BIG BROTHERS BIG SISTERS
OF METROPOLITAN CHICAGO

FINANCIAL STATEMENTS

JUNE 30, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases for the year ended June 30, 2023 as required by the provisions of FASB Accounting Standards Update ASC 842. Our opinion is not modified with respect to that matter.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 20, 2023

STATEMENTS OF FINANCIAL POSITION

As of June 30	**2023**	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 2,550,913**	$ 2,124,903
Other Receivables	**1,369**	894
Government Grants Receivable	**145,447**	415,834
Unconditional Promises to Give	**1,402,970**	1,268,969
Prepaid Expenses	**225,064**	150,495
Total Current Assets	**4,325,763**	3,961,095
PROPERTY AND EQUIPMENT, net	**185,699**	88,387
OTHER ASSETS		
Restricted Cash	**126,594**	126,594
Unconditional Promises to Give - Long-Term, net	**588,929**	753,040
Operating Lease Right-of-Use Assets, net of Accumulated Amortization of $257,377	**135,887**	—
Total Other Assets	**851,410**	879,634
	$ 5,362,872	$ 4,929,116
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes Payable - Current Portion	**$ 12,432**	$ 12,095
Accounts Payable	**275,869**	186,138
Accrued Liabilities	**103,556**	160,568
Deferred Rent - Current Portion	—	54,519
Operating Lease Liabilities	**165,027**	—
Total Current Liabilities	**556,884**	413,320
NONCURRENT LIABILITIES		
Notes Payable, net of Current Portion	**473,239**	485,671
Deferred Rent	—	29,140
Total Noncurrent Liabilities	**473,239**	514,811
NET ASSETS		
Without Donor Restriction	**711,750**	836,413
With Donor Restriction	**3,620,999**	3,164,572
	4,332,749	4,000,985
	$ 5,362,872	$ 4,929,116

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2023			2022		
	Without Donor Restriction	**With Donor Restriction**	**Total**	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES						
Contributions and Grants						
Corporations	**$ 267,327**	**$ 582,967**	**$ 850,294**	$ 354,954	$ 438,000	$ 792,954
Foundations	**125,649**	**1,065,201**	**1,190,850**	172,359	767,454	939,813
Individuals	**469,497**	**1,178,769**	**1,648,266**	765,019	1,196,470	1,961,489
Government Grants	—	**135,613**	**135,613**	—	95,762	95,762
Payroll Protection Program Loan and Interest Forgiveness	—	—	—	—	719,894	719,894
Big Brothers Big Sisters of America (BBBSA)	**13,238**	**428,404**	**441,642**	12,197	365,211	377,408
Program Related Events	**17,500**	—	**17,500**	22,500	—	22,500
Contributions In-Kind	**693,810**	—	**693,810**	581,603	—	581,603
Special Event Revenue	**1,429,828**	**28,176**	**1,458,004**	1,252,063	15,504	1,267,567
	3,016,849	**3,419,130**	**6,435,979**	3,160,695	3,598,295	6,758,990
Other Revenue						
Investment Income	**229**		**229**	25	118	143
Other Income	**30,020**	—	**30,020**	53,631	—	53,631
	30,249	—	**30,249**	53,656	118	53,774
Net Assets Released from Restrictions	**2,962,703**	**(2,962,703)**	—	2,848,605	(2,848,605)	—
Total Revenues	**6,009,801**	**456,427**	**6,466,228**	6,062,956	749,808	6,812,764
EXPENSES						
Program Services	**4,197,660**	—	**4,197,660**	3,970,025	—	3,970,025
Support Services						
Management and General	**895,351**	—	**895,351**	967,154	—	967,154
Fundraising						
Direct Expenses for Special Events	**341,595**	—	**341,595**	273,496	—	273,496
Other Fundraising	**699,858**	—	**699,858**	676,701	—	676,701
	1,936,804	—	**1,936,804**	1,917,351	—	1,917,351
Total Expenses	**6,134,464**	—	**6,134,464**	5,887,376	—	5,887,376
CHANGES IN NET ASSETS	**(124,663)**	**456,427**	**331,764**	175,580	749,808	925,388
Net Assets, Beginning	**836,413**	**3,164,572**	**4,000,985**	660,833	2,414,764	3,075,597
NET ASSETS, ENDING	**$ 711,750**	**$ 3,620,999**	**$ 4,332,749**	$ 836,413	$ 3,164,572	$ 4,000,985

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Direct Expenses for Special Event	Total Expenses
Salaries	$ 2,183,449	$ 403,040	$ 512,674	$ 915,714	$ —	$ 3,099,163
Payroll Taxes	159,384	29,421	37,423	66,844	—	226,228
Employee Benefits	169,176	31,228	39,722	70,950	—	240,126
401(k) Employer Matching Contributions	25,257	4,662	5,930	10,592	—	35,849
	2,537,266	468,351	595,749	1,064,100	—	3,601,366
Annual Dues	34,140	6,302	8,016	14,318	—	48,458
Academic Enrichment, Scholarships and Awards	57,087	—	—	—	—	57,087
Background Checks	59,890	—	—	—	—	59,890
Bank Charges	—	1,687	9,682	11,369	—	11,369
Communications	18,540	3,422	4,353	7,775	—	26,315
Depreciation and Amortization	43,975	8,117	10,325	18,442	—	62,417
Equipment Expense	76,292	14,083	17,913	31,996	—	108,288
Event Entertainment	—	—	—	—	96,304	96,304
Event Other Direct Expenses	—	—	—	—	37,583	37,583
Event Prizes	—	—	—	—	64,520	64,520
Event Venue, Food, and Beverage	—	—	—	—	143,188	143,188
Insurance	59,700	18,073	6,114	24,187	—	83,887
Interest	—	13,537		13,537	—	13,537
Library Literature	2,567	474	603	1,077	—	3,644
Miscellaneous	—	14	—	14	—	14
Occupancy	261,405	137,334	26,821	164,155	—	425,560
Office Supplies	6,763	1,248	1,588	2,836	—	9,599
Postage and Shipping	4,142	765	972	1,737	—	5,879
Printing Expense	933	2,127	8,964	11,091	—	12,024
Professional Fees	62,111	153,629	1,451	155,080	—	217,191
Program Events and Activities	671,691	—	—	—	—	671,691
Program Snacks and Supplies	63,186	—	—	—	—	63,186
Program Transportation	72,134	—	—	—	—	72,134
Recruitment/Marketing	119,936	43,927	1,907	45,834	—	165,770
Temporary Help	18,408	—	—	—	—	18,408
Training and Meetings	10,824	1,998	2,542	4,540	—	15,364
Travel	16,670	20,263	2,858	23,121	—	39,791
	1,660,394	427,000	104,109	531,109	341,595	2,533,098
TOTALS	$ 4,197,660	$ 895,351	$ 699,858	$ 1,595,209	$ 341,595	$ 6,134,464

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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, 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 CASH FLOWS

For the Years Ended June 30	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	**$ 331,764**	$ 925,388
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	**62,417**	66,187
PPP Loan and Interest Forgiveness	—	(719,894)
Noncash PPP Interest Expense	—	4,469
Donated Stocks	**(34,738)**	(72,317)
Proceeds from Sale of Donated Stocks, net	**34,809**	71,920
(Gain) Loss on Sale of Donated Stock	**(71)**	397
Other Receivables	**(475)**	8,906
Government Grants Receivable	**270,387**	62,217
Unconditional Promises to Give	**30,110**	(450,867)
Prepaid Expenses	**(74,569)**	8,068
Operating Lease Right-of-Use Assets	**(135,887)**	
Accounts Payable	**6,907**	89,629
Accrued Liabilities	**(68,349)**	6,475
Deferred Rent	**(83,659)**	(46,998)
Operating Lease Liabilities	**165,027**	—
Total Adjustments	**171,909**	(971,808)
Net Cash Provided (Used) by Operating Activities	**503,673**	(46,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	**(65,568)**	(8,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	**(12,095)**	(2,234)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**426,010**	(57,147)
Cash and Cash Equivalents and Restricted Cash, Beginning	**2,251,497**	2,308,644
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, ENDING	**$ 2,677,507**	$ 2,251,497
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	**$ 13,537**	$ 18,789
Noncash Activities		
Donated Services	**$ 186,716**	$ 283,561
Donated Program Snacks and Supplies	**18,844**	42,104
Donated Special Event Venue, Food and Beverage	**7,000**	150
Donated Program Event Activities and Tickets	**481,250**	255,788
Construction in Progress in Accounts Payable	**82,824**	—
Construction in Progress in Accrued Expenses	**11,337**	—
	$ 787,971	$ 581,603
Cash and Cash Equivalents and Restricted Cash, Ending consists of:		
Cash and Cash Equivalents	**$ 2,550,913**	$ 2,124,903
Restricted Cash	**126,594**	126,594
Total Cash, Cash Equivalents and Restricted Cash	**$ 2,677,507**	$ 2,251,497

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.

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 $775,000 for an operating reserve at June 30, 2023 and $967,836 at June 30, 2022.

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. As of June 30, 2022, the ERC receivable had not been collected and was reported in government grants receivable on the statements of financial position. During the year ended June 30, 2023, the Organization received the full amount of the ERC of $338,371, plus interest of $30,020, which is reported in other income on the statements of activities.

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 is $-0- at June 30, 2023 and 2022 as the Organization believes all amounts are fully 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.

IN-KIND CONTRIBUTIONS

Gifts of goods 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, or services. 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 estimated fair values in the period received. Their 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 $123,780 and professional fees of $62,936 (legal services of $49,286 accounting services of $13,650). The Organization also received in-kind contributions comprised of program snacks and supplies of $18,844, program event activities and tickets of $481,250, and special event venue, food and beverage of $7,000 for the year ended June 30, 2023. The Organization received donated services comprised of recruitment/marketing of $118,471, 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 special event food and beverage of $150 for the year ended June 30, 2022. There were no donor-imposed restrictions associated with the in-kind contributions received during the years ended June 30, 2023 and 2022.

During the years ended June 30, 2023 and 2022, 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.

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 it is not reflected in the accompanying financial statements. Management estimates that these volunteers contributed approximately 79,868 hours in 2023 and 94,369 in 2022. An approximate economic value for this volunteer time contributed for the State of Illinois is $32.68 per hour for 2023 and $30.97 per hour for 2022 using the most recent data released by the U.S. Bureau of Labor Statistics for both 2023 and 2022. Applying this rate, the Organization's volunteer mentor services would be valued at approximately $2,610,094 for 2023 and $2,922,612 for 2022. Including the economic value of donated mentor services as part of program expenses would result in the calculation of program expenses as approximately 78% and 81% of total Organization expenses for the years ended June 30, 2023 and 2022, respectively. Support services would be approximately 22% and 19% of total Organization expenses for the years ended June 2023 and 2022, respectively. Program expenses as a percentage of total Organization expenses in the audited financial statements are approximately 72% for 2023 and 71% for 2022, respectively and support services expenses as a percentage of total Organization expenses in the audited financial statements are 28% for 2023 and 29% for 2022, 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 STANDARDS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating and financing leases on the statement of financial position.

The Organization elected to adopt these ASUs effective July 1, 2022 and utilized all the available practical expedients. The adoption had a material impact on the Organization’s statements of financial position but did not have a material impact on the statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for two operating leases. Adoption of the standard resulted in an increase in operating lease ROU assets of $393,264 and an increase in operating lease liabilities of $476,923 at July 1, 2022.

DEFERRED RENT

Rent expense is recorded on the straight-line method over the term of the leases. The difference between actual lease payments and the straight-line of lease expense, as well as any tenant allowances, were previously reported as deferred rent on the statements of financial position. As of the adoption date of the new lease ASUs, deferred rent is no longer reported on the statements of financial position.

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, 2023 and 2022:

	2023	2022
Cash and Cash Equivalents	$ 2,550,913	$ 2,124,903
Restricted Cash	126,594	126,594
Other Receivables	1,369	894
Government Grants Receivable	145,447	415,834
Unconditional Promises to Give, net	1,991,899	2,022,009
Less: Board-Designated Net Assets	(775,000)	(967,836)
Less: Donor Restricted Net Assets	(3,620,999)	(3,164,572)
	$ 420,223	$ 557,826

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 $775,000 and $967,836 as of June 30, 2023 and 2022, 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 $2,231,657 and $1,955,918 of donor restricted net assets as of June 30, 2023 and 2022, 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 years ended June 30, 2023 and 2022.

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. At June 30, 2023 and 2022, the Organization has deposits at two financial institutions in excess of federally insured limits of approximately $2,183,438 and $1,773,551, respectively. 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 various federal, state 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:

	2023	2022
Less than One Year	$ 1,402,970	$ 1,268,969
One to Five Years	632,238	798,615
	2,035,208	2,067,584
Less: Discount to Net Present Value	43,309	45,575
Net Pledges Receivable	1,991,899	2,022,009
Less Current Portion	1,402,970	1,268,969
Long-Term Portion, net	$ 588,929	$ 753,040

The discount rate used in determining the net present value of unconditional promises to give is 5.50% and 3.50% for the years ended June 30, 2023 and 2022.

NOTE 6—PROPERTY AND EQUIPMENT

Depreciable and amortizable assets at June 30 consist of:

	2023	2022
Furniture and Fixtures	$ 44,901	$ 44,901
Phone System	34,535	34,535
IT Equipment and Server	154,142	139,093
Leasehold Improvements	342,690	342,690
Construction in Progress	134,112	-
	710,380	561,219
Less Accumulated Depreciation and Amortization	524,681	472,832
	$ 185,699	$ 88,387

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, 2024. 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, 2023 and 2022. Variable interest is payable monthly on the outstanding balance based on the Prime Rate as published in the Wall Street Journal (4.75% at June 30, 2023) and is computed on a 365/360 basis. As there were no borrowings for the years ended June 30, 2023 and 2022, there was no interest expense on the line of credit. The line of credit was increased to $550,000, effective August 7, 2023.

NOTE 8—NOTES PAYABLE

The Organization was awarded a $715,425 Payroll Protection Program ("PPP") loan on January 26, 2021 through the U.S. Small Business Administration to help keep their workforce employed during the Coronavirus (COVID 19) pandemic. 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.

As permitted under the accounting principles U.S. GAAP, the Organization treated 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 remained reported as a liability on the statements of financial position until the federal agency lender legally forgave the loan.

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 were 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	
2024	$ 12,432
2025	12,778
2026	13,134
2027	13,500
2028	13,876
Thereafter	419,951
	$ 485,671

NOTE 9—NET ASSETS WITH DONOR RESTRICTION

	2023	2022
Impact Campaign	**$ 2,231,657**	$ 1,955,918
Programs in Highland Park	**4,000**	4,000
Site Based – Bank of America	**—**	20,000
Site Based – 300 LaSalle	**8,000**	—
Site Based – Brookfield Properties	**—**	30,000
Site Based – Comcast Foundation	**—**	10,667
Site Based – Ernst & Young	**—**	20,000
Site Based – Evanston You	**1,667**	—
Site Based – Grant Thornton	**—**	15,000
Site Based – Paylocity	**20,000**	20,000
Site Based – Township Residents	**3,000**	—
Site Based – Various Programs FY23	**—**	138,982
Site Based – Various Programs FY24 and FY25	**85,000**	—
Site Based – West Monroe Partners	**11,000**	10,000
Community Based	**75,000**	—
Match Enrichment	**176,417**	160,583
Parental Engagement and Leadership	**—**	32,500
New File Server	**24,769**	—
Time Restricted – ERC	**—**	338,372
Time Restricted – Other	**853,895**	281,956
	$ 3,494,405	$ 3,037,978

Amounts released from restrictions during the year ended June 30, 2023 were $2,962,703 representing $1,061,694 of Impact Campaign expenditures, $8,000 on programs in Highland Park, $474,873 of site-based expenses, $272,721 of community-based expenses, $25,000 of diversity, equity and inclusion expenses, $32,500 of parental engagement and leadership expenses, $130,075 of match enrichment expenses, $27,081 of inspire change expenses, $930,759 of time restricted net assets.

Amounts released from restrictions during the year ended June 30, 2022 were $2,848,605 representing $902,885 of Impact Campaign expenditures, $8,000 on 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.

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 requirements of 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 in 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:

	2023	2022
Donor-Restricted Endowment Funds	**$ 126,594**	$ 126,594

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

	2023	2022
Endowment Net Assets, Beginning of Year	**$ 126,594**	$ 126,593
Interest Income	**—**	1
Endowment Net Assets, End of Year	**$ 126,594**	$ 126,594

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 at 560 W Lake St., Chicago by 2,736 square feet. The new lease expires on December 31, 2023. The lease provides for monthly rental payments starting at $18,975 per month and increasing annually on January 1st, 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 is $32,175 at June 30, 2023 and 2022. In March 2023, the letter of credit was extended to March 27, 2024.

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 of Chicago 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 new lease agreement for 776 square feet of office space in the Auburn Gresham neighborhood of Chicago for program activities. The lease commences on August 14, 2023, after the landlord completed certain negotiated tenant improvements and upon the Organization taking possession of the premises. The landlord's share of the tenant improvements (the tenant improvement allowance) is $27,160. The lease expires on August 13, 2028. The lease provides for monthly rental payments beginning at $1,229 and increasing by 2% annually, plus a pro rata share of operating cost. The lease allows for two three-year extension options with 2% annual rent increases.

In June 2023, the Organization signed a new lease agreement for 8,587 square feet of office space located at 130 S. Jefferson St., Chicago. The lease commences on December 1, 2023 and expires on November 30, 2031. The lease provides for monthly rental payments beginning at $27,013 and increasing by 50 cents per square foot annually beginning with the third year. In lieu of a security deposit, the landlord accepted an irrevocable standby letter of credit. The value of the letter of credit per the lease agreement is $135,066 and it was issued on August 10, 2023.

In September 2023, the Organization signed a new lease agreement for 1,138 square feet of office space located at 930 W. 175th St., Homewood, Illinois. The lease commences on October 16, 2023 and expires on October 31, 2025. The lease provides for monthly rental payments of $1,897, plus a pro rata share of operating costs. The lease requires a security deposit of $3,793 and allows for two one-year extension options with monthly base rent payments of $1,897.

In October 2023, the Organization signed a new lease agreement for 2,500 square feet of office space located in the shopping center known as Grant Place in North Chicago, Illinois. The lease commences on December 1, 2023 and expires on March 31, 2026. The first four months of lease payments are abated and monthly base rental payments are $2,760 per month thereafter, plus a pro rata share of operating costs, insurance and real estate taxes. The lease requires a security deposit of $8,529 and allows for two one-year extension options with 3% annual base rent payment increases.

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.

NOTE 11—LEASE COMMITMENTS (Continued)

Lease expense under all of the Organization's facility operating leases is included in occupancy expense on the statements of functional expenses and consists of a fixed base rent, plus a variable component, which includes operating expenses, utilities, insurance and real estate taxes for the office leases. Lease expense under the equipment operating leases is included in equipment expense on the statements of functional expenses and consists of a fixed base rent, plus a variable component consisting of taxes.

The components of lease expense included in operating expenses are comprised of the following for the years ended June 30:

	2023	2022
Fixed Lease Expense	**$ 283,373**	$ 291,561
Variable Operating Lease Expense	**104,038**	112,368
Total Operating Lease (Rent) Expense	**$ 387,411**	$ 403,929

The above fixed lease expense includes $3,602 and $4,595, respectively, for the years ended June 30, 2023 and 2022 for off-site storage, which the Organization rents on a month-to-month basis.

Weighted-Average Remaining Lease Term (Years)	0.7
Weighted Average Discount Rate	2.75%

Cash Paid for Amounts Included in Measuring Operating Lease Liability for the Year Ended June 30, 2023:	
Operating Cash Flows from Operating Lease	$ 332,025

Operating Lease Right-of-Use (ROU) Asset represents the Organization's right to use an underlying asset for the lease term and lease liability represents its obligation to make lease payments arising from the lease. Operating lease ROU asset and liability are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. As the Organization's lease agreements did not provide an implicit rate, management used a risk-free rate of return of 2.75%, in determining the present value of the lease payments, a practical expedient allowed under this standard. The operating lease ROU assets also include any lease prepayments made and exclude tenant allowances and other lease incentives.

As of June 30, 2023, the ROU assets and liabilities are as follows:

Operating Lease Right-of-Use Assets	$ 135,887
Operating Lease Liabilities	$ 165,027

NOTE 11—LEASE COMMITMENTS (Continued)

Minimum future lease payments under noncancelable lease agreements as of June 30, 2023 are as follows:

Year Ending June 30, 2023	
2024	$ 396,347
2025	373,567
2026	353,445
2027	346,582
2028	351,187
Thereafter	1,178,643
	$ 2,999,771

Minimum future lease payments under noncancelable lease agreements as of June 30, 2022 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 the employees' tenure at the Organization. The Organization made contributions of $35,849 to the plan for the year ended June 30, 2023 and $29,420 for the year ended June 30, 2022. At June 30, 2023 and 2022, the Organization has 401(k) forfeitures balance from the plan of $44,759 and $50,162, respectively, which it can apply towards future contributions. The amounts are included in prepaid expenses on the statements of financial position.

NOTE 13—RELATED PARTY TRANSACTIONS

Contributions from officers, former officers, board members and companies whose directors are also board members amounted to $707,038 for the year ended June 30, 2023, including $48,499 of in-kind auction and raffle donations, and $588,082 for the year ended June 30, 2022, including $55,002 of in-kind auction and raffle donations. There were unconditional promises to give of $446,030 and $446,366, net of discounts at June 30, 2023 and 2022, respectively, from board members and their related companies, and from officers of the Organization.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 2023, the date which the financial statements were available for issue. The Organization entered into four new leases with commencement dates subsequent to June 30, 2023, as disclosed in Note 11. The Organization also increased its line of credit in August 2023, as disclosed in Note 7. There are no other subsequent events which require disclosure.