

The Chicago Public Education Fund

Financial Report
December 31, 2020

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Independent Auditor's Report

RSM US LLP

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, 2020 and 2019, 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, 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.

RSM US LLP

Chicago, Illinois
May 12, 2021

The Chicago Public Education Fund

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 1,542,221	\$ 1,033,224
Unconditional promises to give, net	8,126,658	11,106,708
Accrued interest receivable	63,323	45,720
Prepaid expenses and deposits	208,896	59,542
Investments	10,960,035	10,644,879
Investments held for others as fiscal agent	171,800	105,000
Property and equipment, net	100,169	49,934
	<u>\$ 21,173,102</u>	<u>\$ 23,045,007</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,234	\$ 223,245
Amounts held for others as fiscal agent	171,800	105,000
Deferred rent obligation	42,083	60,776
	<u>285,117</u>	<u>389,021</u>
Net assets:		
Without donor restrictions	12,310,446	11,328,243
With donor restrictions	8,577,539	11,327,743
	<u>20,887,985</u>	<u>22,655,986</u>
	<u>\$ 21,173,102</u>	<u>\$ 23,045,007</u>

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

The Chicago Public Education Fund

**Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 982,181	\$ 1,601,610	\$ 2,583,791
In-kind contributions	4,458	-	4,458
Investment return, net	345,421	-	345,421
Net assets released from restrictions	4,351,814	(4,351,814)	-
	<u>5,683,874</u>	<u>(2,750,204)</u>	<u>2,933,670</u>
Operating expenses:			
Program investments and services:			
Educational leadership	4,121,805	-	4,121,805
Supporting services:			
Management and general	389,616	-	389,616
Fundraising	190,250	-	190,250
	<u>4,701,671</u>	<u>-</u>	<u>4,701,671</u>
Change in net assets	982,203	(2,750,204)	(1,768,001)
Net assets:			
Beginning of year	<u>11,328,243</u>	<u>11,327,743</u>	<u>22,655,986</u>
End of year	<u>\$ 12,310,446</u>	<u>\$ 8,577,539</u>	<u>\$ 20,887,985</u>

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)	-
	<u>9,596,167</u>	<u>(3,295,661)</u>	<u>6,300,506</u>
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
	<u>5,068,420</u>	<u>-</u>	<u>5,068,420</u>
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	<u>\$ 11,328,243</u>	<u>\$ 11,327,743</u>	<u>\$ 22,655,986</u>

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

The Chicago Public Education Fund

**Statement of Functional Expenses
Years Ended December 31, 2020**

	Program Investments and Services	Supporting Services			2020 Total
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	
Personnel expenses	\$ 2,018,161	\$ 201,689	\$ 161,451	363,140	\$ 2,381,301
Consultants	7,025	109,783	-	109,783	116,808
Occupancy	256,298	24,531	15,587	40,118	296,416
Equipment	68,777	6,583	4,183	10,766	79,543
Other office expense	44,379	41,843	2,418	44,261	88,640
Communications	32,624	5,187	6,611	11,798	44,422
Program grants and related costs	1,690,083	-	-	-	1,690,083
In-kind expenses	4,458	-	-	-	4,458
	<u>\$ 4,121,805</u>	<u>\$ 389,616</u>	<u>\$ 190,250</u>	<u>\$ 579,866</u>	<u>\$ 4,701,671</u>

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			2019 Total
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	
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
	<u>\$ 4,557,423</u>	<u>\$ 367,666</u>	<u>\$ 143,331</u>	<u>\$ 510,997</u>	<u>\$ 5,068,420</u>

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

The Chicago Public Education Fund

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,768,001)	\$ 1,228,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,408	44,494
Stock donations received	(85,148)	(260,662)
Realized and unrealized gains on investments, net	(106,099)	(41,998)
Change in operating assets and liabilities:		
Unconditional promises to give	2,980,050	1,839,103
Accrued interest receivable	(17,603)	(18,706)
Prepaid expenses and deposits	(149,354)	(31,082)
Accounts payable and accrued expenses	(152,011)	(52,639)
Deferred rent obligation	(18,693)	(47,860)
Amounts held for others as fiscal agent	66,800	15,000
Net cash provided by operating activities	<u>786,349</u>	<u>2,674,366</u>
Cash flows from investing activities:		
Purchases of property and equipment	(86,643)	(22,770)
Purchases of investments	(10,632,808)	(13,099,470)
Proceeds from sale of investments	10,442,099	9,792,201
Net cash used in investing activities	<u>(277,352)</u>	<u>(3,330,039)</u>
Net increase (decrease) in cash	508,997	(655,673)
Cash:		
Beginning of year	<u>1,033,224</u>	<u>1,688,897</u>
End of year	<u>\$ 1,542,221</u>	<u>\$ 1,033,224</u>

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

The Chicago Public Education Fund

Notes to 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 improving public schools in Chicago by investing in the strong educators who lead them. The Fund advocates for and invests in organizations and ideas that support strong school leaders citywide. The Fund develops and supports programs and policies 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 \$97 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. This 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 school leadership quality outcomes as well as outcomes in schools. The Fund's investments in programs will help stabilize school leadership, improve satisfaction and retention of strong principals, and build a robust and intentional pipeline of aspiring principals for Chicago's public schools. 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.

The Chicago Public Education Fund

Notes to Financial Statements

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 is calculated by applying a weighted time allocation for each category to occupancy costs.

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. Some donor restrictions are perpetual in nature, in which the donor has stipulated that the funds be invested in perpetuity.

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.

Promises to give: Unconditional promises to give are recognized as revenue in the period 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.

The Chicago Public Education Fund

Notes to Financial Statements

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 uncollectable amounts as of December 31, 2020 or 2019.

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 removed from the accounting records.

Amounts held for others as fiscal agent: From time to time, The Fund enters into agreements to serve as fiscal agent for other organizations. Under these agreements, The Fund receives money on behalf of these organizations and issues payment for expenses incurred by the organizations from those monies. No revenues or expenses are reflected on the statements of activity for these transactions as The Fund does not have variance power over the monies received and does not have control over the organizations who are parties to these agreements. Accordingly, the amount of cash The Fund holds under these agreements is reported as both an asset and a liability on the statements of financial position.

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.

Program grants: The maximum amount payable under any grant is approved by The Fund's Board of Directors. Grants authorized but unpaid at year-end are reported as liabilities. Conditional grant commitments are not recorded as liabilities or expense until the time when the conditions on which they depend are substantially met.

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.

The Chicago Public Education Fund

Notes to Financial Statements

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

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 and with respect to contributions paid in 2020, without significant effect to The Fund's financial statements.

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 statements 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 statements of activities. The new standard is effective for The Fund's 2022 financial statements.

Subsequent events: The Fund has evaluated subsequent events for potential recognition and/or disclosures through May 12, 2021, 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 12, 2021. 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 leadership, talent, and management needs, with the goal of accelerating student outcomes 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 leadership 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 voices in policymaking, with a focus on aligned growth and accountability systems, on 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 stronger culture and climate in schools and to better academic and life outcomes 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.

The Chicago Public Education Fund

Notes to Financial Statements

Note 3. Unconditional Promises to Give

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

	2020	2019
Receivable in up to one year	\$ 4,905,938	\$ 4,477,412
Receivable in one to five years	3,427,419	7,138,244
	8,333,357	11,615,656
Less present value discount	(206,699)	(508,948)
	<u>\$ 8,126,658</u>	<u>\$ 11,106,708</u>

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%. The unconditional promises at December 31, 2020 include a \$1,000,000 promise received in 2020 which was collected in January 2021.

Conditional pledges, which are not recognized in the financial statements until conditions are satisfied, totaled \$100,000 at December 31, 2020 and 2019.

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.

The Chicago Public Education Fund

Notes to Financial Statements

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, 2020 and 2019.

As of December 31, 2020 and 2019, The Fund's investments in money market funds, 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, 2020 and 2019, including \$171,800 and \$105,000 held for others as fiscal agent, as of December 31, 2020 and 2019, respectively, consist of:

	2020	2019
Money market funds	\$ 601,776	\$ 1,781,452
U.S. government agencies securities	6,267,080	6,569,779
Taxable municipal bonds	946,907	253,018
Corporate bonds	3,316,072	2,145,630
	<u>\$ 11,131,835</u>	<u>\$ 10,749,879</u>

Note 6. Liquidity and Availability

The following presents The Fund's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for use within one year of the statement of financial position date because of donor-imposed restrictions:

	2020	2019
Financial assets at year-end:		
Cash	\$ 1,542,221	\$ 1,033,224
Unconditional promises to give, net	8,126,658	11,106,708
Accrued interest receivable	63,323	45,720
Investments	10,960,035	10,644,879
	<u>20,692,237</u>	<u>22,830,531</u>
Less amounts not available within one year due to:		
Donor time restrictions	3,220,720	6,629,296
Donor-restricted endowment to be retained in perpetuity	1,000,000	-
	<u>4,220,720</u>	<u>6,629,296</u>
	<u>\$ 16,471,517</u>	<u>\$ 16,201,235</u>

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 was launched in 2018, although some contributions were received at the end of 2017, and the funds raised are being spent down over the period beginning in 2019 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.

The Chicago Public Education Fund

Notes to Financial Statements

Note 7. Property and Equipment

Property and equipment at December 31 consist of the following:

	2020	2019
Furniture and fixtures	\$ 197,910	\$ 148,509
Leasehold improvements	228,916	224,916
Equipment	122,365	126,209
	549,191	499,634
Less accumulated depreciation and amortization	(449,022)	(449,700)
	<u>\$ 100,169</u>	<u>\$ 49,934</u>

Equipment that was fully depreciated and retired from use with a cost of \$37,086 and \$126,614 as of the end of 2020 and 2019, respectively, was removed from the equipment 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 in partnership with Chicago Public Schools. The Fund received payments of \$210,000 and \$90,000 in 2019 and 2018, respectively, from the Foundation, and disbursed \$90,000, \$105,000 and \$105,000 during 2020, 2019, and 2018, respectively, under the direction of the Foundation to Chicago Public Schools for payment of stipends to principals participating in the program. Amounts held for others as fiscal agent under this program totaled \$0 and \$105,000 at December 31, 2020 and 2019.

During 2020, The Fund entered into the COVID-19 Comeback Fund fiscal agency agreement with Chicago Public Schools and various funders. Under this agreement, The Fund is disbursing up to \$10,000 to each school determined by Chicago Public Schools to be eligible for a flexible grant to support projects that supplement learning in the current environment. A total of \$2,150,000 has been received from nine funders as of the end of 2020 and \$1,978,200 in grants was disbursed during 2020. The amount held for others as fiscal agent under this program totaled \$171,800 at December 31, 2020.

Note 9. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
The Chicago Principal Partnership	\$ 320,112	\$ 556,875
Professional Learning Communities	139,500	-
Executive Principal Program	82,500	82,500
Program Codification	63,000	-
	605,112	639,375
Subject to the passage of time	6,972,427	10,688,368
	7,577,539	11,327,743
Donor-restricted endowment to be retained in perpetuity	1,000,000	-
	<u>\$ 8,577,539</u>	<u>\$ 11,327,743</u>

The Chicago Public Education Fund

Notes to Financial Statements

Note 9. Net Assets with Donor Restrictions (Continued)

On December 31, 2020, The Fund received an unconditional promise to give in the amount of \$1,000,000 to establish an endowment fund. Payment for the full amount of the promise was received in January 2021. As this is the first endowment contribution The Fund has received, its Board of Directors is currently developing investment and spending policies covering the new endowment. These policies are expected to be implemented by the third quarter of 2021.

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:

	2020	2019
Purpose restrictions accomplished:		
The Chicago Principal Partnership	\$ 386,763	\$ 443,125
Executive Principal Program	82,500	82,500
Principal Fellowships Program	-	150,000
Principal Quality and Community of Practice Program	-	400,000
Summer Design Program	-	207,500
Fund 5	-	1,240,000
South Side Education Alliance	-	42,500
	<u>469,263</u>	<u>2,565,625</u>
Passage of specified time	<u>3,882,551</u>	<u>4,104,505</u>
	<u>\$ 4,351,814</u>	<u>\$ 6,670,130</u>

Note 10. Operating Leases

The Fund leases its office facility under an operating lease that expires February 2021. The lease provides for rental abatement and lease incentives for the build-out of the space. A lease renewal contract was executed in June 2020 for an eight-year term beginning March 1, 2021, for different space in the same building under terms substantially the same as the existing lease, with additional rent abatement and lease incentives. The rent abatement and lease incentives have been 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 range from \$14,191 to \$17,097 over the term of the lease expiring February 2029.

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

2021	\$ 175,498
2022	179,478
2023	183,883
2024	185,113
2025	189,741
2026 to 2029	<u>632,355</u>
	<u>\$ 1,546,068</u>

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 \$252,005 in 2020 and \$234,476 in 2019.

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Notes to Financial Statements

Note 11. Program Grants

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 \$1,427,963 and \$1,954,618 in 2020 and 2019, 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 not recorded as liabilities or expense until the time when the conditions on which they depend are substantially met. As of December 31, 2020, 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 \$1,120,457, of which \$1,018,957 and \$101,500 are scheduled to be paid in 2021 and 2022, respectively, if all conditions are met.

As of December 31, 2019, 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 \$911,616, of which \$780,971 was paid in 2020, \$80,000 will be paid in 2021, and \$50,645 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 \$19,500 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 \$73,886 and \$70,512 for the years ended December 31, 2020 and 2019, respectively.

Note 13. Contributed Services

The Fund received in-kind contributions valued at \$4,458 and \$12,044 during 2020 and 2019, 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.