MW&A

The Chicago Scholars Foundation
d/b/a Chicago Scholars

Financial Statements

Years Ended June 30, 2019 and 2018

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Chicago Scholars Foundation
Chicago, Illinois

We have audited the accompanying financial statements of The Chicago Scholars Foundation d/b/a Chicago Scholars, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of The Chicago Scholars Foundation d/b/a Chicago Scholars as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Chicago Scholars Foundation d/b/a Chicago Scholars adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as discussed in Note 1. Our opinion is not modified with respect to this matter.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
September 19, 2019

THE CHICAGO SCHOLARS FOUNDATION D/B/A CHICAGO SCHOLARS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	$ 988,345	$ 1,721,405
Accounts receivable	43,166	4,250
Contributions receivable - Note 6	1,405,000	960,689
Prepaid expenses	62,278	76,519
Accrued interest	918	662
Total Current Assets	2,499,707	2,763,525
Property and Equipment, net - Note 7	1,037,505	1,185,102
Other Assets		
Restricted cash	111,032	102,595
Investments - Notes 3 and 4	5,267,210	5,091,268
Contributions receivable - Note 6	610,594	1,563,352
Deferred compensation investments - Note 14	19,000	
Security deposit	78,845	78,845
Total Other Assets	6,086,681	6,836,060
Total Assets	$ 9,623,893	$ 10,784,687

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities		
Accounts payable	$ 102,588	$ 24,948
Accrued expenses	96,037	78,099
Deferred revenue	19,859	24,170
Deferred rent	64,680	58,980
Funds held for others	111,032	102,595
Total Current Liabilities	394,196	288,792
Noncurrent Liabilities		
Deferred compensation obligation - Note 14	19,000	
Deferred rent	140,160	204,839
Total Noncurrent Liabilities	159,160	204,839
Total Liabilities	553,356	493,631
Net Assets		
Without donor restrictions	3,149,539	4,048,582
With donor restrictions - Notes 9 and 10	5,920,998	6,242,474
Total Net Assets	9,070,537	10,291,056
Total Liabilities and Net Assets	$ 9,623,893	$ 10,784,687

The accompanying notes are an integral part of this statement.

THE CHICAGO SCHOLARS FOUNDATION D/B/A CHICAGO SCHOLARS
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions and grants	$ 2,457,013	$ 902,661	$ 3,359,674	$ 2,174,235	$ 2,494,669	$ 4,668,904
Donated goods, facilities and services - Note 12	143,418		143,418	120,453		120,453
Special events revenue	650,521		650,521	641,849		641,849
Less: cost of direct benefit to donors	(192,585)		(192,585)	(195,847)		(195,847)
Program service fees	48,919		48,919	78,920		78,920
Other income	(107)		(107)	4,324		4,324
Loss on disposal of equipment				(912)		(912)
Net Investment income - Note 3	84,367	164,445	248,812	69,786	237,392	307,178
Total Revenues and Gains	3,191,546	1,067,106	4,258,652	2,892,808	2,732,061	5,624,869
Net assets released from restrictions - Note 9	1,388,582	(1,388,582)		1,880,869	(1,880,869)	
Total Revenue, Gains and Other Support	4,580,128	(321,476)	4,258,652	4,773,677	851,192	5,624,869
Expenses						
Program services	3,866,423		3,866,423	3,471,449		3,471,449
Management and general	1,069,115		1,069,115	376,026		376,026
Fundraising	543,633		543,633	635,739		635,739
Total Expenses	5,479,171		5,479,171	4,483,214		4,483,214
Change in Net Assets	(899,043)	(321,476)	(1,220,519)	290,463	851,192	1,141,655
Net Assets						
Beginning of year	4,048,582	6,242,474	10,291,056	3,758,119	5,391,282	9,149,401
End of year	$ 3,149,539	$ 5,920,998	$ 9,070,537	$ 4,048,582	$ 6,242,474	$ 10,291,056

The accompanying notes are an integral part of this statement.

THE CHICAGO SCHOLARS FOUNDATION D/B/A CHICAGO SCHOLARS
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019					2018				
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and wages	$ 1,945,701	$ 691,342	$ 221,947	$ -	$ 2,858,990	$ 1,655,478	$ 234,111	$ 410,780	$ -	$ 2,300,369
Payroll taxes	139,497	43,375	18,847		201,719	124,091	19,371	27,845		171,307
Employee benefits	212,051	49,330	46,880		308,261	158,591	14,931	38,835		212,357
Occupancy - Note 13	221,789	16,153	20,607		258,549	245,586	16,510	21,685		283,781
Depreciation and amortization - Note 7	192,693	18,347	24,951		235,991	232,999	11,271	18,108		262,378
Information technology	143,002	17,129	17,332		177,463	88,017	3,386	6,245		97,648
Insurance	29,038	3,700	3,569		36,307	33,724	1,507	2,981		38,212
Bank charges and processing fees	36	21,482	19,121		40,639	28	11,436	9,557		21,021
Equipment and supplies	60,737	11,900	7,360	25,664	105,661	37,697	3,559	8,321	18,260	67,837
Food and travel	112,061	12,550	22,801	7,312	154,724	110,931	5,046	25,417	3,407	144,801
Communications	37,708	2,567	14,568		54,843	25,771	989	12,687		39,447
Promotional materials	40,716	2,494	322	49,812	93,344	25,349	154	2,156	45,139	72,798
Consultants/contractual services	45,116	154,311	122,495		321,922	119,555	31,594	51,089		202,238
Professional fees		24,435			24,435	20,923	21,861	33		42,817
Event catering	130,963		2,833	64,539	198,335	143,509			68,707	212,216
Facilities rental	204,783			45,258	250,041	152,541	300		60,334	213,175
College counseling	146,843				146,843	118,704				118,704
Scholarships awarded	203,689				203,689	177,955				177,955
Total Expenses	3,866,423	1,069,115	543,633	192,585	5,671,756	3,471,449	376,026	635,739	195,847	4,679,061
Less: expenses included with revenues on the statement of activities										
Cost of direct benefit to donors				(192,585)	(192,585)				(195,847)	(195,847)
Total Functional Expenses	$ 3,866,423	$ 1,069,115	$ 543,633	$ -	$ 5,479,171	$ 3,471,449	$ 376,026	$ 635,739	$ -	$ 4,483,214

The accompanying notes are an integral part of this statement.

THE CHICAGO SCHOLARS FOUNDATION D/B/A CHICAGO SCHOLARS
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (1,220,519)	$ 1,141,655
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	235,991	262,378
Donated securities	(907,866)	(271,042)
Realized and unrealized gain on investments	(166,108)	(245,481)
Loss on disposal of equipment		912
Net (increase) decrease in assets		
Accounts receivable	(38,916)	(3,500)
Contributions receivable	508,447	(587,536)
Prepaid expenses	14,241	(30,356)
Accrued interest	(256)	4,404
Security deposit		50,000
Net increase (decrease) in liabilities		
Accounts payable	77,640	(3,927)
Accrued expenses	17,938	18,743
Deferred revenue	(4,311)	(11,290)
Deferred rent	(58,979)	(53,290)
Funds held for others	8,437	(221)
Net Cash Provided by (Used for) Operating Activities	(1,534,261)	271,449
Cash Flows from Investing Activities		
Purchase of investments	(2,856,611)	(3,192,949)
Proceeds from sale of investments	3,754,643	2,888,548
Purchase of property and equipment	(88,394)	(112,446)
Net Cash Provided by (Used for) Investing Activities	809,638	(416,847)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(724,623)	(145,398)
Cash, Cash Equivalents and Restricted Cash		
Beginning of year	1,824,000	1,969,398
End of year	$ 1,099,377	$ 1,824,000

The accompanying notes are an integral part of this statement.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

The Chicago Scholars Foundation d/b/a Chicago Scholars (the Organization) is a nonprofit organization formed in 1996 in Chicago, Illinois. The Organization uniquely selects, trains, and mentors academically ambitious students from under-resourced communities to complete college and become the next generation of leaders who will transform their neighborhoods and the city of Chicago. The primary programmatic objectives are to help selected students enroll and matriculate to the most selective colleges that match their talents and fit their abilities, persist through college to graduation, and transition successfully into careers or post-graduate programs. To date, over 4,200 Chicago Scholars are in or have completed the program. 86% of the Class of 2024 are first generation college students representing 98 Chicago High Schools. 90% of the Class of 2023 has indicated where they plan to enroll this fall, historically 94% of scholars matriculate on-time and 95% of scholars persist into their second year of college and 83% earn their degrees within six years. Overall the scholars are active or graduates of over 467 colleges and universities. The Organization's primary sources of revenue are donations from foundations, corporations, individuals and special events.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Information regarding the financial position and activities of the Organization are reported in two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor imposed stipulations.

- Net assets with donor restrictions - Net assets subject to donor imposed stipulations. Some donor imposed stipulations are temporary in nature, such as those that will be met through the passage of time (time restrictions) or other events specified by the donor (purpose restrictions). Other donor imposed stipulations are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

Cash Equivalents

The Organization considers amounts held in money market accounts and all highly liquid investments with an initial maturity of three months or less, to be cash equivalents.

Restricted Cash

Restricted cash represents funds held in trust for others, which result from agency agreements with other charitable organizations.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are carried at fair value, which generally represents quoted prices as of the last business day of the year. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate (ranging from 1.87% to 2.63%) applicable to the year in which the contribution is made. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization provides an allowance for estimated uncollectible contributions.

Property and Equipment

Property and equipment is recorded at historical cost. The Organization's policy is to capitalize any items with a cost in excess of $1,000 deemed to have a useful life greater than one year. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Years
Leasehold improvements	Life of lease
Furniture and fixtures	5
Computer and office equipment	5

Maintenance and repairs, which neither materially add to the value of the fixed assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in the statement of activities.

Software Costs

The Organization capitalizes certain internal-use computer software and software development costs in connection with program database development. Software is recorded at cost including the direct cost of external development services during the development stage. Capitalized software costs are included in property and equipment in the statement of financial position and are amortized on a straight-line basis over their estimated useful lives of three years. Net capitalized software costs were $32,234 and $59,248 as of June 30, 2019 and 2018, respectively.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions of cash and other assets are recorded as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Donated Goods and Facilities

The Organization recognizes the fair value of donated services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributions of assets other than cash are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses which are easily identifiable and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs are allocated among the program and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain expenses were allocated using the following methodologies:

- Time and effort – salaries and wages, payroll taxes and employee benefits
- Square footage – occupancy, depreciation, insurance, information technology and equipment and supplies

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code for all business income related to the Organization's tax exempt purposes. The Organization is subject to income taxes on unrelated business income after related expenses. The Organization had no unrelated business activities during the years ended June 30, 2019 and 2018, but was subject to taxes related to qualified transportation fringe benefits. Accordingly, a provision for income taxes in the amount of $4,432 was recorded for the year ended June 30, 2019. No tax provision was required for the year ended June 30, 2018.

Evaluation of Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2019 and 2018, the Organization had no uncertain income tax positions that qualify for recognition or disclosure in the financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reported period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with creditworthy financial institutions. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. The Organization has not experienced any losses in such accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of the Organization's mission. Although the fair values of investments are subject to fluctuation on a year-to-year basis, they are diversified and managed by an investment manager who is monitored by the Organization and the Investment Committee of the Board of Directors. The Organization and Investment Committee believe that investment policies and guidelines are prudent for the long-term welfare of the Organization.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effect of Recently Issued Accounting Standards

On August 18, 2016, FASB issued new rules for nonprofit organizations under Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (NFP). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2). The Organization opted to not disclose liquidity and availability information as of June 30, 2018, as permitted under the ASU in the year of adoption.
- The Organization is required to present an analysis of expenses by both function and natural classification, which is presented on the statement of functional expenses in the accompanying financial statements. Additional disclosures are required regarding specific methodologies used to allocate costs among program and support functions.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. This ASU provides additional guidance related to transfers between cash and restricted cash and how cash receipts and cash payments directly affecting restricted cash are presented in the statement of cash flows. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

On June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effect of Recently Issued Accounting Standards – Continued

Specifically, the amendments:

- Clarify how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution.

- Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (a) a barrier that must be overcome and (b) a right of return or release of obligation.

- Modify the simultaneous release option currently in accounting principles generally accepted in the Unites States of America, which allows an NFP to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in this update is permitted. The Organization has early implemented the provisions in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosures through September 19, 2019, the date the financial statements were available to be issued.

2. LIQUIDITY

The Organization's goal is to maintain unrestricted financial assets to meet at least six months of average recurring operating costs per the current annual budget. As part of the Organization's liquidity management plan, the operating reserve is to be funded and available in cash and cash equivalents. Cash in excess of daily operating requirements is invested in money market funds. In the event on an unanticipated liquidity need, the Organization could also draw upon the $1,400,000 available line of credit (see Note 8).

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available for general expenditures within one year of the statement of financial position date. Financial assets are considered unavailable when non-liquid or not convertible to cash within one year or because donors have restricted the use of funds.

Cash and cash equivalents	$ 988,345
Investments	5,267,210
Accounts receivable	43,166
Contributions receivable	2,015,594
Total Financial Assets	8,314,315
Donor restricted net assets	
Endowment	(3,000,000)
Time and purpose restrictions	(2,920,998)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,393,317

3. INVESTMENTS

Investments consist of mutual funds, are stated at fair value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows:

	2019	2018
Cost	$ 4,955,289	$ 4,772,699
Fair Value	5,267,210	5,091,268
Unrealized Gain	$ 311,921	$ 318,569

3. INVESTMENTS – Continued

Net investment return consists of the following:

	2019	2018
Interest income	$ 3,431	$ 2,270
Dividend income	115,035	94,024
Net realized gain	172,756	224,121
Net unrealized gain	(6,648)	21,360
Investment expense	(35,762)	(34,597)
Net Investment Income	$ 248,812	$ 307,178

4. FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for the identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

4. FAIR VALUE MEASUREMENTS – Continued

The estimated fair values of investments measured on a recurring basis are as follows:

		June 30, 2019		
		Fair Value Measurements Using		
Description	Total	Quote Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Large cap equity	$ 2,353,143	$ 2,353,143	$ -	$ -
International equity	1,216,457	1,216,457		
Fixed income	1,455,058	1,455,058		
Hedge funds	242,552	242,552		
Total Mutual Funds	$ 5,267,210	$ 5,267,210	$ -	$ -

		June 30, 2018		
		Fair Value Measurements Using		
Description	Total	Quote Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Large cap equity	$ 1,929,423	$ 1,929,423	$ -	$ -
International equity	1,599,169	1,599,169		
Fixed income	1,083,771	1,083,771		
Hedge funds	478,905	478,905		
Total Mutual Funds	$ 5,091,268	$ 5,091,268	$ -	$ -

5. CONDITIONAL GRANTS

The Organization received grants during the years ended June 30, 2019 and 2018 which were conditional on the Organization achieving certain fundraising and program performance targets. The Organization does not recognize revenues from conditional grants until the conditions are substantially met.

Revenues were recognized when conditions were met as follows:

Grants Awarded	Amount	Revenue Recognized During 2019	Revenue Recognized During 2018
Year ended June 30, 2019:			
	$ 227,964	$ 227,964	$ -
	500,000	257,750	
	70,000		
	80,000		
Year ended June 30, 2018:			
	623,024	260,524	362,500
	200,000	65,000	35,000
Totals	$ 1,700,988	$ 811,238	$ 397,500

The conditions for the remainder of the grants awarded during the years ended June 30, 2019 and 2018 were not met as of June 30, 2019.

6. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions receivable are recorded after being discounted to the anticipated net present value of the future cash flows.

6. CONTRIBUTIONS RECEIVABLE – Continued

Contributions receivable are estimated to be collected as follows:

	2019	2018
Within one year	$ 1,405,000	$ 960,689
Within two to five years	655,081	1,693,000
	2,060,081	2,653,689
Less:		
Discount to net present value	29,487	109,648
Allowance for uncollectible contributions receivable	15,000	20,000
Net contributions receivable	2,015,594	2,524,041
Less current portion	1,405,000	960,689
Long-term portion	$ 610,594	$ 1,563,352

The contributions receivable are comprised of several different categories as follows:

	2019	2018
Foundations	$ 1,216,426	$ 1,240,000
Corporations	22,500	5,000
Individuals	700,155	1,152,689
High 5 Partners	121,000	156,000
Student Funds		100,000
Total Contributions Receivable	$ 2,060,081	$ 2,653,689

Four donors accounted for 90% of total contributions receivable at June 30, 2019 and two donors accounted for 87% of total contributions receivable at June 30, 2018. Two donors accounted 32% of total revenue, excluding investment income, for the year ended June 30, 2019 and three donors accounted for 65% of total revenue, excluding investment income, for the year ended June 30, 2018.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Leasehold improvements	$ 1,363,660	$ 1,345,815
Furniture and fixtures	267,919	247,824
Computer and office equipment	200,011	165,831
Software	267,882	251,607
	2,099,472	2,011,077
Less: Accumulated depreciation and amortization	1,061,967	825,975
Net Property and Equipment	$ 1,037,505	$ 1,185,102
Depreciation expense	$ 192,703	$ 185,221
Amortization expense	43,288	77,157
Total Depreciation and Amortization Expense	$ 235,991	$ 262,378

8. LINE OF CREDIT

The Organization has a line of credit which allows borrowings up to a maximum of $1,400,000. The line of credit expires on December 31, 2019 and bears interest at the LIBOR rate (2.09% at June 30, 2019) plus 1.9%. There was no outstanding balance on the line of credit as of June 30, 2019 and 2018 and there were no borrowings during the years ended June 30, 2019 and 2018. The line of credit is collateralized by marketable securities held in the Endowment investment account included in the investments total on the statement of financial position.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions received for subsequent periods (which are restricted by the passage of time), restricted for purpose, restricted for both passage of time and purpose and restricted in perpetuity.

9. NET ASSETS WITH DONOR RESTRICTIONS – Continued

Net assets with donor restrictions are comprised of the following:

Restriction	2019	2018
Time restricted for future periods:		
Passage of time	$ 1,935,594	$ 2,449,041
Time and purpose restricted:		
Passage of time and scholarships	29,688	100,000
Passage of time and Emerge fellowship program	111,595	
Purpose restricted:		
Scholarships	59,191	77,894
Emerge fellowship program	5,261	75,815
Launch and Lift programs	80,000	
Hosting scholars on career visits and safety ambassador training		4,500
Accumulated endowment earnings	699,669	535,224
Restricted in perpetuity:		
Endowment	3,000,000	3,000,000
Total Net Assets With Donor Restrictions	$ 5,920,998	$ 6,242,474

Net assets were released from donor restrictions through the passage of time or by incurring expenses satisfying restricted purposes specified by donors as follows:

	2019	2018
Passage of time	$ 1,056,108	$ 1,554,007
Passage of time and scholarships	70,312	100,000
Scholarships	33,703	33,959
Passage of time and Emerge fellowship program	174,220	
Emerge fellowship program	19,739	24,185
Recruitment and program expansion		146,523
Educational and leadership development	30,000	22,195
Hosting scholars on career visits and safety ambassador training	4,500	
Total Net Assets Released From Restrictions	$ 1,388,582	$ 1,880,869

10. ENDOWMENT

The Steven N. Wohl Leadership Chair endowment fund (Endowment) was created in 2013 to provide a permanent source of income to the Chicago Scholars Foundation to fund the cost of the President and Chief Executive Officer's position. The permanently restricted net asset balance of the endowment fund was $3,000,000 at June 30, 2019 and 2018.

The endowment fund assets are invested in the Organization's investment portfolio absent explicit donor stipulations to the contrary. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted 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 permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 fund, (2) the purposes of the donor-restricted endowment fund, (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.

Return Objectives and Risk Parameters

The Finance Committee, which oversees the investment portfolio of the Organization with the assistance of the Organization's investment manager, operates under investment policies that attempt to protect the corpus and provide a predictable stream of income and investment returns from its endowment assets. The endowment is invested in diversified portfolio, consisting primarily of mutual funds, hedge funds, fixed income funds, cash equivalents, and other investments. The asset allocation emphasizes diversification to lower year-to-year volatility and attempts to achieve the highest expected total return relative to portfolio risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and fixed income mutual funds based investments to achieve its long-term return objectives within prudent risk constraints.

10. ENDOWMENT – Continued

Investment and Spending Policies

The Finance Committee of the Organization has adopted investment and spending policies for the endowment fund that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets.

The overall rate of return objective of the portfolio measured over a full market cycle, shall be to outperform, net of fees, certain chosen indices as determined by the Organization's investment manager. The risk parameter established is that the portfolio should experience less risk (volatility and variability of return) than that of the chosen index.

The Organization uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The approved annual spending rate is 5% of a moving average of the 12 previous quarters of principal as calculated each calendar year. For years in which endowment spending is not necessary to support operations, funds can remain invested as part of the full principal to sustain growth. No funds were appropriated for expenditure during the years ended June 30, 2019 and 2018. Additionally, in extreme circumstances (i.e. bankruptcy consideration or other extreme hardship) where the Organization has exhausted its reserves and is unable to cover annual operating costs, the Organization may draw down on Endowment principal to sustain operations only if the majority of the President and CEO and the Executive Committee approves proposal for such action.

Changes in Endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	$ -	$ 3,297,832	$ 3,297,832
Net investment income		237,392	237,392
Endowment net assets, June 30, 2018		3,535,224	3,535,224
Net investment income		164,445	164,445
Endowment net assets, June 30, 2019	$ -	$ 3,699,669	$ 3,699,669

11. RELATED PARTY TRANSACTIONS

Contributions from affiliates and companies whose directors are also members of the board of directors or officers of the Organization were $423,940 and $2,723,497 for the years ended June 30, 2019 and 2018, respectively. Of the total support of these related parties, three parties contributed 52% for the year ended June 30, 2019 and one board member contributed 53% for the year ended June 30, 2018, respectively.

Net contributions receivable from members of the board of directors or officers of the Organization and their related companies were $1,460,095 and $2,345,541 at June 30, 2019 and 2018, respectively.

12. DONATED GOODS, FACILITIES AND SERVICES

The Organization received donated goods, facilities and services as follows:

	2019	2018
Goods		
Special events auction and raffle items	$ 16,516	$ 18,815
Supplies and equipment		1,500
Total Donated Goods	16,516	20,315
Facilities	6,068	25,548
Services		
College counseling services	2,910	1,990
IT services	60,274	
Professional services	57,650	72,600
Total Donated Services	120,834	74,590
Total In-Kind Contributions	$ 143,418	$ 120,453

13. LEASE COMMITMENTS

In December 2014, the Organization entered into a long-term lease for their office facilities. The lease commenced in November 2014, matures in May, 2022 and includes a five-year renewal option. Lease payments commenced at $22,867 per month with annual escalation of approximately 2% per annum. The lease included seven months of rent abatement.

Future minimum lease payments under this lease are as follows:

Year Ending June 30,	Amount
2020	$ 297,481
2021	303,192
2022	283,171
Total	$ 883,844

Rent expense was $249,849 and $255,365 for the years ended June 30, 2019 and 2018, respectively, and is included in occupancy on the accompanying statement of functional expenses.

14. RETIREMENT PLANS

The Organization established a savings plan in 2008 covering substantially all employees which includes an income deferral option that qualifies under Section 401(k) of the Internal Revenue Code. In 2015, the Organization elected to begin an employer matching contribution of up to 2% of each employee's salary for all full time employees. Prior to 2015, the Plan did not require the Organization to match employee deferrals. The employer matching contributions were $30,022 and $33,886 for the years ended June 30, 2019 and 2018, respectively. The Plan also allows for discretionary employer contributions. The Organization did not make any discretionary contributions during the years ended June 30, 2019 and 2018.

During the year ended June 30, 2019, the Organization established a nonqualified deferred compensation plan that operates under section 457(b) of the Internal Revenue Service for the future benefit of one of its executives. The Organization may make discretionary non-elective contributions to the plan. During the year ended June 30, 2019, the Organization contributed $19,000 to the plan. The plan assets are included in other assets and the associated plan obligation is included in noncurrent liabilities in the statement of financial position. The 457(b) plan asset and liability balance as of June 30, 2019 is $19,000.

15. VOLUNTEER SERVICES

A significant amount of volunteer services is contributed to the Organization to support their program and supporting services. These volunteer activities include participating on the Board of Directors and numerous other committees as well as assistance with fundraising events, special projects, as well as the Organization's College Access, College Success, and Career Mentoring programs. The value of these services has not been included in the financial statements because the criteria for recognition have not been satisfied.