The Chicago Public Education Fund

Financial Report
December 31, 2019

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
The Chicago Public Education Fund

Report on the Financial Statements
We have audited the accompanying financial statements of The Chicago Public Education Fund, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audit 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 Public Education Fund as of December 31, 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.

RSM US LLP

Chicago, Illinois
May 1, 2020

The Chicago Public Education Fund

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash	**$ 1,033,224**	$ 1,688,897
Unconditional promises to give, net	**11,106,708**	12,945,811
Accrued interest receivable	**45,720**	27,014
Prepaid expenses and deposits	**59,542**	28,460
Investments	**10,644,879**	7,049,950
Investments held for others as fiscal agent	**105,000**	90,000
Property and equipment, net	**49,934**	71,658
	$ 23,045,007	$ 21,901,790
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 223,245**	$ 275,884
Amounts held for others as fiscal agent	**105,000**	90,000
Deferred rent obligation	**60,776**	108,636
	389,021	474,520
Net assets:		
Without donor restrictions	**11,328,243**	6,802,826
With donor restrictions	**11,327,743**	14,624,444
	22,655,986	21,427,270
	$ 23,045,007	$ 21,901,790

The accompanying notes are an integral part of the financial statements.

The Chicago Public Education Fund

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	**Total**
Support and revenue:			
Contributions	$ 2,682,334	$ 3,374,469	**$ 6,056,803**
In-kind contributions	12,044	-	**12,044**
Investment return, net	231,659	-	**231,659**
Net assets released from restrictions	6,670,130	(6,670,130)	**-**
	9,596,167	(3,295,661)	**6,300,506**
Operating expenses:			
Program investments and services:			
Educational leadership	4,557,423	-	**4,557,423**
Supporting services:			
Management and general	367,666		**367,666**
Fundraising	143,331	-	**143,331**
	5,068,420	-	**5,068,420**
Change in net assets before nonoperating expenses	4,527,747	(3,295,661)	**1,232,086**
Nonoperating expenses:			
Loss on uncollectible pledges	2,330	1,040	**3,370**
Change in net assets	4,525,417	(3,296,701)	**1,228,716**
Net assets:			
Beginning of year	6,802,826	14,624,444	**21,427,270**
End of year	$ 11,328,243	$ 11,327,743	**$ 22,655,986**

The accompanying notes are an integral part of the financial statements.

The Chicago Public Education Fund

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	**Total**
Support and revenue:			
Contributions	$ 697,372	$ 10,580,749	**$ 11,278,121**
In-kind contributions	30,584	-	**30,584**
Investment return, net	116,867	-	**116,867**
Net assets released from restrictions	2,952,333	(2,952,333)	**-**
	3,797,156	7,628,416	**11,425,572**
Expenses:			
Program investments and services:			
Educational leadership	3,991,970	-	**3,991,970**
Supporting services:			
Management and general	320,497	-	**320,497**
Fundraising	194,036	-	**194,036**
	4,506,503	-	**4,506,503**
Change in net assets before nonoperating expenses	(709,347)	7,628,416	**6,919,069**
Nonoperating expenses:			
Loss on uncollectible pledges	521	375,000	**375,521**
Provision for income taxes	3,120	-	**3,120**
	3,641	375,000	**378,641**
Change in net assets	(712,988)	7,253,416	**6,540,428**
Net assets:			
Beginning of year	7,515,814	7,371,028	**14,886,842**
End of year	$ 6,802,826	$ 14,624,444	**$ 21,427,270**

The accompanying notes are an integral part of the financial statements.

The Chicago Public Education Fund

Statement of Functional Expenses
Years Ended December 31, 2019

	Program Investments and Services	Supporting Services			
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	2019 Total
Personnel expenses	$ 1,994,477	$ 177,108	$ 113,350	290,458	$ 2,284,935
Consultants	-	102,087	-	102,087	102,087
Occupancy	250,443	21,689	16,360	38,049	288,492
Equipment	63,812	5,527	4,168	9,695	73,507
Other office expense	73,270	49,077	2,403	51,480	124,750
Communications	103,128	12,178	7,050	19,228	122,356
Program grants and related costs	2,060,249	-	-	-	2,060,249
In-kind expenses	12,044	-	-	-	12,044
	$ 4,557,423	$ 367,666	$ 143,331	$ 510,997	$ 5,068,420

The accompanying notes are an integral part of the financial statements.

The Chicago Public Education Fund

Statement of Functional Expenses
Years Ended December 31, 2018

	Program Investments and Services	Supporting Services			
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	2018 Total
Personnel expenses	$ 1,768,064	$ 129,247	$ 149,382	$ 278,629	$ 2,046,693
Consultants	21,000	95,887	-	95,887	116,887
Occupancy	229,196	24,559	20,662	45,221	274,417
Equipment	67,331	7,215	6,070	13,285	80,616
Other office expense	50,646	46,439	2,981	49,420	100,066
Communications	81,886	17,150	14,941	32,091	113,977
Program grants and related costs	1,743,263	-	-	-	1,743,263
In-kind expenses	30,584	-	-	-	30,584
	$ 3,991,970	$ 320,497	$ 194,036	$ 514,533	$ 4,506,503

The accompanying notes are an integral part of the financial statements.

The Chicago Public Education Fund

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 1,228,716**	$ 6,540,428
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**44,494**	45,326
Stock donations received	**(260,662)**	(94,911)
Realized and unrealized gains on investments, net	**(41,998)**	(1,710)
Change in operating assets and liabilities:		
Unconditional promises to give	**1,839,103**	(6,057,282)
Accrued interest receivable	**(18,706)**	18,799
Prepaid expenses and deposits	**(31,082)**	13,299
Accounts payable and accrued expenses	**(52,639)**	(145,985)
Deferred rent obligation	**(47,860)**	(43,808)
Amounts held for others as fiscal agent	**15,000**	90,000
Net cash provided by operating activities	**2,674,366**	364,156
Cash flows from investing activities:		
Purchases of property and equipment	**(22,770)**	(16,878)
Purchases of investments	**(13,099,470)**	(14,738,931)
Proceeds from sale of investments	**9,792,201**	14,157,476
Net cash used in investing activities	**(3,330,039)**	(598,333)
Net decrease in cash	**(655,673)**	(234,177)
Cash:		
Beginning of year	**1,688,897**	1,923,074
End of year	**$ 1,033,224**	$ 1,688,897

The accompanying notes are an integral part of the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

The Chicago Public Education Fund (The Fund) is a nonprofit organization incorporated in the State of Illinois in 1999. The Fund is committed to building a critical mass of great public schools in Chicago by investing in the strong principals who lead them. The Fund advocates for and invests in organizations and ideas that support strong principals citywide and develops and supports programs that enable Chicago's best educators to reimagine teaching and learning.

Founded by civic, business and philanthropic leaders committed to our vision, The Fund is an active collaborator with leaders in Chicago Public Schools, the City of Chicago, the charter community and many local nonprofits. Over two decades, The Fund has raised more than $95 million to support educator excellence and has served as a convener and catalyst for citywide efforts to improve public schools.

Every four to five years, The Fund engages stakeholders to identify specific and measurable goals that can be achieved through targeted grants of strategic financial support. The Fund raises a pre-established amount of money and the Board of Directors approves allocation of funds into high-level categories of program investments. Each category is designed to help The Fund pursue the goals associated with the funding cycle. New investments within these categories are vetted and approved by assigned working committees of members of the Board of Directors, in conjunction with The Fund team.

The Fund's last two cycles have been principal-focused. In 2013, we raised over $20 million for our fourth cycle, with two goals: We aimed to more than double the number of great principals in Chicago's public schools and to decrease the number of failing schools by half within five years. We achieved these goals in September of 2018; the effort helped improve educational outcomes for one in three public school students in the City of Chicago. In the process, we learned that principal quality and retention can be reliably improved with targeted investment in leadership.

With that learning in mind, in late 2018, The Fund launched our fifth funding cycle, designed to make permanent Chicago's commitment to leadership as a school improvement lever. This five-year plan aims to continue growing principal and school quality citywide; its success will be measured by outcomes in schools. By 2023, The Fund's investments in principals will help increase the number of schools with a stable culture and where most students are at or above grade level. Our investments will also help principals leading schools with an unstable culture and struggling students, decreasing the number of such schools substantially. The Fund plans to invest over $25 million through 2023 to achieve these goals, positively impacting the city's more than 350,000 public school students and the more than 600 principals who serve them.

Significant accounting policies are as follows:

Basis of accounting: The financial statements of The Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounting policies: The Fund follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial position, results of activities, and cash flows. References to generally accepted accounting principles in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Use of estimates: In preparing financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of The Fund. Those expenses, which include personnel, occupancy, equipment, and certain communications-related expenses, are allocated based on management's estimates of time and effort. Specifically, personnel expenses are allocated between program or supporting services based on estimates of the employee's time spent in each category. The percentages are then applied to each employee's year to date compensation to determine the amounts allocated to each category. The allocation of occupancy costs are calculated by applying a weighted time allocation for each category to occupancy costs. Other operating costs are allocated to each of the functional categories using either a direct allocation of costs or estimated percentages.

Classification of net assets:
Net assets without donor restrictions: Net assets that are available for support of The Fund's operations that are not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of The Fund or the passage of time. Net assets with donor restrictions are released and reclassified to net assets without donor restrictions when the restrictions are met or have expired. Amounts received in the same period in which donor restrictions are satisfied are recorded in net assets without donor restrictions.

Support and revenues: The Fund receives a significant portion of its operating funds from grants and contributions. Contributions are recognized when the donor makes a promise to give to The Fund that is, in substance, unconditional.

In-kind contributions are reported in the financial statements for voluntary donations of services when these services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills and are services that would typically be purchased if not provided by donation. These contributed services, along with program investments and services expense of the same amount, are recorded at their estimated fair value.

Investments: Investments are recorded at fair value. Investment return includes realized gains and losses and any unrealized appreciation or depreciation of the investments, and is net of investment expenses. Investment return is reported as unrestricted revenue unless the income is restricted by donor or law. Donated securities are recorded at fair value on the date received.

Unconditional promises to give: Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and the expected period of payment.

Unconditional promises to give or pledges made which have not been collected by year-end are recorded as an increase in net assets with a time restriction until the point in time that collections are due or received from the donor. Unconditional promises to give which are donor-restricted for purpose are recorded as an increase in net assets with donor restrictions until the purpose restriction is accomplished.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Based on management's assessment of the collectability of specific promises to give and the aging of the promises to give, no provision has been made for uncollectible amounts as of December 31, 2019 or 2018. However, during 2018 The Fund wrote off $375,000 in unconditional promises to give as a donor withdrew a pledge, reducing net assets.

Property and equipment: The Fund capitalizes property, equipment and leasehold improvements with a cost of $1,000 or more. The cost of property and equipment is depreciated over the estimated lives of the respective assets using the straight-line method. Furniture, fixtures and equipment are depreciated over an estimated useful life of three years. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease term as of the date placed in service, assuming the remaining lease term is less than the useful life of the asset. Fully depreciated or amortized assets that have been retired from use are written off from the balance sheet.

Deferred rent: Rent expense is recognized on a straight-line basis over the lease term. Deferred rent is recorded for the difference between cash paid and straight-line rent expense. Improvements funded by the landlord as a rental incentive are capitalized as leasehold improvements, with an equivalent amount included in the deferred rent obligation; each is amortized over the term of the lease and included in amortization expense and rent expense.

Income taxes: The Fund is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. In addition, The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, The Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of The Fund and the various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Fund does not believe that there are any unrecognized tax benefits or tax liabilities that should be recorded for the reporting periods presented in these financial statements.

Accounting pronouncement adopted: In August 2018, the FASB issued 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.* This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The Fund adopted the new standard with respect to contributions received in 2019, without significant effect to The Fund's financial statements. The portion of the new standard for contributions paid is effective for The Fund's 2020 financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncement: In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for The Fund's 2021 financial statements.

Subsequent events: The Fund has evaluated subsequent events for potential recognition and/or disclosures through May 1, 2020, the date the financial statements were available to be issued.

As a result of the spread of coronavirus, economic uncertainties have arisen that may have a financial impact on The Fund, although no such effects have been identified as of May 1, 2020. Management continues to closely monitor developments in this area and will take steps to mitigate any future impact.

Note 2. Program Investments and Services

The Fund provides program services, which include investments of dollars, time and expertise to support principal-led educator teams in transforming student learning. Specifically, The Fund:

Offers direct support to principals, aspiring principals and educator teams. We provide opportunities for top principals to expand their leadership beyond their school communities, for all principals to improve, and for aspiring school leaders to receive relevant preparation. Our investments in leadership enable educator teams to address core instructional, operational and management needs, with the goal of accelerating student learning in their schools and improving school culture and climate.

Provides talent management support and high-quality data to a broad range of partners citywide. We support leadership development, retention of top talent, preparation pathways for school leaders and managed transitions in Chicago's public schools. Our team works with partners to leverage data and coordinate efforts that support school communities, especially in times of change.

Positions principal quality as an enduring priority for the City of Chicago. We gather feedback from principals through an annual engagement survey and publish subsequent reports and case studies around issues important to principals. Our objective is to make permanent Chicago's commitment to leadership as a sustainable lever for school improvement.

Fosters conditions in which principals thrive. We champion principal voice in policy making, with a focus on aligned growth and accountability systems, equitable allocation of resources and on strategies that increase the number of strong educators in the schools that need them most. We believe that principal-centered policies lead to better outcomes in schools and for students.

Shares the importance of principal quality work nationwide. We manage a national community of practice that currently serves 20 organizations from across the country. Together, we are learning about and sharing promising strategies designed to grow principal quality and to improve the student experience in our communities.

Note 3. Unconditional Promises to Give

Unconditional promises to give at December 31 consist of the following:

	2019	2018
Receivable in up to one year	$ 4,477,412	$ 4,141,664
Receivable in one to five years	7,138,244	9,653,220
	11,615,656	13,794,884
Less present value discount	(508,948)	(849,073)
	$ 11,106,708	$ 12,945,811

Unconditional promises to give are discounted based upon payment terms using present value discount rates. The present value discount computation uses various rates up to 3%.

During 2019 and 2018, pledges receivable totaling $3,370 and $375,521, respectively, including a $375,000 pledge from a former member of The Fund's Board of Directors, became uncollectible and were written off as a loss on uncollectible pledges.

Conditional pledges, which are not recognized in the financial statements until conditions are satisfied, totaled $100,000 and $885,000 at December 31, 2019 and 2018, respectively.

Note 4. Fair Value of Financial Instruments

As described in Note 1, The Fund records its investments at fair value. The fair value measurements and disclosures topic (the Topic) of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Topic are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs that are unobservable for the asset or liability and which include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

Note 4. Fair Value of Financial Instruments (Continued)

The Fund assesses the levels of the investments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstance that caused the transfer in accordance with The Fund's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, The Fund's investments in money market funds, certificates of deposit, U.S. government agencies securities and corporate bonds are classified as Level 1, while the taxable municipal bonds are classified as Level 2.

Note 5. Investments

Investments at December 31, 2019 and 2018, including $105,000 and $90,000 held for others as fiscal agent, as of December 31, 2019 and 2018, respectively, consist of:

	2019	2018
Money market funds	$ 1,781,452	$ 1,327,904
Certificates of deposit	-	748,675
U.S. government agencies securities	6,569,779	3,065,811
Taxable municipal bonds	253,018	600,743
Corporate bonds	2,145,630	1,396,817
	$ 10,749,879	$ 7,139,950

Note 6. Liquidity and Availability

The following presents The Fund's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for use within one year of the statement of financial position date because of donor-imposed restrictions:

	2019	2018
Financial assets at year-end:		
Cash	$ 1,033,224	$ 1,688,897
Unconditional promises to give, net	11,106,708	12,945,811
Investments	10,644,879	7,049,950
	22,784,811	21,684,658
Less amounts not available within one year due to:		
Donor time restrictions	6,629,296	8,804,147
	$ 16,155,515	$ 12,880,511

Every four or five years, The Fund launches funding cycles to achieve specific goals over the term of the funding cycle. Fundraising for the current cycle began in late 2017, and the funds raised are being spent down over a period beginning late in 2018 through the end of 2023. Consequently, financial resources available to support general operating expenses tend to be higher in the early years of each cycle. Cash in excess of amounts needed to support general operating expenses is invested in marketable securities.

Note 7. Property and Equipment

Property and equipment at December 31 consist of the following:

	2019	2018
Furniture and fixtures	$ 148,509	$ 144,994
Leasehold improvements	224,916	224,916
Equipment	126,209	233,568
	499,634	603,478
Less accumulated depreciation and amortization	(449,700)	(531,820)
	$ 49,934	$ 71,658

Equipment with a cost of $126,614 that was fully depreciated and retired from use as of the end of 2019 was removed from the balances above, with a corresponding reduction in accumulated depreciation.

Note 8. Amounts Held for Others as Fiscal Agent

During 2018, The Fund agreed to serve as fiscal agent on behalf of the Schwartz Ward Family Foundation (the Foundation) with respect to the Executive Principal Program (the Program) in partnership with Chicago Public Schools. The Fund received a payment of $90,000 in 2018 from the Foundation which was disbursed during 2019 under the direction of the Foundation to Chicago Public Schools for payment of stipends to principals participating in the Program.

In December 2019, The Fund received $210,000 in payment for second year stipends under this program, and $105,000 of this amount was disbursed to Chicago Public Schools during that month.

Amounts held for others as fiscal agent totaling $105,000 and $90,000 at December 31, 2018 and 2019, respectively, are reflected on the statements of financial position in an amount equivalent to the related balance held in investments.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following reasons as of December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Principal Fellowships Program	$ -	$ 100,000
Principal Quality and Community of Practice Program	-	400,000
Executive Principal Program	82,500	82,500
Summer Design Program	-	62,500
The Chicago Principal Partnership	556,875	62,500
Fund 5	-	1,240,000
	639,375	1,947,500
Subject to the passage of time	10,688,368	12,676,944
	$ 11,327,743	$ 14,624,444

Note 9. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the years ended December 31 for the following reasons:

	2019	2018
Purpose restrictions accomplished:		
Principal Fellowships Program	$ 150,000	$ -
Principal Quality and Community of Practice Program	400,000	250,000
Executive Principal Program	82,500	-
Summer Design Program	207,500	-
The Chicago Principal Partnership	443,125	125,000
Fund 5	1,240,000	-
South Side Education Alliance	42,500	-
	2,565,625	375,000
Passage of specified time	4,104,505	2,577,333
	$ 6,670,130	$ 2,952,333

Note 10. Operating Leases

The Fund leases its office facility under an operating lease that renewed for a four-year term beginning March 2017 and expires in February 2021. The lease provides for rental abatement and lease incentives for build-out of the space. The rent abatement and lease incentives were recorded as deferred rent obligations and are being recognized on a straight-line basis over the term of the lease, including the renewal period, as a reduction to rent expense. Monthly base rentals are in amounts up to $14,191 over the term of the lease.

The Fund also leases certain equipment under operating leases. Annual future minimum rental payments under the office and equipment lease agreements are as follows:

2020	$ 172,882
2021	31,666
2022	3,285
2023	3,285
	$ 211,118

In addition to monthly base rentals, The Fund is required to pay allocated building operating and maintenance costs and taxes. Rent expense and share of building operating, maintenance and taxes paid under the office lease totaled $234,476 in 2019 and $219,536 in 2018.

Note 11. Grants to Others

The maximum amount payable under any grant is approved by The Fund's Board of Directors. Grant payments made by The Fund under various program initiatives totaled $1,954,618 and $1,680,213 in 2019 and 2018, respectively. These grant payments are included in program grants and related costs on the statements of functional expenses.

Grants authorized but unpaid at year-end are reported as liabilities. Conditional grant commitments are recorded as liabilities when the conditions on which they depend are substantially met. As of December 31, 2019, grants that have not met all of the conditions for recognition established at the time of the grant approval by The Fund's Board of Directors totaled $911,616, of which $831,616 and $80,000 are scheduled to be paid in 2020 and 2021, respectively, if all conditions are met.

As of December 31, 2018, grants that had not met the conditions for recognition established at the time of the grant approval by The Fund's Board of Directors totaled $872,850, of which $814,233 was paid in 2019 and $58,617 will not be paid.

Note 12. Retirement Plan

The Fund has a 401(k) plan. Employees who meet age and length of service requirements may elect to make contributions to the plan through a salary reduction arrangement not to exceed $18,500 of their annual compensation. The Fund makes a contribution for all eligible employees up to a maximum of 4% of their annual compensation. The Fund's contribution to the plan was $70,512 and $54,707 for the years ended December 31, 2019 and 2018, respectively.

Note 13. Contributed Services

The Fund received in-kind contributions valued at $12,044 and $30,584 during 2019 and 2018, respectively, for sponsorship of several of The Fund's events. Contributed services are recorded at their estimated fair values in the statements of activities as revenue (in-kind contributions) and related program investments and services expense.