

**COMMUNITIES IN SCHOOLS  
OF CHICAGO**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

**YEARS ENDED JUNE 30, 2022 AND 2021**

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## **Independent Auditors' Report**

Board of Directors  
Communities In Schools of Chicago

### **Opinion**

We have audited the accompanying financial statements of Communities In Schools of Chicago (a not-for-profit 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 Communities In Schools of 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 Communities In Schools of 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 Communities In Schools of 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 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 Communities In Schools of 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 Communities In Schools of 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.

*Ostrow Reisin Berk & Abrams, Ltd.*

November 14, 2022

# COMMUNITIES IN SCHOOLS OF CHICAGO

## STATEMENTS OF FINANCIAL POSITION

| June 30,                              | 2022                             |                            |              | 2021                             |                            |              |
|---------------------------------------|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
|                                       | Without<br>donor<br>restrictions | With donor<br>restrictions | Total        | Without<br>donor<br>restrictions | With donor<br>restrictions | Total        |
| ASSETS                                |                                  |                            |              |                                  |                            |              |
| Cash                                  | \$ 1,547,409                     | \$ 342,682                 | \$ 1,890,091 | \$ 1,195,234                     | \$ 74,437                  | \$ 1,269,671 |
| Investments                           | 4,807,268                        |                            | 4,807,268    | 992,001                          | 1,902,235                  | 2,894,236    |
| Grants and contributions receivable   | 1,099,897                        | 894,400                    | 1,994,297    | 838,982                          | 225,000                    | 1,063,982    |
| School service contracts receivable   | 101,953                          |                            | 101,953      | 12,300                           |                            | 12,300       |
| Prepaid expense and other assets      | 112,938                          |                            | 112,938      | 110,968                          |                            | 110,968      |
| Property and equipment, net           | 66,508                           |                            | 66,508       | 94,440                           |                            | 94,440       |
| Total assets                          | \$ 7,735,973                     | \$ 1,237,082               | \$ 8,973,055 | \$ 3,243,925                     | \$ 2,201,672               | \$ 5,445,597 |
| LIABILITIES AND NET ASSETS            |                                  |                            |              |                                  |                            |              |
| Liabilities:                          |                                  |                            |              |                                  |                            |              |
| Accounts payable and accrued expenses | \$ 364,728                       |                            | \$ 364,728   | \$ 277,627                       |                            | \$ 277,627   |
| Contract liabilities                  |                                  |                            |              | 8,000                            |                            | 8,000        |
| Deferred rent                         | 21,463                           |                            | 21,463       |                                  |                            |              |
| Total liabilities                     | 386,191                          |                            | 386,191      | 285,627                          |                            | 285,627      |
| Net assets                            | 7,349,782                        | \$ 1,237,082               | 8,586,864    | 2,958,298                        | \$ 2,201,672               | 5,159,970    |
| Total liabilities and net assets      | \$ 7,735,973                     | \$ 1,237,082               | \$ 8,973,055 | \$ 3,243,925                     | \$ 2,201,672               | \$ 5,445,597 |

See notes to financial statements.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## STATEMENTS OF ACTIVITIES

| Years ended June 30,   | 2022                             |                            |              | 2021                             |                            |              |
|--|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
|  | Without<br>donor<br>restrictions | With donor<br>restrictions | Total        | Without<br>donor<br>restrictions | With donor<br>restrictions | Total        |
| Revenue, gains and support:  |                                  |                            |              |                                  |                            |              |
| Individual contributions   | \$ 5,844,085                     | \$ 544,400                 | \$ 6,388,485 | \$ 1,046,610                     |                            | \$ 1,046,610 |
| Corporate contributions  | 163,058                          | 295,000                    | 458,058      | 230,399                          | \$ 110,000                 | 340,399      |
| Foundation contributions   | 729,837                          | 681,500                    | 1,411,337    | 429,000                          | 211,500                    | 640,500      |
| Government grants  | 42,688                           |                            | 42,688       | 847,872                          |                            | 847,872      |
| School service contracts   | 698,900                          |                            | 698,900      | 556,500                          |                            | 556,500      |
| Special events, net of direct benefit to donors<br>of \$43,334 for 2022 and \$-0- for 2021 | 267,416                          |                            | 267,416      | 155,241                          |                            | 155,241      |
| Net investment income  | 7,071                            |                            | 7,071        | 3,788                            |                            | 3,788        |
| Forgiveness of debt - PPP loan   |                                  |                            |              | 784,197                          |                            | 784,197      |
| Other  |                                  |                            |              | 16,851                           |                            | 16,851       |
| Net assets released from restrictions  | 2,485,490                        | (2,485,490)                |              | 2,914,577                        | (2,914,577)                |              |
| Total revenue, gains and support   | 10,238,545                       | (964,590)                  | 9,273,955    | 6,985,035                        | (2,593,077)                | 4,391,958    |
| Expenses:  |                                  |                            |              |                                  |                            |              |
| Program services   | 4,174,201                        |                            | 4,174,201    | 4,038,909                        |                            | 4,038,909    |
| Management and general   | 712,251                          |                            | 712,251      | 553,847                          |                            | 553,847      |
| Fundraising  | 960,609                          |                            | 960,609      | 679,929                          |                            | 679,929      |
| Total expenses   | 5,847,061                        |                            | 5,847,061    | 5,272,685                        |                            | 5,272,685    |
| Change in net assets   | 4,391,484                        | (964,590)                  | 3,426,894    | 1,712,350                        | (2,593,077)                | (880,727)    |
| Net assets:  |                                  |                            |              |                                  |                            |              |
| Beginning of year  | 2,958,298                        | 2,201,672                  | 5,159,970    | 1,245,948                        | 4,794,749                  | 6,040,697    |
| End of year  | \$ 7,349,782                     | \$ 1,237,082               | \$ 8,586,864 | \$ 2,958,298                     | \$ 2,201,672               | \$ 5,159,970 |

See notes to financial statements.

## COMMUNITIES IN SCHOOLS OF CHICAGO

### STATEMENTS OF FUNCTIONAL EXPENSES

| Years ended June 30,  | 2022             |                        |             |                          |              | 2021             |                        |             |              |
|---|------------------|------------------------|-------------|--------------------------|--------------|------------------|------------------------|-------------|--------------|
|   | Program services | Management and general | Fundraising | Direct benefit to donors | Total        | Program services | Management and general | Fundraising | Total        |
| Personnel costs   | \$ 3,860,741     | \$ 438,742             | \$ 710,427  |                          | \$ 5,009,910 | \$ 3,745,296     | \$ 365,666             | \$ 627,944  | \$ 4,738,906 |
| Consultants and professional services   | 61,859           | 129,288                | 167,520     |                          | 358,667      | 41,276           | 92,386                 | 1,310       | 134,972      |
| Occupancy   | 105,661          | 31,444                 | 21,830      |                          | 158,935      | 109,623          | 39,723                 | 17,689      | 167,035      |
| Office and administrative   | 24,376           | 32,958                 | 21,518      |                          | 78,852       | 7,733            | 18,076                 | 4,649       | 30,458       |
| Program expenses  | 35,241           | 36,527                 | 4,398       |                          | 76,166       | 36,951           | 4,460                  | 106         | 41,517       |
| Insurance   | 38,409           | 4,187                  | 7,259       |                          | 49,855       | 35,887           | 3,767                  | 6,327       | 45,981       |
| Special events  |                  |                        | 5,502       | \$ 43,334                | 48,836       |                  |                        | 7,239       | 7,239        |
| Technology costs  | 9,241            | 22,938                 | 14,405      |                          | 46,584       | 15,145           | 11,035                 | 4,818       | 30,998       |
| Depreciation and amortization   | 25,212           | 5,603                  | 6,537       |                          | 37,352       | 31,811           | 8,907                  | 6,364       | 47,082       |
| Staff development   | 13,461           | 10,564                 | 1,213       |                          | 25,238       | 15,187           | 9,827                  | 3,483       | 28,497       |
| Total expenses  | 4,174,201        | 712,251                | 960,609     | 43,334                   | 5,890,395    | 4,038,909        | 553,847                | 679,929     | 5,272,685    |
| Less expenses included with revenue on the statements of activities             |                  |                        |             | (43,334)                 | (43,334)     |                  |                        |             |              |
| Total expenses included in the expenses section of the statements of activities | \$ 4,174,201     | \$ 712,251             | \$ 960,609  | \$ -                     | \$ 5,847,061 | \$ 4,038,909     | \$ 553,847             | \$ 679,929  | \$ 5,272,685 |

*See notes to financial statements.*

# COMMUNITIES IN SCHOOLS OF CHICAGO

## STATEMENTS OF CASH FLOWS

| Years ended June 30,  | 2022         | 2021         |
|---|--------------|--------------|
| Cash flows from operating activities:   |              |              |
| Change in net assets  | \$ 3,426,894 | \$ (880,727) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |              |              |
| Net realized and unrealized loss on investments   | 5,668        | 22,540       |
| Depreciation and amortization   | 37,352       | 47,082       |
| Deferred rent   | 21,463       | (16,435)     |
| Forgiveness of debt - PPP loan  |              | (784,197)    |
| (Increase) decrease in operating assets:  |              |              |
| Grants and contributions receivable   | (930,315)    | (374,346)    |
| School service contracts receivable   | (89,653)     | 50,900       |
| Prepaid expense and other assets  | (1,970)      | (31,537)     |
| Increase (decrease) in operating liabilities:   |              |              |
| Accounts payable and accrued expenses   | 87,101       | (4,298)      |
| Contract liabilities  | (8,000)      | 8,000        |
| Net cash provided by (used in) operating activities   | 2,548,540    | (1,963,018)  |
| Cash flows from investing activities:   |              |              |
| Purchases of investments  | (7,483,127)  | (3,497,244)  |
| Proceeds from sales of investments  | 5,564,427    | 3,822,339    |
| Purchase of property and equipment  | (9,420)      |              |
| Net cash provided by (used in) investing activities   | (1,928,120)  | 325,095      |
| Net increase (decrease) in cash   | 620,420      | (1,637,923)  |
| Cash, beginning of year   | 1,269,671    | 2,907,594    |
| Cash, end of year   | \$ 1,890,091 | \$ 1,269,671 |

*See notes to financial statements.*



# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization and purpose**

Communities In Schools of Chicago (the Organization) is an Illinois not-for-profit corporation that surrounds students with a community of support, empowering them to stay in school and achieve in life.

The Organization is an affiliate of Communities In Schools, Inc., a national not-for-profit organization whose mission is to ensure that every student regardless of race, zip code, or socioeconomic status has what they need in school and beyond. The Organization functions independently, with a separate 501(c)(3) status, an autonomous board of directors, and independent funding.

### **2. Summary of significant accounting policies**

The significant accounting policies of the Organization are summarized below:

#### **Basis of accounting:**

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of presentation:**

The Organization is required to report information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

**Without donor restrictions** – Net assets without donor restrictions are available to finance the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its Articles of Incorporation.

**With donor restrictions** – Net assets with donor restrictions result (a) from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the Organization to utilize or expend part or all of the income or other economic benefits derived from the donated assets. There were no net assets with donor restrictions that are required to be maintained permanently by the Organization at June 30, 2022 and 2021.

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Investments:**

Investments in money market mutual fund and U.S. government securities are stated at fair value. Investments in certificates of deposit are carried at cost. Realized and unrealized investment gains and losses and other investment income less external investment expenses are reflected in the statements of activities as net investment income.

#### **Grants and contributions receivable:**

Unconditional promises to give are recorded as receivables and revenue when received. Unconditional promises to give represent amounts pledged by donors or grantors, some of which are due in installments. Amounts due on dates that are more than one year in the future are recorded net of a present value discount. Conditional promises to give are not included in revenue until the conditions are substantially met. The Organization provides for losses on unconditional promises to give using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with agreed upon terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected. Management has determined that all unconditional promises to give are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2022 and 2021.

#### **Grants and contributions:**

Grants and contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support with donor restrictions is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization reports grants and contributions with donor restrictions for which restrictions are met in the same reporting period as grants and contributions revenue without donor restrictions.

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Property and equipment:**

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Major additions and betterments of \$2,000 or more are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation expense is calculated using the straight-line method over the estimated useful lives ranging from three to seven years for furniture, equipment and software. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining term of the lease.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

#### **Deferred rent:**

The Organization records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent in the statements of financial position.

#### **Functional allocation of expenses:**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel related expenses are allocated based on an estimate of time and effort. Occupancy, insurance, and depreciation and amortization are allocated based on a square footage basis. All other costs are directly allocated.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

#### Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events through November 14, 2022, the date the financial statements were available to be issued.

### 3. Revenue from contracts with customers

The Organization recognizes revenue upon delivery of services in an amount that reflects the consideration that the Organization expects to receive in exchange for those goods or services. The Organization's revenue from contracts with customers is from fixed-fee contracts with Chicago Public Schools to provide services at individual schools. Services provided include school support plans, whole school interventions and case management services for students. Contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. Revenue is recognized evenly over the contract term (over time) as services are performed. Contracts generally cover services during a single school year from August to June. Fees received in advance of services provided, if any, are recognized as contract liabilities.

#### Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the years ended June 30, 2022 and 2021 was as follows:

| Years ended June 30,          | 2022       | 2021       |
|-------------------------------|------------|------------|
| Revenue recognized over time: |            |            |
| School service contracts      | \$ 698,900 | \$ 556,500 |

# **COMMUNITIES IN SCHOOLS OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **3. Revenue from contracts with customers (continued)**

#### **Contract balances:**

School service contracts receivable were \$101,953, \$12,300, and \$63,200 at June 30, 2022, 2021, and 2020, respectively. School service contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible school service contracts receivable when management determines that the receivable will not be collected. Management has determined that school service contracts receivable are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2022, 2021, and 2020.

Contract liabilities, which represent fees received in advance of school services provided, were \$-0-, \$8,000, and \$-0- at June 30, 2022, 2021, and 2020, respectively.

There were no contract assets at June 30, 2022, 2021, and 2020.

#### **Significant judgments:**

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Significant judgment was also required when determining to account for contracts as a single unit of account (a single performance obligation) or to segment between types of services.

### **4. Tax status**

The Organization is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code (the Code) and applicable state law, except for taxes pertaining to unrelated business income, if any. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2022 and 2021.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Liquidity and availability

The Organization's financial assets available to meet general expenditures within one year are as follows:

| June 30,   | 2022         | 2021         |
|--|--------------|--------------|
| Financial assets at year-end:  |              |              |
| Cash   | \$ 1,890,091 | \$ 1,269,671 |
| Investments  | 4,807,268    | 2,894,236    |
| Grants and contributions receivable  | 1,994,297    | 1,063,982    |
| School service contracts receivable  | 101,953      | 12,300       |
| Total financial assets   | 8,793,609    | 5,240,189    |
| Less amounts not available within one<br>year due to donor restrictions    | (40,000)     |              |
| Less unconditional promises to give<br>receivable in greater than one year | (544,400)    |              |
| Financial assets available to meet general<br>expenditures within one year | \$ 8,209,209 | \$ 5,240,189 |

The sources of liquidity for the Organization are cash, investments, grants and contributions receivable, and school service contracts receivable. The Organization maintains its cash balance to cover up to three months of operating expenses. Cash in excess of this may be invested in securities with the goal of safety of capital while ensuring adequate liquidity to meet operational needs. The Organization monitors liquidity by reviewing monthly financial statements including budget-to-actual reports.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Fair value

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.   |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

**Investments in money market mutual fund and U.S. government securities:** Valued at fair value based on quoted market prices.

**Cash (not yet invested) and certificates of deposit:** Carried at cost.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Fair value (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

| <b>June 30, 2022</b>                   | <b>Level 1</b>      | <b>Total</b>        |
|--|---------------------|---------------------|
| <b>Money market mutual fund</b>        | <b>\$ 617,586</b>   | <b>\$ 617,586</b>   |
| <b>U.S. government securities</b>      | <b>4,186,955</b>    | <b>4,186,955</b>    |
| <b>Total investments at fair value</b> | <b>\$ 4,804,541</b> | <b>4,804,541</b>    |
| <b>Cash</b>                            |                     | <b>2,727</b>        |
| <b>Total investments</b>               |                     | <b>\$ 4,807,268</b> |

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

| <b>June 30, 2021</b>                   | <b>Level 1</b>      | <b>Total</b>        |
|--|---------------------|---------------------|
| <b>Money market mutual fund</b>        | <b>\$ 717,030</b>   | <b>\$ 717,030</b>   |
| <b>U.S. government securities</b>      | <b>685,206</b>      | <b>685,206</b>      |
| <b>Total investments at fair value</b> | <b>\$ 1,402,236</b> | <b>1,402,236</b>    |
| <b>Certificates of deposit</b>         |                     | <b>1,492,000</b>    |
| <b>Total investments</b>               |                     | <b>\$ 2,894,236</b> |



# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Fair value (continued)

#### Risks and uncertainties:

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

### 7. Concentrations and credit risk

The Organization maintains its cash in accounts at a financial institution which, at times, may exceed federally-insured prescribed limits. As of June 30, 2022 and 2021, the amounts held in excess of federally-insured limits total approximately \$1,711,000 and \$2,592,000, respectively. Management believes that the Organization is not subject to any significant credit risk on cash.

Approximately 43% of total revenue for the year ended June 30, 2022 is from one donor. The Employee Retention Credit (Note 11) represents approximately 39% and 74% of grants and contributions receivable at June 30, 2022 and 2021, respectively. Additionally, approximately 20% of grants and contributions receivable at June 30, 2022 is from one donor, who is also a board member.

### 8. Grants and contributions receivable

Unconditional promises to give are as follows:

| June 30,                             | 2022         | 2021         |
|--------------------------------------|--------------|--------------|
| Receivable in less than one year     | \$ 1,449,897 | \$ 1,063,982 |
| Receivable in one to five years      | 586,000      |              |
| Total unconditional promises to give | 2,035,897    | 1,063,982    |
| Less discounts to net present value  | (41,600)     |              |
| Net unconditional promises to give   | \$ 1,994,297 | \$ 1,063,982 |

Unconditional promises to give in more than one year are discounted at a rate of 2.84% at June 30, 2022.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Property and equipment

The components of property and equipment are as follows:

| June 30,                                       | 2022       | 2021       |
|--|------------|------------|
| Furniture, equipment and software              | \$ 206,645 | \$ 197,225 |
| Leasehold improvements                         | 33,549     | 33,549     |
|  | 240,194    | 230,774    |
| Less accumulated depreciation and amortization | (173,686)  | (136,334)  |
| Property and equipment, net                    | \$ 66,508  | \$ 94,440  |

### 10. Note payable

In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs. During the year ended June 30, 2020, the Organization applied for and received a PPP loan of \$784,197. The PPP loan was a two-year loan with a maturity date of May 1, 2022 and an annual interest rate of 1%. The Organization accounted for the PPP loan under the debt model. In April 2021, the Organization applied for and received forgiveness of the entire PPP loan balance. The loan forgiveness of \$784,197 is recorded as forgiveness of debt revenue during the year ended June 30, 2021.

### 11. Employee Retention Credit

In addition to the PPP, the CARES Act established the Employee Retention Credit (ERC) to provide a refundable tax credit against certain employment taxes if eligibility requirements are met. The credit is equal to 50% of qualified wages paid from March 12, 2020 to December 31, 2020 with a maximum credit of \$5,000 per employee for 2020. During calendar year 2021, the credit is equal to 70% of qualified wages per quarter, with a maximum quarterly credit of \$7,000 per employee. The Organization has applied for the ERC for the quarters ended March 31, 2021 and June 30, 2021. The Organization has accounted for the ERC as a conditional contribution and has recognized government grants revenue of \$785,897 during the year ended June 30, 2021.

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Retirement plan

Employees of the Organization may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement, upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their compensation up to the maximum allowed under Internal Revenue Service regulations. The Organization may make matching contributions equal to a discretionary percentage, to be determined by the Organization, of the participants' elective deferrals. In addition, the Organization may contribute an additional, discretionary amount. The Organization's matching contributions were \$85,877 and \$80,124 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases office space under an operating lease through June 2024. Rent expense was \$117,847 and \$124,762 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments are as follows:

| Year ending June 30: | Amount     |
|----------------------|------------|
| 2023                 | \$ 127,306 |
| 2024                 | 129,851    |
| Total                | \$ 257,157 |

### 13. Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purpose or time restrictions:

| June 30,                                 | 2022         | 2021         |
|--|--------------|--------------|
| Purpose restrictions:                    |              |              |
| Intensive program                        | \$ 213,182   | \$ 1,928,415 |
| Partnership program                      | 100,000      |              |
| Other programs                           |              | 158,257      |
| Time restrictions                        | 923,900      | 115,000      |
| Total net assets with donor restrictions | \$ 1,237,082 | \$ 2,201,672 |

# COMMUNITIES IN SCHOOLS OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. Net assets with donor restrictions (continued)

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions specified by donors:

| Years ended June 30,                        | 2022         | 2021         |
|---|--------------|--------------|
| Purpose restrictions:                       |              |              |
| Intensive program                           | \$ 2,135,233 | \$ 2,566,334 |
| Partnership program                         | 75,000       |              |
| Other programs                              | 158,257      | 203,243      |
| Time restrictions                           | 117,000      | 145,000      |
| Total net assets released from restrictions | \$ 2,485,490 | \$ 2,914,577 |

### 14. Related parties

The Organization received contributions from board members during the years ended June 30, 2022 and 2021 of approximately \$1,430,000 and \$397,000, respectively.