MW&A

The Chicago Scholars Foundation d/b/a Chicago Scholars

Financial Statements

Years Ended June 30, 2020 and 2019

TABLE OF CONTENTS

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, 2020 and 2019, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Scholars Foundation d/b/a Chicago Scholars as of June 30, 2020 and 2019, 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.

INDEPENDENT AUDITOR'S REPORT – Continued

Emphasis of Matter

The Chicago Scholars Foundation d/b/a Chicago Scholars adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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
November 19, 2020

THE CHICAGO SCHOLARS FOUNDATION D/B/A CHICAGO SCHOLARS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,770,496	$ 988,345
Accounts receivable	28,298	43,166
Contributions receivable - Note 6	990,262	1,405,000
Prepaid expenses	45,533	62,278
Accrued interest	10	918
Total Current Assets	2,834,599	2,499,707
Property and Equipment, net - Note 7	868,764	1,037,505
Other Assets		
Restricted cash	153,013	111,032
Investments - Notes 3 and 4	4,072,340	5,267,210
Contributions receivable - Note 6	1,441	610,594
Deferred compensation investments - Note 15	47,000	19,000
Security deposit	78,845	78,845
Total Other Assets	4,352,639	6,086,681
Total Assets	$ 8,056,002	$ 9,623,893

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Note payable - Note 9	$ 553,899	$ -
Accounts payable	15,378	102,588
Accrued expenses	167,935	96,037
Deferred revenue	19,150	19,859
Deferred rent	70,390	64,680
Funds held for others	153,013	111,032
Total Current Liabilities	979,765	394,196
Noncurrent Liabilities		
Deferred compensation obligation - Note 15	47,000	19,000
Deferred rent	69,770	140,160
Total Noncurrent Liabilities	116,770	159,160
Total Liabilities	1,096,535	553,356
Net Assets		
Without donor restrictions	1,493,786	3,149,539
With donor restrictions - Notes 10 and 11	5,465,681	5,920,998
Total Net Assets	6,959,467	9,070,537
Total Liabilities and Net Assets	$ 8,056,002	$ 9,623,893

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions and grants	$ 2,115,833	$ 1,189,386	$ 3,305,219	$ 2,457,013	$ 902,661	$ 3,359,674
Donated goods, facilities and services - Note 13	135,450		135,450	143,418		143,418
Special events revenue	739,775		739,775	650,521		650,521
Less: cost of direct benefit to donors	(178,708)		(178,708)	(192,585)		(192,585)
Program service fees	102,817		102,817	48,919		48,919
Other income	10,160		10,160	(107)		(107)
Net Investment income - Note 3	12,595	90,850	103,445	84,367	164,445	248,812
Total Revenues and Gains	2,937,922	1,280,236	4,218,158	3,191,546	1,067,106	4,258,652
Net assets released from restrictions - Note 10	1,735,553	(1,735,553)		1,388,582	(1,388,582)	
Total Revenue, Gains and Other Support	4,673,475	(455,317)	4,218,158	4,580,128	(321,476)	4,258,652
Expenses						
Program services	4,113,748		4,113,748	3,866,423		3,866,423
Management and general	1,417,797		1,417,797	1,069,115		1,069,115
Fundraising	797,683		797,683	543,633		543,633
Total Expenses	6,329,228		6,329,228	5,479,171		5,479,171
Change in Net Assets	(1,655,753)	(455,317)	(2,111,070)	(899,043)	(321,476)	(1,220,519)
Net Assets						
Beginning of year	3,149,539	5,920,998	9,070,537	4,048,582	6,242,474	10,291,056
End of year	$ 1,493,786	$ 5,465,681	$ 6,959,467	$ 3,149,539	$ 5,920,998	$ 9,070,537

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, 2020 AND 2019

	2020					2019				
	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	$ 2,300,616	$ 997,313	$ 522,685	$ -	$ 3,820,614	$ 1,945,701	$ 691,342	$ 221,947	$ -	$ 2,858,990
Payroll taxes	152,568	64,038	39,452		256,058	139,497	43,375	18,847		201,719
Employee benefits	287,579	107,805	46,507		441,891	212,051	49,330	46,880		308,261
Occupancy - Note 14	228,648	16,861	23,737		269,246	221,789	16,153	20,607		258,549
Depreciation and amortization - Note 7	152,520	15,531	20,181		188,232	192,693	18,347	24,951		235,991
Information technology	113,089	7,421	19,775		140,285	143,002	17,129	17,332		177,463
Insurance	18,252	6,305	4,761		29,318	29,038	3,700	3,569		36,307
Bad debt expense		69,224			69,224					
Bank charges and processing fees	245	30,039	20,886		51,170	36	21,482	19,121		40,639
Equipment and supplies	32,198	5,383	8,152	14,783	60,516	60,737	11,900	7,360	25,664	105,661
Food and travel	53,959	9,810	24,279	2,447	90,495	112,061	12,550	22,801	7,312	154,724
Communications	31,284	4,667	13,508		49,459	37,708	2,567	14,568		54,843
Promotional materials	17,306	1,011	1,347	66,543	86,207	40,716	2,494	322	49,812	93,344
Consultants/contractual services	10,820	58,302	50,583		119,705	45,116	154,311	122,495		321,922
Professional fees		22,176			22,176		24,435			24,435
Event catering	117,241	1,911		53,981	173,133	130,963		2,833	64,539	198,335
Facilities rental	163,567		1,830	40,954	206,351	204,783			45,258	250,041
College counseling	166,327				166,327	146,843				146,843
Scholarships awarded	267,529				267,529	203,689				203,689
Total Expenses	4,113,748	1,417,797	797,683	178,708	6,507,936	3,866,423	1,069,115	543,633	192,585	5,671,756
Less: expenses included with revenues on the statement of activities										
Cost of direct benefit to donors				(178,708)	(178,708)				(192,585)	(192,585)
Total Functional Expenses	$ 4,113,748	$ 1,417,797	$ 797,683	$ -	$ 6,329,228	$ 3,866,423	$ 1,069,115	$ 543,633	$ -	$ 5,479,171

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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ (2,111,070)	$ (1,220,519)
Adjustments to reconcile change in net assets		
to net cash used for operating activities		
Depreciation and amortization	188,232	235,991
Donated securities	(641,563)	(907,866)
Realized and unrealized gain on investments	(27,742)	(166,108)
Net (increase) decrease in assets		
Accounts receivable	14,868	(38,916)
Contributions receivable	1,023,891	508,447
Prepaid expenses	16,745	14,241
Accrued interest	908	(256)
Net increase (decrease) in liabilities		
Accounts payable	(87,210)	77,640
Accrued expenses	71,898	17,938
Deferred revenue	(709)	(4,311)
Deferred rent	(64,680)	(58,979)
Funds held for others	41,981	8,437
Net Cash Used for Operating Activities	(1,574,451)	(1,534,261)
Cash Flows from Investing Activities		
Purchase of investments	(1,032,898)	(2,856,611)
Proceeds from sale of investments	2,897,073	3,754,643
Purchase of property and equipment	(19,491)	(88,394)
Net Cash Provided by Investing Activities	1,844,684	809,638
Cash Flows from Investing Activities		
Proceeds from note payable	553,899	
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	824,132	(724,623)
Cash, Cash Equivalents and Restricted Cash		
Beginning of year	1,099,377	1,824,000
End of year	$ 1,923,509	$ 1,099,377

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 4,800 Chicago Scholars are in or have completed the program. 86% of the Class of 2025 are low-income and 77% are first generation college students representing 110 Chicago High Schools. 95% of the Class of 2024 has indicated where they plan to enroll this fall, historically 95% of scholars matriculate on-time and 96% of scholars persist into their second year of college and 82% earn their degrees within six years. Overall the scholars have attended or graduated from more than 500 colleges and universities worldwide. 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 and expenses are recognized in accordance with accounting principles generally accepted in the United States of America.

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. They include all activities of the Organization, except for those amounts that are restricted by external donors.

- 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 and only the investment income be expended.

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.

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

Restricted Cash

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

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.

The Organization invests in various investment securities. Investment securities are exposed to 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 any such changes could materially affect the amounts reported in the statement of financial position.

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.

Uncollectible Accounts

The Organization records an allowance for uncollectible accounts and contributions receivable to state accounts and contributions receivable at their net receivable value. The allowance is based on management's analysis of specific accounts and pledges. Accounts and contributions receivable are written off if reasonable collection efforts prove unsuccessful. The allowance for uncollectible accounts was $28,224 and $15,000 at June 30, 2020 and 2019, respectively.

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:

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

Property and Equipment – Continued

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. The net book value of capitalized software costs were $12,760 and $32,234 as of June 30, 2020 and 2019, respectively.

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.

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

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

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, 2020 and 2019 and accordingly, no tax provision was required.

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, 2020 and 2019, 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.

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

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.

Effect of Recently Issued Accounting Standards

In June 21, 2018, the Financial Accounting Standards Board (FASB) completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (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.

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.

The Organization has implemented the guidance in the amendments, applying the changes prospectively, beginning July 1, 2019. Adoption of this standard did not result in a change in the timing or amount of revenue recognized, and therefore the adoption of this standard did not have a material impact on the Organization's financial position, results of operations or business practices.

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

Effect of Recently Issued Accounting Standards – Continued

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. In May 2020, the FASB approved a one year deferral of this standard for non-public entities, with a revised effective date for fiscal years beginning after December 15, 2021. 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 November 19, 2020, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

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.

2. LIQUIDITY AND AVAILABILITY - Continued

The following table reflects the Organization's financial assets as of June 30, 2020 and 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.

	2020	2019
Cash and cash equivalents	$ 1,770,496	$ 988,345
Investments	4,072,340	5,267,210
Accounts receivable	28,298	43,166
Contributions receivable	991,703	2,015,594
Total Financial Assets	6,862,837	8,314,315
Donor restricted net assets		
Endowment	(3,000,000)	(3,000,000)
Time and purpose restrictions	(2,465,681)	(2,920,998)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,397,156	$ 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:

	2020	2019
Cost	$ 3,776,755	$ 4,955,289
Fair Value	4,072,340	5,267,210
Unrealized Gain	$ 295,585	$ 311,921

3. INVESTMENTS - Continued

Net investment return consists of the following:

	2020	2019
Interest income	$ 1,331	$ 3,431
Dividend income	107,046	115,035
Net realized gain	44,078	172,756
Net unrealized loss	(16,336)	(6,648)
Investment expense	(32,674)	(35,762)
Net Investment Income	$ 103,445	$ 248,812

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, 2020		
		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	$ 1,918,549	$ 1,918,549	$ -	$ -
International equity	867,648	867,648		
Fixed income	1,074,233	1,074,233		
Hedge funds	211,910	211,910		
Total Mutual Funds	$ 4,072,340	$ 4,072,340	$ -	$ -

		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	$ -	$ -

5. CONDITIONAL GRANTS

The Organization received grants 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:

		Revenue Recognized During		
Grants Awarded	**Amount**	**2020**	**2019**	**2018**
Year ended June 30, 2020:				
	$ 300,000	$ 100,000		
	200,000	100,000		
	250,000	16,500		
Year ended June 30, 2019:				
	227,964		$ 227,964	
	500,000	242,250	257,750	
	70,000	40,109		
	80,000	80,000		
Year ended June 30, 2018:				
	623,024		260,524	$ 362,500
	200,000	100,000	65,000	35,000
Totals	$ 2,450,988	$ 678,859	$ 811,238	$ 397,500

The conditions for the remainder of the grants awarded during the years ended June 30, 2020 and 2019 were not met as of June 30, 2020.

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:

	2020	2019
Within one year	$ 990,262	$ 1,405,000
Within two to five years	31,000	655,081
	1,021,262	2,060,081
Less:		
Discount to net present value	1,335	29,487
Allowance for uncollectible contributions receivable	28,224	15,000
Net contributions receivable	991,703	2,015,594
Less current portion	990,262	1,405,000
Long-term portion	$ 1,441	$ 610,594

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

	2020	2019
Foundations	$ 619,113	$ 1,216,426
Corporations	33,900	22,500
Individuals	319,749	700,155
High 5 Partners	47,000	121,000
College Partner	1,500	
Total Contributions Receivable	$ 1,021,262	$ 2,060,081

Three donors accounted for 87% of total contributions receivable at June 30, 2020 and four donors accounted for 90% of total contributions receivable at June 30, 2019. One donor accounted for 21% of total net revenue, excluding investment income, for the year ended June 30, 2020 and two donors accounted 32% of total net revenue, excluding investment income, for the year ended June 30, 2019.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Leasehold improvements	$ 1,367,625	$ 1,363,660
Furniture and fixtures	267,919	267,919
Computer and office equipment	215,537	200,011
Software	267,882	267,882
	2,118,963	2,099,472
Less: Accumulated depreciation and amortization	1,250,199	1,061,967
Net Property and Equipment	$ 868,764	$ 1,037,505
Depreciation expense	$ 168,758	$ 192,703
Amortization expense	19,474	43,288
Total Depreciation and Amortization Expense	$ 188,232	$ 235,991

8. LINE OF CREDIT

The Organization had a line of credit which allowed for borrowings up to a maximum of $1,400,000. The line of credit expired on December 31, 2019, was not renewed and was bearing 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 there were no borrowings during the years ended June 30, 2020 and 2019. The line of credit was collateralized by marketable securities held in the Endowment investment account included in the investments total on the statement of financial position.

9. NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM

On April 6, 2020, the Organization entered into an agreement with a lender and the Small Business Administration to obtain a Paycheck Protection Program (PPP) loan offered as a result of the Coronavirus Aid, Relief and Economic Security Act (CARES). The PPP loan is intended to help certain small businesses and nonprofits stay afloat during the COVID-19 pandemic. The loan in the amount of $552,623 provides for interest at a rate of 1% and matures on April 6, 2022. The PPP loan is eligible for forgiveness if the Organization meets certain criteria including utilization of the loan for eligible expenses and maintaining or restoring employee counts and salary levels to pre-pandemic amounts. The Organization has adopted the policy to record the PPP loan under the guidance of FASB ASC 470 *Debt* and has accrued interest in the amount of $1,276 for the year ended June 30, 2020. The Organization expects a substantial portion of the loan to be forgiven during the year ending June 30, 2021.

10. 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.

Net assets with donor restrictions are comprised of the following:

Restriction	2020	2019
Time restricted for future periods:		
Passage of time	$ 892,803	$ 1,935,594
Time and purpose restricted:		
Passage of time and scholarships	314,573	29,688
Passage of time and Emerge fellowship program		111,595
Passage of time and College Access and Completion program	50,000	
Purpose restricted:		
Scholarships	37,527	59,191
Emerge fellowship program	24,547	5,261
Launch and Lift programs	66,460	80,000
Career programming, data analysis and evaluation efforts	126,749	
COVID-19 Response Fund	18,317	
Emergency funding	82,553	
Emergency support and general program assistance	45,133	
CTA Elevating Futures Scholarship Fund	16,500	
Accumulated endowment earnings	790,519	699,669
Restricted in perpetuity:		
Endowment (Note 11)	3,000,000	3,000,000
Total Net Assets With Donor Restrictions	$ 5,465,681	$ 5,920,998

10. NET ASSETS WITH DONOR RESTRICTIONS - Continued

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

	2020	2019
Passage of time	$ 1,245,219	$ 1,056,108
Passage of time and scholarships	74,306	70,312
Scholarships		33,703
Passage of time and Emerge fellowship program	111,595	174,220
Emerge fellowship program	68,823	19,739
Braven program	21,099	
Launch and Lift programs	93,540	
Career programming, data analysis and evaluation efforts	73,251	
COVID-19 Response Fund	3,406	
Emergency support	26,947	
Emergency support and general program assistance	17,367	
Educational and leadership development		30,000
Hosting scholars on career visits and safety ambassador training		4,500
Total Net Assets Released From Restrictions	$ 1,735,553	$ 1,388,582

11. 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 balance of the endowment fund was $3,000,000 at June 30, 2020 and 2019.

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.

11. ENDOWMENT - Continued

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.

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.

11. ENDOWMENT - Continued

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, 2020 and 2019. 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, 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
Net investment income		90,850	90,850
Endowment net assets, June 30, 2020	$ -	$ 3,790,519	$ 3,790,519

12. RELATED PARTY TRANSACTIONS

Contributions from affiliates and companies whose directors are also members of the board of directors or officers of the Organization were $610,031 and $423,940 for the years ended June 30, 2020 and 2019, respectively. Of the total support of these related parties, two parties contributed 44% for the year ended June 30, 2020 and 3 parties contributed 53% for the year ended June 30, 2019, respectively.

Net contributions receivable from members of the board of directors or officers of the Organization and their related companies were $733,302 and $1,460,095 at June 30, 2020 and 2019, respectively.

13. DONATED GOODS, FACILITIES AND SERVICES

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

	2020	2019
Goods		
Special events auction and raffle items	$ 37,055	$ 16,516
Supplies and equipment	3,900	
Total Donated Goods	40,955	16,516
Facilities	8,726	6,068
Services		
College counseling services	6,094	2,910
IT services and software	58,800	60,274
Professional services	20,875	57,650
Total Donated Services	85,769	120,834
Total In-Kind Contributions	$ 135,450	$ 143,418

14. 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
2021	$ 277,926
2022	308,437
Total	$ 586,363

Rent expense was $259,594 and $249,849 for the years ended June 30, 2020 and 2019, respectively, and is included in occupancy on the accompanying statement of functional expenses.

15. 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 $50,734 and $30,022 for the years ended June 30, 2020 and 2019, respectively. The Plan also allows for discretionary employer contributions. The Organization did not make any discretionary contributions during the years ended June 30, 2020 and 2019.

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 select executives. The Organization may make discretionary non-elective contributions to the plan. Contributions to the plan amounted to $30,800 and 19,000 during the years ended June 30, 2020 and 2019, respectively. 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 balances as of June 30, 2020 and 2019 were $47,000 and $19,000, respectively.

16. IMPACT OF COVID-19

As a part of an intentional strategy, the Organization decided to invest in organizational growth and focus on their core, in line with their strategic plan as part of the Fiscal Year 2020 budget. Like most organizations, the Organization had not anticipated COVID-19 and how it would impact organizational revenue goals. Unfortunately, the economic impact of the pandemic led to ending the Fiscal Year 2020 with a deficit in addition to other non-cash factors. Despite a deficit, the Organization has increased cash revenues year-over-year for the last four years to support their steady growth trajectory.

Planning for Fiscal Year 2021 and future years, the Organization has course corrected based on new revenue realities and reduced expense year-over-year. Additionally, the Organization has developed new systems to plan revenues and expense based on probability and are constantly planning a best case, worst case, and most likely scenario for expense and revenue. As with all non-profits, there is always more need than revenue, because the mission is so important, but the Organization is on track to narrow and focus on the most critical programming based on their data and external research.

17. 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.

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