420
	2,591,316	466,639	557,813	1,024,452	—	3,615,768
Annual Dues	37,612	6,773	8,097	14,870	—	52,482
Academic Enrichment, Scholarships and Awards	54,477	—	—	—	—	54,477
Background Checks	69,354	—	—	—	—	69,354
Bank Charges	—	3,737	12,248	15,985	—	15,985
Communications	21,608	3,891	4,651	8,542	—	30,150
Depreciation and Amortization	47,434	8,542	10,211	18,753	—	66,187
Equipment Expense	56,499	10,174	12,163	22,337	—	78,836
Event Entertainment	—	—	—	—	83,861	83,861
Event Other Direct Expenses	—	—	—	—	40,446	40,446
Event Prizes	—	—	—	—	21,533	21,533
Event Venue and Food and Beverage	—	—	—	—	127,656	127,656
Insurance	58,374	18,679	4,894	23,573	—	81,947
Interest	—	15,526	—	15,526	—	15,526
Library Literature	1,412	254	304	558	—	1,970
Miscellaneous	—	1,515	—	1,515	—	1,515
Occupancy	280,506	147,193	28,039	175,232	—	455,738
Office Supplies	6,656	1,199	1,433	2,632	—	9,288
Postage and Shipping	4,857	875	1,045	1,920	—	6,777
Printing Expense	3,790	516	5,643	6,159	—	9,949
Professional Fees	6,545	238,297	7,420	245,717	—	252,262
Program Events and Activities	474,320	—	—	—	—	474,320
Program Snacks and Supplies	31,065	—	—	—	—	31,065
Program Transportation	41,097	—	—	—	—	41,097
Recruitment/Marketing	129,401	30,787	14,607	45,394	—	174,795
Temporary Help	8,707	—	—	—	—	8,707
Training and Meetings	34,766	6,261	7,483	13,744	—	48,510
Travel	10,229	6,296	650	6,946	—	17,175
	1,378,709	500,515	118,888	619,403	273,496	2,271,608
TOTALS	$ 3,970,025	$ 967,154	$ 676,701	$ 1,643,855	$ 273,496	$ 5,887,376

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2021

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Direct Expenses for Special Event	Total Expenses
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
	2,785,741	453,614	496,211	949,825	—	3,735,566
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
	849,937	432,643	208,878	641,521	113,908	1,605,366
TOTALS	$ 3,635,678	$ 886,257	$ 705,089	$ 1,591,346	$ 113,908	$ 5,340,932

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 925,388	$ 693,704
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Used by Operating Activities		
Depreciation and Amortization	66,187	74,484
PPP Loan and Interest Forgiveness	(719,894)	(705,008)
Noncash PPP Interest Expense	4,469	7,322
Donated Stocks	(72,317)	(64,756)
Proceeds from Sale of Donated Stocks, net	71,920	65,470
(Gain) Loss on Sale of Donated Stock	397	(714)
Other Receivables	8,906	(9,800)
Government Grants Receivable	62,217	(430,450)
Unconditional Promises to Give	(450,867)	(468,698)
Prepaid Expenses	8,068	(39,500)
Accounts Payable	89,629	56,892
Accrued Liabilities	6,475	48,494
Deferred Revenue	—	(50,000)
Deferred Rent	(46,998)	(39,475)
Total Adjustments	(971,808)	(1,555,739)
Net Cash Used by Operating Activities	(46,420)	(862,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(8,493)	(12,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds Received from Notes Payable	—	715,425
Repayments of Notes Payable	(2,234)	—
Net Cash Provided (Used) by Financing Activities	(2,234)	715,425
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(57,147)	(159,013)
Cash and Cash Equivalents and Restricted Cash, Beginning	2,308,644	2,467,657
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, ENDING	$ 2,251,497	$ 2,308,644
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 18,789	$ 6,408
Noncash Activities		
Donated Services	$ 283,561	$ 171,346
Donated Program Snacks and Supplies	42,104	66,719
Donated Special Event Venue, Food and Beverage	150	10,133
Donated Program Event Activities and Tickets	255,788	10,870
	$ 581,603	$ 259,068
Cash and Cash Equivalents and Restricted Cash, Ending consists of:		
Cash and Cash Equivalents	$ 2,124,903	$ 2,182,051
Restricted Cash	126,594	126,593
Total Cash, Cash Equivalents and Restricted Cash	$ 2,251,497	$ 2,308,644

See accompanying notes.

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

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements which have been prepared on the accrual basis of accounting. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations and have been consistently applied in the preparation of the financial statements.

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 has designated $967,836 for an operating reserve at June 30, 2022 and $597,139 at June 30, 2021.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

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.

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, which 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.

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 was reported as revenue for the year ended June 30, 2020. Because the amount has not yet been collected, it is also reported in government grants receivable on the statements of financial position as of June 30, 2022 and 2021.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021 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 is 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. The leasehold improvements are amortized over the shorter of their estimated useful lives and the remaining term of the lease and their amortization periods range from 7 years to 28 months.

DEFERRED RENT

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

IN-KIND CONTRIBUTIONS

Gifts of goods and services and supplies are recorded at estimated fair value on the date of the gift using either the principal market (or most advantageous market) by utilizing publicly available website valuations for selling identical or similar products. Donated special event auction items are valued at the gross selling price received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The valuation is based on prevailing hourly rates for the same kind of professional services as those donated. The Organization received donated services comprised of recruitment/marketing of $118,471 and professional fees of $165,090 (legal services of $153,490 accounting services of $10,130 and IT consulting of $1,470). The Organization also received in-kind contributions comprised of program snacks and supplies of $42,104, program event activities and tickets of $255,788 and tickets and special event venue and beverage of $150 for the year ended June 30, 2022. The Organization received donated services 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. The Organization also received in-kind contributions comprised of program snacks and supplies of $66,719, program event activities and tickets of $10,870 and special event food and beverage of $10,133 for the year ended June 30, 2021. There were no donor-imposed restrictions associated with the in-kind contributions received during the years ended June 30, 2022 and 2021.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IN-KIND CONTRIBUTIONS (Continued)

During the years ended June 30, 2022 and 2021, all donated auction items were monetized. The remaining donated goods and supplies and donated services were utilized by the Organization's various programs and supporting services.

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 94,369 hours in 2022 and 109,136 in 2021. An approximate economic value for this volunteer time contributed for the State of Illinois is $30.97 per hour for 2022 and $29.37 per hour for 2021 using the most recent data released by the U.S. Bureau of Labor Statistics for both 2022 and 2021. Applying this rate, the Organization's volunteer mentor services would be valued at approximately $2,922,612 for 2022 and $3,205,324 for 2021. Including the economic value of donated mentor services as part of program expenses would result in the calculation of program expenses as approximately 81% of total Organization expenses, and support services as approximately 19% of total Organization expenses for 2022 and 2021. Program expenses as a percentage of total Organization expenses in the audited financial statements are 71% for 2022 and 70% for 2021, respectively and support services expenses as a percentage of total Organization expenses in the audited financial statements are 29% for 2022 and 30% for 2021, 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 methods include an allocation of personnel, and any other related costs based on estimates of time and effort spent 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 classified by the State of Illinois.

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 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, however a significant impact on expenses or cash flows is not expected.

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, 2022 and 2021:

	2022	2021
Cash and Cash Equivalents	$ **2,124,903**	$ 2,182,051
Restricted Cash	**126,594**	126,593
Other Receivables	**894**	9,800
Government Grants Receivable	**415,834**	478,051
Unconditional Promises to Give, net	**2,022,009**	1,571,142
Less: Board-Designated Net Assets	**(967,836)**	(597,139)
Less: Donor Restricted Net Assets	**(3,164,572)**	(2,414,764)
	$ **(557,826)**	$ 1,355,734

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 $967,836 and $597,139 as of June 30, 2022 and 2021, 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 $1,955,918 and $1,366,930 of donor restricted net assets as of June 30, 2022 and 2021, 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, 2022 and 2021.

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 unconditional promises to give is 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 government grants receivable includes the ERC due from the U.S. Department of Treasury and some other federal and local government grants receivable, for all of which the Organization has incurred qualifying expenditures and therefore it is entitled to reimbursement. As a result, credit risk associated with the government grants receivable is considered limited. Other receivables also do not pose a significant credit risk, as they consist of miscellaneous overpayments which are typically settled shortly after the fiscal year end and the amounts are trivial.

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:

	2022	2021
Less than One Year	**$ 1,268,969**	$ 1,224,141
One to Five Years	**798,615**	369,513
	2,067,584	1,593,654
Less: Discount to Net Present Value	**45,575**	22,512
Net Pledges Receivable	**2,022,009**	1,571,142
Less Current Portion	**1,268,969**	1,224,141
Long-Term Portion	**$ 753,040**	$ 347,001

The discount rate used in determining the net present value of unconditional promises to give is 3.50% for the years ended June 30, 2022 and 2021.

NOTE 6—PROPERTY AND EQUIPMENT

Depreciable and amortizable assets at June 30 consist of:

	2022	2021
Furniture and Fixtures	**$ 44,901**	$ 44,901
Phone System	**34,535**	34,535
IT Equipment and Server	**139,093**	178,443
Leasehold Improvements	**342,690**	339,910
	561,219	597,789
Less Accumulated Depreciation and Amortization	**472,832**	451,708
	$ 88,387	$ 146,081

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 31, 2023. 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, 2022 and 2021. Interest is payable monthly on the outstanding balance on the one-month LIBOR rate (1.79% at June 30, 2022) plus 2%. As there were no borrowings for the years ended June 30, 2022 and 2021, there was no interest expense on the line of credit.

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 matured 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.

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. Repayments began in April 2021 after a one-year deferment allowed by the lender. Monthly payments are applied to interest only until interest accrued during the deferment period is repaid, and to principal and interest thereafter. 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.

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

Year Ending June 30	
2023	$ 12,095
2024	12,432
2025	12,778
2026	13,134
2027	13,500
Thereafter	433,827
	$ 497,766

NOTE 9—NET ASSETS WITH DONOR RESTRICTION

	2022	2021
Impact Campaign	**$ 1,955,918**	$ 1,366,930
Programs in Highland Park	**4,000**	4,000
Site Based – Bank of America	**20,000**	20,000
Site Based – Brookfield Properties	**30,000**	60,000
Site Based – Comcast Foundation	**10,667**	10,667
Site Based – Ernst & Young	**20,000**	—
Site Based – Grant Thornton	**15,000**	—
Site Based – Paylocity	**20,000**	20,000
Site Based – Various Programs FY22	**—**	20,833
Site Based – Various Programs FY23	**138,982**	—
Site Based – West Monroe Partners	**10,000**	—
Community Based	—	20,000
Inspire Change	—	22,950
Match Enrichment	**160,583**	204,479
Parental Engagement and Leadership	**32,500**	32,500
Time Restricted – ERC	**338,372**	338,372
Time Restricted – Other	**281,956**	167,440
	$ 3,037,978	$ 2,288,171

Amounts released from restrictions during the year ended June 30, 2022 were $2,848,605 representing $902,885 of Impact Campaign expenditures, $8,000 of programs in Highland Park, $437,485 of site-based expenses, $252,211 of community-based expenses, $25,000 of diversity, equity and inclusion expenses, $65,000 of parental engagement and leadership expenses, $148,432 of match enrichment expenses, $22,950 of inspire change expenses, $266,748 of time restricted net assets and $719,894 of Payroll Protection Loan and Interest Forgiveness.

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.

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.

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

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.

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

	2022	2021
Donor-Restricted Endowment Funds	**$ 126,594**	$ 126,593

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

	2022	2021
Endowment Net Assets, Beginning of Year	**$ 126,593**	$ 126,592
Interest Income	**1**	1
Endowment Net Assets, End of Year	**$ 126,594**	$ 126,593

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, 2022 and 2021, respectively. The letter of credit was extended to March 27, 2023.

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

In February 2022, the Organization signed a lease agreement for 750 square feet of space in the Austin neighborhood for program activities beginning April 1, 2022 and expiring on March 31, 2024. The lease provides for monthly rental payments of $1,313.

In May 2022, the Organization signed a five-year lease agreement for 776 square feet of space in the Auburn Gresham neighborhood for program activities. The lease term will begin when the landlord delivers possession of the premises, after completion of certain negotiated tenant improvements, which commencement date is expected to be April 1, 2023. The lease provides for monthly rental payments beginning at $1,229 and increasing by 2% annually, plus a pro rata share of operating costs. The lease allows for two three-year extension options with 2% annual rent increases.

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.

In October 2021, the Organization entered into a noncancelable operating lease for equipment with monthly rent payments of $970, plus maintenance fees and tax, beginning in March 2022 and expiring in February 2026.

Rent expense for the year ended June 30, 2022 was $393,494, of which $4,595 was attributable to off-site storage. Rent expense for the year ended June 30, 2021 was $364,285, of which $2,805 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, 2022 and 2021.

Minimum rental commitments under noncancelable lease agreements are as follows:

Year Ending June 30	
2023	$ 335,711
2024	192,465
2025	26,748
2026	23,175
2027	15,729
2028	11,972
	$ 605,800

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 matched fifty cents on the dollar on up to 3% of the participating employee's contribution. Since April 2022, the match was increased to dollar for dollar on up to 3% of the participating employee's contribution. A vesting schedule has been established which is tied to an employee's tenure at the Organization. The Organization made contributions of $29,420 to the plan for the year ended June 30, 2022 and $26,018 for the year ended June 30, 2021. During the year ended June 30, 2022, the Organization had forfeitures of $53,631 from the plan which it can apply towards its 2022 and future contributions.

NOTE 13—RELATED PARTY TRANSACTIONS

Contributions from officers, former officers, board members and companies whose directors are also board members amounted to $588,082 for the year ended June 30, 2022, including $55,002 of in-kind auction and raffle donations, and $366,136 for the year ended June 30, 2021, including $12,633 of in-kind auction and raffle donations. There were unconditional promises to give of $446,366 and $155,382 at June 30, 2022 and 2021, respectively, from members of the board of directors and their related companies or officers of the Organization, net of discounts.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2022, the date which the financial statements were available for issue. There were no other subsequent events which require disclosure.