

THE CHICAGO PUBLIC EDUCATION FUND

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

THE CHICAGO PUBLIC EDUCATION FUND
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Report of Independent Auditor

To the Board of Directors
The Chicago Public Education Fund
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of The Chicago Public Education Fund (the “Fund”), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of The Chicago Public Education Fund as of December 31, 2022, were audited by other auditors whose report dated May 17, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Chicago, Illinois
May 21, 2024

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash (includes \$35,000 and \$175,000 held for others as fiscal agency at December 31, 2023 and 2022, respectively)	\$ 713,333	\$ 2,479,760
Unconditional promises to give, net	17,649,691	18,064,802
Accrued interest receivable	101,084	109,938
Prepaid expenses and deposits	147,105	144,293
Investments in marketable securities	20,247,833	17,017,720
Investments for Board-designated endowment	2,093,384	1,763,272
Operating lease right-of-use asset, net	253,399	293,920
Property and equipment, net	613,785	783,326
Total Assets	<u>\$ 41,819,615</u>	<u>\$ 40,657,031</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 317,322	\$ 161,478
Amounts held for others as fiscal agent	35,000	175,000
Operating lease liabilities	967,778	1,132,220
Total Liabilities	<u>1,320,100</u>	<u>1,468,698</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	19,916,362	18,841,987
Board-designated endowment fund	2,093,384	1,763,272
	<u>22,009,746</u>	<u>20,605,259</u>
With Donor Restrictions	18,489,769	18,583,074
Total Net Assets	<u>40,499,515</u>	<u>39,188,333</u>
Total Liabilities and Net Assets	<u>\$ 41,819,615</u>	<u>\$ 40,657,031</u>

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

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 2,566,380	\$ 3,957,622	\$ 6,524,002
In-kind contributions	44,293	-	44,293
Investment return, net	1,203,264	-	1,203,264
Net assets released from restrictions	4,050,927	(4,050,927)	-
Total Support and Revenue	<u>7,864,864</u>	<u>(93,305)</u>	<u>7,771,559</u>
Operating Expenses:			
Program Investments and Services:			
Educational leadership	5,589,923	-	5,589,923
Supporting Services:			
Management and general	668,825	-	668,825
Fundraising	200,321	-	200,321
Total Operating Expenses	<u>6,459,069</u>	<u>-</u>	<u>6,459,069</u>
Change in Net Assets			
Before Nonoperating Expenses	1,405,795	(93,305)	1,312,490
Nonoperating Expenses:			
Loss on uncollectible pledges	<u>1,309</u>	<u>-</u>	<u>1,309</u>
Change in net assets	1,404,486	(93,305)	1,311,181
Net assets, beginning of year	<u>20,605,259</u>	<u>18,583,074</u>	<u>39,188,333</u>
Net assets, end of year	<u>\$ 22,009,745</u>	<u>\$ 18,489,769</u>	<u>\$ 40,499,515</u>

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

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 7,630,760	\$ 17,357,140	\$ 24,987,900
In-kind contributions	1,267,336	-	1,267,336
Investment return, net	(591,966)	-	(591,966)
Net assets released from restrictions	5,223,653	(5,223,653)	-
Total Support and Revenue	<u>13,529,783</u>	<u>12,133,487</u>	<u>25,663,270</u>
Operating Expenses:			
Program Investments and Services:			
Educational leadership	5,948,849	-	5,948,849
Supporting Services:			
Management and general	880,484	-	880,484
Fundraising	299,788	-	299,788
Total Operating Expenses	<u>7,129,121</u>	<u> </u>	<u>7,129,121</u>
Change in Net Assets			
Before Nonoperating Expenses	6,400,662	12,133,487	18,534,149
Nonoperating Expenses:			
Loss on uncollectable pledges	1,600	-	1,600
Change in net assets	6,399,062	12,133,487	18,532,549
Net assets, beginning of year	14,206,197	6,449,587	20,655,784
Net assets, end of year	<u>\$ 20,605,259</u>	<u>\$ 18,583,074</u>	<u>\$ 39,188,333</u>

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

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Investments and Services		Supporting Services		Total
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	
Personnel expenses	\$ 2,545,517	\$ 345,216	\$ 148,011	\$ 493,226	\$ 3,038,743
Consultants	475,788	196,627	21,305	217,932	693,720
Occupancy	326,637	41,246	18,195	59,441	386,078
Equipment	91,882	11,602	5,118	16,720	108,602
Other office expense	52,033	70,781	1,767	72,549	124,582
Communications	23,863	3,353	5,925	9,278	33,141
Program grants and related costs	2,029,910	-	-	-	2,029,910
In-kind expenses	44,293	-	-	-	44,293
	<u>\$ 5,589,923</u>	<u>\$ 668,825</u>	<u>\$ 200,321</u>	<u>\$ 869,146</u>	<u>\$ 6,459,069</u>

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

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Investments and Services	Supporting Services			Total
	Educational Leadership	Management and General	Fundraising	Total Supporting Services	
Personnel expenses	\$ 2,322,491	\$ 288,858	\$ 191,144	\$ 480,002	\$ 2,802,493
Consultants	1,270,404	425,544	61,142	486,686	1,757,090
Occupancy	304,352	50,063	20,905	70,968	375,320
Equipment	75,958	12,494	5,217	17,711	93,669
Other office expense	57,638	93,044	2,831	95,875	153,513
Communications	37,112	10,481	18,549	29,030	66,142
Program grants and related costs	1,877,322	-	-	-	1,877,322
In-kind expenses	3,572	-	-	-	3,572
	<u>\$ 5,948,849</u>	<u>\$ 880,484</u>	<u>\$ 299,788</u>	<u>\$ 1,180,272</u>	<u>\$ 7,129,121</u>

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

THE CHICAGO PUBLIC EDUCATION FUND
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,311,182	\$ 18,532,549
Adjustments to reconcile net assets to net cash flows from operating activities:		
Depreciation and amortization	190,055	181,321
Amortization of operating lease right-of-use assets	40,521	38,024
Realized/unrealized (gains) losses on marketable securities, net	(424,032)	645,083
Realized/unrealized (gains) loss on endowment fund investments, net	(330,112)	240,351
Change in operating assets and liabilities:		
Unconditional promises to give	415,111	(12,912,391)
Accrued interest receivable	8,854	(46,105)
Prepaid expenses and deposits	(2,813)	31,870
Accounts payable and accrued expenses	155,844	48,055
Operating lease liability	(164,442)	(157,541)
Amounts held for others as fiscal agent	(140,000)	175,000
Net cash flows from operating activities	<u>1,060,168</u>	<u>6,776,216</u>
Cash flows from investing activities:		
Purchases of property and equipment	(20,514)	(72,741)
Purchases of investments	(13,196,776)	(18,648,544)
Proceeds from sale of investments	10,390,695	13,056,726
Net cash flows from investing activities	<u>(2,826,595)</u>	<u>(5,664,559)</u>
Net change in cash	(1,766,427)	1,111,657
Cash, beginning of year	2,479,760	1,368,103
Cash, end of year	<u>\$ 713,333</u>	<u>\$ 2,479,760</u>

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

THE CHICAGO PUBLIC EDUCATION FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 public schools in Chicago and to investing in the educators who lead them. The Fund’s program, policy, and partnership efforts provide Chicago’s innovative educators with the time and tools to focus on teaching and learning and to continuously improve schools.

For over 20 years, the Fund has worked with our educator, district, nonprofit, and philanthropic partners to elevate strong school leadership in Chicago’s public schools. Founded by civic, business, and philanthropic leaders committed to the vision, the Fund has raised over \$137 million to support educator excellence. Through leadership transitions at the state, city, and district levels, the Fund has served as a convener and catalyst for citywide efforts to invest in public schools.

Periodically, the Fund team engages stakeholders to identify specific and measurable goals that can be achieved through targeted financial grants and strategic support. The team raises financial resources to achieve those goals. During each of these cycles, the Fund’s Board of Directors works with the team and partners to allocate funding into high-level program investment categories. Each category is designed to help the Fund pursue the goals identified by stakeholders. New investments within these categories are vetted and approved by assigned working committees, which consist of members of the Board of Directors and other partners. The work is continuously informed by feedback from educators and other community leaders in the Fund’s network.

The Fund’s last three cycles have been leadership focused. Between 2013 and the onset of COVID-19 in 2020, the number and percentage of principals recognized as “strong” grew substantially, as measured by the University of Chicago Consortium on School Research. In 2022, the Fund began fundraising for its current funding cycle, Chicago Leads. This cycle aims to support Chicago’s school leaders as they rebuild from the pandemic and shape the public schools that Chicago’s students deserve. This cycle will extend through 2030. The Fund will remain focused on strong leaders in all of Chicago’s public schools.

Basis of Accounting – The Fund’s financial statements have been prepared on the accrual basis of accounting, per 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 (“U.S. GAAP”) in these footnotes are to FASB Accounting Standards Codification (“ASC”).

Use of Estimates – In preparing financial statements, 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. Results could differ from those estimates.

Functional Allocation of Expenses – The Fund’s financial statements report specific categories of expenses attributable broadly to either programs or supporting services. Those expenses, which include personnel, occupancy, equipment, consulting, and certain communications related expenses, are allocated based on management’s estimates of time and effort. Personnel expenses are also allocated between program categories or as supporting services based on estimates of the employee’s time spent. 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 using a weighted time allocation for each category to occupancy costs.

THE CHICAGO PUBLIC EDUCATION FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—Nature of activities and significant accounting policies (continued)

Classification of Net Assets – The following classifications are used in the Fund's financial statements:

Net Assets Without Donor Restrictions – Net assets available to support the Fund's operations; not subject to donor-imposed restrictions.

Board-Designated Endowment Funds – Net assets without donor restrictions the board has set aside to support longer-term objectives.

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 limits 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 – Most of the Fund's operating funds from grants and contributions are unconditional. These revenues are recognized when the grantor or donor donates or makes an unconditional promise to give.

Concentration of Credit Risk – The Fund's financial instruments that are exposed to concentrations of credit risk consist of cash placed with federally insured financial institutions. The Federal Deposit Insurance Corporation ("FDIC") covers all accounts at a single depository institution up to \$250,000. As of December 31, 2023, the Fund had approximately \$428,000 in cash in excess of insured amounts. The Fund has not experienced any losses in such accounts.

Investments – Financial 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 donor or legislation restricts the income. 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 conditions 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 expected period of payment.

Unconditional promises to give or pledges made that 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.

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 for the reporting periods presented in these financial statements.

Property and Equipment – The Fund capitalizes property, equipment, and leasehold improvements that cost \$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 asset's useful life. Fully depreciated or amortized assets that have been retired from use are removed from the accounting records.

THE CHICAGO PUBLIC EDUCATION FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—Nature of activities and significant accounting policies (continued)

Amounts Held for Others – Periodically, the Fund enters into agreements to serve as an agent for other organizations and act as an intermediary between such organizations and beneficiaries. In 2022, the Fund agreed to serve as an agent for a project with The Boston Consulting Group (BCG) directed by three local funders. In 2022 and 2023, \$275,000 was received. Of that, \$240,000 was paid out toward the project in 2023. As of December 31, 2023 and 2022, the Fund held \$35,000 and \$175,000, respectively. The remaining \$35,000 held is for potential project expansion in 2024.

Program Grants – The maximum total amounts payable under grants are 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 expenses until the conditions on which they depend are substantially met. Conditions are outlined in benchmark schedules, approved by management, and agreed to by the grantees.

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. The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The Fund has been classified as an organization that is not a private foundation under Section 509(a)(2).

The accounting standard related to uncertainty in income taxes states the Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not 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 there are any unrecognized tax benefits or tax liabilities that should be recorded for the reporting periods presented in these financial statements.

Leases – The Fund leases certain office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statement of financial positions.

The ROU assets represent the right to use of an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Fund uses the implicit rate when it is readily determinable. Since most of the Fund's leases do not provide an implicit rate to determine the present value of lease payments, management uses the Fund's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Fund's lease terms may include options to extend or terminate the lease when it is reasonably certain it will exercise the option.

THE CHICAGO PUBLIC EDUCATION FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—Nature of activities and significant accounting policies (continued)

The Fund has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Subsequent Events – The Fund has evaluated subsequent events for potential recognition and/or disclosures through May 21, 2024, the date the financial statements were available to be issued.

Note 2—Program investments and services

The Fund provides program services, including investments of dollars, time, and expertise. Fund programs support principal-led educator teams in meeting student learning needs. Its work prioritizes the leaders in schools most burdened by historic inequity and leaders who identify with the life experiences of the students most frequently served in Chicago. Specifically, the Fund:

Offers direct support to principals, aspiring principals, and educator teams. The Fund provides opportunities for experienced principals to expand their leadership beyond their school communities, for all principals to improve continuously, and for aspiring school leaders to receive timely preparation. Its programs enable educator teams to grow leadership and talent. It helps leaders accelerate learning and improve school culture and climate.

Provides talent management support and high-quality data to partners citywide. The Fund invests in leadership development, retention of top talent, preparation pathways for school leaders, and supported leadership transitions in Chicago's public schools. Its team works with partners to use data and coordinate efforts that meet the needs of school communities, especially in times of change.

Positions principal quality as an enduring priority for the City of Chicago. The Fund gathers feedback from principals and assistant principals through annual engagement surveys and publishes reports and case studies around issues important to school leaders. It aims to make Chicago's commitment to leadership permanent as a sustainable lever for school improvement.

Fosters conditions in which principals thrive. The Fund champions principal voice in policymaking, with a focus on local decision-making, equitable allocation of resources, and increasing the number of strong educators in the schools that need them most. The Fund believes principal-centered policies lead to productive culture and climate in schools and to better academic and life outcomes for the students served.

Shares the importance of principal quality work nationwide. The Fund manages a national community of practice that currently serves more than a dozen organizations from across the country. Together, they are learning about promising strategies designed to grow principal quality and to improve the student experience in their communities.

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 3—Unconditional promises to give

Unconditional promises to give for the reporting periods presented in these financial statements are summarized below:

	<u>2023</u>	<u>2022</u>
Receivable in up to one year	\$ 5,370,210	\$ 4,148,807
Receivable in one to five years	14,412,334	14,060,000
Receivable in five to ten years	-	2,730,000
	<u>19,782,544</u>	<u>20,938,807</u>
Less present value discount	<u>(2,132,853)</u>	<u>(2,874,005)</u>
	<u>\$ 17,649,691</u>	<u>\$ 18,064,802</u>

Unconditional promises to give are discounted based upon payment terms and present value discount rate. The Fund used the U.S. Department of Treasury rates to establish the discount rates, adjusting for risk. The risk-adjusted discount ranges from 3.88% to 5.23% depending on the funder and terms of the unconditional promise to give.

Outstanding conditional promises to give totaled \$405,410 as of December 31, 2023, compared to \$828,500 as of December 31, 2022. Conditional promises to give are not recognized until conditions are satisfied.

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 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 can 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 considers factors specific to the investments.

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

As of December 31, 2023

	Level 1	Level 2	Total
Money market funds	\$ 7,345,212	\$ -	\$ 7,345,212
U.S. government agencies securities	-	6,172,006	6,172,006
Taxable municipal bonds	-	498,675	498,675
Global public equities fund	1,699,711	-	1,699,711
Corporate bonds	-	6,625,613	6,625,613
	<u>\$ 9,044,923</u>	<u>\$ 13,296,294</u>	<u>\$ 22,341,217</u>

As of December 31, 2022

	Level 1	Level 2	Total
Money market funds	\$ 1,463,272	\$ -	\$ 1,463,272
U.S. government agencies securities	-	9,426,720	9,426,720
Taxable municipal bonds	-	199,000	199,000
Global public equities fund	1,478,000	-	1,478,000
Corporate bonds	-	6,214,000	6,214,000
	<u>\$ 2,941,272</u>	<u>\$ 15,839,720</u>	<u>\$ 18,780,992</u>

Note 5—Investments

Investments in marketable securities for the reporting periods presented in these financial statements are summarized below:

	2023	2022
Money market funds	\$ 6,951,539	\$ 1,178,000
U.S. government agencies securities	6,172,006	9,426,720
Taxable municipal bonds	498,675	199,000
Corporate bonds	6,625,613	6,214,000
	<u>\$ 20,247,833</u>	<u>\$ 17,017,720</u>

Board-designated endowment fund investments for the reporting periods presented in these financial statements are summarized below.

	2023	2022
Money market fund	\$ 393,673	\$ 285,272
Global public equities fund	1,699,711	1,478,000
	<u>\$ 2,093,384</u>	<u>\$ 1,763,272</u>

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 6—Liquidity and availability

The Fund's financial assets for the reporting periods presented in these financial statements are summarized below. Assets reflected here are reduced by amounts not available for use within one year of the statement of financial position date because of donor-imposed restrictions:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 713,333	\$ 2,479,760
Unconditional promises to give, net	17,649,691	18,064,802
Accrued interest receivable	101,084	109,938
Investments in marketable securities	20,247,833	17,017,720
Endowment fund investments	2,093,384	1,763,272
	<u>40,805,326</u>	<u>39,435,492</u>
Less amounts not available within one year due to:		
Donor time restrictions	12,279,481	13,915,995
Board-designated endowment fund	2,093,384	1,763,272
	<u>14,372,865</u>	<u>15,679,267</u>
	<u>\$ 26,432,461</u>	<u>\$ 23,756,225</u>

Cash beyond what is needed for near-term general operating expenses is invested.

Note 7—Property and equipment

Property and equipment for the reporting periods presented in these financial statements consist of:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 138,501	\$ 201,431
Leasehold improvements	822,833	822,833
Equipment	190,012	192,920
	<u>1,151,346</u>	<u>1,217,184</u>
Less accumulated depreciation and amortization	<u>(537,561)</u>	<u>(433,858)</u>
	<u>\$ 613,785</u>	<u>\$ 783,326</u>

Furniture, fixtures, and equipment retired from use were removed from the balances above, with a corresponding reduction to depreciation. This included \$86,351 and \$22,771 as of December 31, 2023 and 2022, respectively.

Depreciation expense was \$87,200 and \$78,467 as of December 31, 2023 and 2022, respectively.

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 8—Board-designated endowment fund

The Fund established a Board-designated endowment fund (the “Endowment”) in 2020 to support the operations and initiatives of the Fund and its programmatic activity over the long term. It is expected that during the early years of the Endowment there will be no regular distributions; however, with the approval of the Board of Directors, the Endowment may make distributions on an exceptional basis for emergencies or to support new and specific programmatic activity.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions for the reporting periods presented in these financial statements are summarized below:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
COVID-19 Learning Recovery Efforts	\$ -	\$ 339,533
Program Professional Learning Communities	125,000	-
Policy Excellent Principals	-	300,000
Chicago Leads Policy	720,000	-
	<u>845,000</u>	<u>639,533</u>
Subject to the passage of time	<u>17,644,769</u>	<u>17,943,541</u>
	<u>\$ 18,489,769</u>	<u>\$ 18,583,074</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by the passage of time, or by other events specified by donors. Net assets released in the reporting periods presented in these financial statements are summarized below:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
COVID-19 Summer Design Program	\$ -	\$ 592,180
COVID-19 Learning Recovery Efforts	339,533	369,763
Policy Excellent Principals	300,000	350,000
Program Professional Learning Communities	125,000	-
Program Executive Principal Program Codification	-	37,500
	<u>764,533</u>	<u>1,349,443</u>
Passage of specified time	<u>3,286,394</u>	<u>3,874,210</u>
	<u>\$ 4,050,927</u>	<u>\$ 5,223,653</u>

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

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Note 10—Operating leases

The Fund has one operating lease for its office space. The lease was renewed for eight years, effective March 1, 2021. Beginning in 2022, operating right-of-use assets and liabilities were established to follow U.S. GAAP per FASB ASC 842-20-50-1. As of December 31, 2023 and 2022, the Fund has right-of-use assets and liabilities as follows:

	<u>2023</u>	<u>2022</u>
Right-of-use assets	\$ 253,399	\$ 293,920
Lease liabilities	\$ 967,778	\$ 1,132,220
		Operating Leases
2024		\$ 185,113
2025		189,741
2026		194,484
2027		199,347
2028		204,330
Thereafter		34,194
Total lease payments		1,007,209
Less imputed interest		(39,431)
Total present value of lease liabilities		<u>\$ 967,778</u>

The present value discount rate related to the lease obligations is the risk-free rate calculated at 1.55%. The Fund is required to pay allocated building operating and maintenance costs and taxes. Rent expense and share of building operating, maintenance, and taxes under the office lease totaled \$185,538 and \$184,665 as of December 31, 2023 and 2022, respectively.

Note 11—Program grants

The Fund's Board of Directors approves maximum amounts payable under grants as a part of an annual budgeting process. Grant payments made by the Fund under various program initiatives totaled \$1,570,407 and \$1,586,968 as of December 31, 2023 and 2022, 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 only when the conditions on which they depend are substantially met. Grants with unmet conditions, as established at the time of the grant approval, totaled \$843,721 as of December 31, 2023. The full amount is scheduled to be paid in 2024, provided all conditions are met.

Grants with unmet conditions, as established at the time of the grant approval, totaled \$613,874 as of December 31, 2022. \$490,266 was paid in 2023; \$-0- is scheduled to be paid in 2024; and \$123,608 will not be paid because conditions were not met, or costs were less than originally anticipated.

THE CHICAGO PUBLIC EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 federal limits.

The Fund contributes to the plan for all eligible employees up to 4% of their annual compensation. The Fund's contribution to the plan was \$83,965 and \$56,676 as of December 31, 2023 and 2022, respectively.

Note 13—In-kind contributions

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized in the statements of activities included:

	<u>2023</u>	<u>2022</u>
Professional consulting services	\$ -	\$ 1,263,764
Event contributions	43,888	-
Other	405	3,572
	<u>\$ 44,293</u>	<u>\$ 1,267,336</u>

The Fund recognized contributed nonfinancial assets within revenue. Contributed nonfinancial assets did not have donor-imposed restrictions.

In 2022, nonfinancial consulting services include professional services provided by a global management consulting group. The group advised the Fund on the evolving landscape for education in Chicago and provided strategic recommendations to the Board of Directors. A member of the Fund's Board of Directors is in a leadership role with the consulting group and helped secure the services. In valuing the contributed services, the Fund recorded the estimated fair value in the financial statements based on current market rates for similar services or contributed items.