Chicago Youth Centers

Financial Report
June 30, 2023

Contents

Independent Auditor's Report

Board of Directors
Chicago Youth Centers

Opinion
We have audited the financial statements of Chicago Youth Centers (the Organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses and direct program revenue and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 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 (GAAS). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*, as of June 1, 2022. Our opinion is not modified with respect to this matter.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 Organization'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 Organization'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.

Report on Summarized Comparative Information
We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report, dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
January 18, 2024

Chicago Youth Centers

Statement of Financial Position
June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Assets				
Cash and cash equivalents	$ 1,050,604	$ 225,052	$ 1,275,656	$ 802,458
Accounts receivable:				
Government agencies	1,631,962	-	1,631,962	2,564,690
Special events and other	304,072	-	304,072	224,544
Prepaid expenses	49,607	-	49,607	72,135
Pledges receivable	-	1,687,830	1,687,830	25,000
Investments	773,354	4,323,400	5,096,754	4,801,299
Beneficial interest in land trust	83,214		83,214	-
Construction in progress	-	-	-	2,718,843
Real estate held for sale	157,691	-	157,691	-
Property and equipment, net	6,460,276	-	6,460,276	1,654,937
Right-of-use asset for operating lease, net	1,173,264	-	1,173,264	-
Right-of-use asset for finance lease, net	4,817	-	4,817	-
	$ 11,688,861	$ 6,236,282	$ 17,925,143	$ 12,863,906
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 834,227	$ -	$ 834,227	$ 1,491,133
Accrued compensated absences	46,413	-	46,413	34,100
Accrued payroll and payroll taxes	185,468	-	185,468	172,681
Deferred revenue	199,080	-	199,080	109,783
Deferred rent	-	-	-	62,130
Loan payable—line of credit	471,919	-	471,919	390,519
Lease liability for operating lease	1,243,181	-	1,243,181	-
Lease liability for finance lease	4,857	-	4,857	-
Pension liability	-	-	-	31,658
	2,985,145	-	2,985,145	2,292,004
Net assets:				
Without donor restrictions:				
Undesignated for general activities	1,420,645	-	1,420,645	1,201,156
Designated by the Board of Directors for investment purposes	665,104	-	665,104	680,860
Invested in property and equipment	6,617,967	-	6,617,967	4,373,780
	8,703,716	-	8,703,716	6,255,796
With donor restrictions:				
Time/Special purposes	-	3,110,440	3,110,440	1,191,289
Endowment fund	-	3,125,842	3,125,842	3,124,817
	8,703,716	6,236,282	14,939,998	10,571,902
	$ 11,688,861	$ 6,236,282	$ 17,925,143	$ 12,863,906

See notes to financial statements.

Chicago Youth Centers

Statement of Activities
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenue:				
Public support:				
Direct:				
Contributions of cash and other financial assets	$ 2,639,343	$ 1,830,152	$ 4,469,495	$ 1,428,001
Contributions of nonfinancial assets	153,951	-	153,951	129,960
Special events (net of directly related expenses of $203,540—2023 and $239,030—2022)	574,074	-	574,074	663,778
	3,367,368	1,830,152	5,197,520	2,221,739
Direct program revenue:				
Fees and grants from governmental agencies	11,726,874	-	11,726,874	10,334,572
Program service fees	217,485	-	217,485	135,721
Contractual revenue	11,621	-	11,621	9,778
	11,955,980	-	11,955,980	10,480,071
Other revenue:				
Miscellaneous income	31,350	-	31,350	113,234
Gain on sale of property and equipment	3,000	-	3,000	200
Investment return, net of related fees	79,517	-	79,517	64,054
Realized gains on marketable securities	21,273	98,175	119,448	390,486
Change in unrealized gain (loss) on marketable securities	74,678	295,733	370,411	(1,493,223)
	209,818	393,908	603,726	(925,249)
Net assets released from restrictions:				
Satisfaction of program restrictions	303,884	(303,884)	-	-
	15,837,050	1,920,176	17,757,226	11,776,561
Expenses:				
Program services:				
Early Childhood Education	7,803,680	-	7,803,680	6,385,200
School Age Child Development	1,741,347	-	1,741,347	1,336,932
Teen Leadership Development	1,399,007	-	1,399,007	1,206,550
	10,944,034	-	10,944,034	8,928,682
Supporting services:				
Management and general	1,429,418	-	1,429,418	1,133,687
Development and fundraising	1,015,678	-	1,015,678	649,850
	2,445,096	-	2,445,096	1,783,537
	13,389,130	-	13,389,130	10,712,219
Increase in net assets	2,447,920	1,920,176	4,368,096	1,064,342
Net assets:				
Beginning of year	6,255,796	4,316,106	10,571,902	9,507,560
End of year	$ 8,703,716	$ 6,236,282	$ 14,939,998	$ 10,571,902

See notes to financial statements.

Chicago Youth Centers

Statement of Functional Expenses and Direct Program Revenue
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Program Services			
	Early Childhood Education	School Age Child Development	Teen Leadership Development	Program Services Total Forward
Salaries	$ 3,066,263	$ 789,946	$ 692,254	$ 4,548,463
Employee health and benefits	321,822	71,272	64,225	457,319
Payroll taxes	225,505	57,885	50,846	334,236
	3,613,590	919,103	807,325	5,340,018
Professional fees and contract service payments	2,662,730	254,871	205,118	3,122,719
Professional fees and contract service payments—nonfinancial contribution	-	-	-	-
Supplies	657,648	196,443	123,820	977,911
Supplies—nonfinancial contribution	2,262	1,790	660	4,712
Telecommunications	58,711	22,674	17,008	98,393
Postage and shipping	7,968	1,537	1,376	10,881
Occupancy	354,397	79,342	61,904	495,643
Printing	7,137	1,523	866	9,526
Transportation	5,369	55,752	50,954	112,075
Conferences, conventions and meetings	24,317	10,632	10,226	45,175
Subscriptions	-	3,972	363	4,335
Scholarships	-	-	2,000	2,000
Membership dues	292	358	322	972
Equipment purchases, leases and repairs and maintenance	171,851	107,989	43,149	322,989
Miscellaneous	25,095	1,384	1,070	27,549
Interest	-	-	-	-
	7,591,367	1,657,370	1,326,161	10,574,898
Depreciation and amortization	212,313	83,977	72,846	369,136
	$ 7,803,680	$ 1,741,347	$ 1,399,007	$ 10,944,034
Direct program revenue:				
Fees and grants from governmental agencies	$ 8,951,203	$ 1,805,103	$ 868,808	$ 11,625,114
Program service fees	5,348	211,119	1,018	217,485
Contractual revenue	-	-	11,621	11,621
	$ 8,956,551	$ 2,016,222	$ 881,447	$ 11,854,220

(Continued)

Chicago Youth Centers

Statement of Functional Expenses and Direct Program Revenue (Continued)
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Program Services Total Forwarded	Supporting Services: Management and General	Supporting Services: Development and Fundraising	Supporting Services Total	Total 2023	Total 2022
Salaries	$ 4,548,463	$ 755,597	$ 384,834	$ 1,140,431	$ 5,688,894	$ 4,573,714
Employee health and benefits	457,319	50,748	31,759	82,507	539,826	487,708
Payroll taxes	334,236	54,654	28,581	83,235	417,471	332,619
	5,340,018	860,999	445,174	1,306,173	6,646,191	5,394,041
Professional fees and contract service payments	3,122,719	167,562	468,599	636,161	3,758,880	2,979,863
Professional fees and contract service payments—nonfinancial contribution	-	149,239	-	149,239	149,239	94,807
Supplies	977,911	32,525	15,427	47,952	1,025,863	747,799
Supplies—nonfinancial contribution	4,712	-	-	-	4,712	35,153
Telecommunications	98,393	7,208	3,618	10,826	109,219	83,853
Postage and shipping	10,881	2,084	2,578	4,662	15,543	14,698
Occupancy	495,643	84,210	29,476	113,686	609,329	531,190
Printing	9,526	1,056	4,741	5,797	15,323	49,066
Transportation	112,075	5,268	18,889	24,157	136,232	83,747
Conferences, conventions and meetings	45,175	31,720	19,226	50,946	96,121	71,578
Subscriptions	4,335	3,096	852	3,948	8,283	6,283
Scholarships	2,000	-	-	-	2,000	-
Membership dues	972	3,378	-	3,378	4,350	3,870
Equipment purchases, leases and repairs and maintenance	322,989	9,210	4,510	13,720	336,709	294,096
Miscellaneous	27,549	33,256	137	33,393	60,942	45,370
Interest	-	32,577	-	32,577	32,577	12,790
	10,574,898	1,423,388	1,013,227	2,436,615	13,011,513	10,448,204
Depreciation and amortization	369,136	6,030	2,451	8,481	377,617	264,015
	$ 10,944,034	$ 1,429,418	$ 1,015,678	$ 2,445,096	$ 13,389,130	$ 10,712,219
Direct program revenue:						
Fees and grants from governmental agencies	$ 11,625,114	$ 101,760	$ -	$ 101,760	$ 11,726,874	$ 10,334,572
Program service fees	217,485	-	-	-	217,485	135,721
Contractual revenue	11,621	-	-	-	11,621	9,778
	$ 11,854,220	$ 101,760	$ -	$ 101,760	$ 11,955,980	$ 10,480,071

See notes to financial statements.

Chicago Youth Centers

Statement of Cash Flows
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Increase in net assets	**$ 4,368,096**	$ 1,064,342
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**377,617**	264,015
Realized gains on sale of marketable securities	**(119,448)**	(390,486)
Unrealized (gain) loss on marketable securities	**(370,411)**	1,493,223
Contribution of securities	**(15,396)**	(10,801)
Contributions to endowments	**(1,025)**	(575)
Changes in:		
Accounts receivable	**853,200**	(1,148,293)
Prepaid expenses	**22,528**	(34,318)
Pledges receivable	**(1,662,830)**	20,000
Right-of-use asset for operating lease	**(1,173,264)**	-
Accounts payable and accrued expenses	**(656,906)**	1,010,157
Accrued compensated absences	**12,313**	(2,547)
Accrued payroll and payroll taxes	**12,787**	(180,554)
Deferred revenue	**89,297**	(30,431)
Deferred rent	**(62,130)**	5,484
Lease liability for operating lease	**1,243,181**	-
Net cash provided by operating activities	**2,917,609**	2,059,216
Cash flows from investing activities:		
Proceeds from sales of marketable securities	**571,800**	660,418
Purchases of marketable securities	**(362,000)**	(456,726)
Beneficial interest in land trust	**(83,214)**	-
Capital expenditures	**(2,621,390)**	(2,914,922)
Net cash used in investing activities	**(2,494,804)**	(2,711,230)
Cash flows from financing activities:		
Net borrowings on loan payable—line of credit	**81,400**	250,000
Payments on finance lease liability	**(374)**	-
Payment on pension liabilities	**(31,658)**	(30,886)
Contributions to endowments	**1,025**	575
Net cash provided by financing activities	**50,393**	219,689
Net change in cash and cash equivalents	**473,198**	(432,325)
Cash and cash equivalents:		
Beginning of year	**802,458**	1,234,783
End of year	**$ 1,275,656**	$ 802,458
Supplemental disclosure of cash flow information:		
Interest paid	**$ 32,577**	$ 12,790
Supplemental disclosure of non-cash investing information:		
Capital expenditures included in accounts payable	**$ -**	$ 1,063,248
Establishment of right-of-use asset for operating lease	**1,364,288**	-
Establishment of lease liability for operating lease	**1,426,215**	
	$ 2,790,503	$ 1,063,248
Supplemental disclosure of non-cash financing information:		
Establishment of right-of-use asset for finance lease	**$ 5,231**	$ -
Establishment of lease liability for finance lease	**5,231**	-
	$ 10,462	$ -

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Chicago Youth Centers (the Organization) is a nonprofit comprehensive youth service agency providing programs to economically disadvantaged youth in the Chicago area. Its main objective is to enable young people to become self-sufficient productive members of society through their involvement in its programs.

A summary of significant accounting policies is as follows:

Basis of presentation: The financial statements of the Organization have been prepared in conformity with accounting principles applicable to nonprofit organizations.

The Organization maintains its financial accounts in accordance with the principles and practices of fund accounting, in order to ensure the observance of limitations and restrictions placed on the use of available resources. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established in accordance with their nature and purpose. For financial reporting purposes, fund balances and related activities of the various funds are classified as either without donor restriction or with donor restriction based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, including the carrying value of all physical properties (land, buildings and equipment). Items that affect (i.e., increase or decrease) this net asset category include amounts received from government agencies, program service fees and all expenses associated with the core activities of the Organization. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support, namely contributions without donor restrictions and foundation grants, investment income and restricted contributions and foundation grants whose donor-imposed restrictions were met during the fiscal period. These assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization or the passage of time. Other donor-imposed restrictions require that they be maintained permanently (i.e., in perpetuity). Items that affect this net asset category are restricted contributions, pledges and grants. Earnings on investments of endowment funds are included in revenue with donor restrictions until appropriated for expenditure unless otherwise specified by donors, or by the Organization's policies.

Revenues with donor restrictions are reclassified to net assets without donor restrictions when such restrictions are met, expired, or appropriated for expenditure. These reclassifications are reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents: The Organization considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents. The Organization maintains its deposits in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts receivable: Receivables are valued at management's estimate of the amount that will ultimately be collected. There is no allowance for doubtful accounts, which is based on the Organization's historical collection experience, known and inherent risks of the contributors comprising the Organization's receivable balance, adverse situations that may affect the contributor's ability to pay and current economic conditions.

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

Pledges receivable: Pledges are recognized as support in the period acknowledged by the donor. Pledges are initially recorded at fair value less an estimate made for doubtful pledges based on a review of all outstanding pledges on an annual basis. Pledges to be received after one year are discounted to present value at a discount rate commensurate with the risks involved. The Organization uses discount rates that approximate U.S. Treasury borrowing rates at the end of the fiscal year, in which the promise to give was received based on the respective duration of the donor's payment plan. Amortization of the discount is recorded as contribution revenue.

The Organization records an allowance for uncollectible pledges receivable based on a determination of the likelihood of collection for each pledge receivable balance considering the age of the receivable and other factors that would impact collection. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

Valuation of investments: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America.

Investment income (loss), realized gains (losses) and change in unrealized gains (losses) are reflected in the statement of activities. Investments received as contributions are recorded at fair value at the date of receipt. The Organization's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that change in the fair value of investments may occur and that such changes could materially affect the Organization's financial statements.

Included in the investment returns of the Organization are investment fees of $23,517 for the year ended June 30, 2023.

Property and equipment: Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment over $1,500 during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or returned are removed from the property and equipment account, and any gain or loss upon disposition is recognized at that time.

The Organization recognizes depreciation as a cost of providing current services. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the estimated lives of the improvements or the term of the lease. The useful life for equipment is: three or seven years, motor vehicles: five years, property improvements: five, 10, 12 or 20 years and buildings: 30 years.

Deferred revenue: Fees are paid in advance for certain program activities. Fees unearned at year-end are reflected as deferred revenue.

Right-of-use assets and lease liabilities: Operating lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The finance lease liabilities are initially measured at the present value of minimum lease payments using an incremental borrowing rate at the start of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses, if any, in measure the Organization's right-of-use assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using an incremental borrowing rate at the start of the lease multiplied by the outstanding finance lease liability.

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

The Organization considers leases with initial terms of 12 months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Organization does separate non-lease components from lease components, if any, when determining the payments for leases of building space and office equipment.

Government grants: The Organization receives funding under grants from various federal, state and local government agencies. Revenue is recognized as income under government grant agreements based on their respective terms. Government grants are primarily conditional contributions which are recognized when the barriers have been substantially met (generally, when qualifying expenses have been incurred and all other grant requirements have been met). Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has received conditional commitments, which generally represent unexpended government grants, amounting to $3,934,243, which has not been recognized because the Organization has not yet met the related barriers. These amounts will be subject to recognition as the Organization incurs qualifying expenses and performs its duties under the terms of the grant agreements. The Organization receives a substantial amount of its operating support from government agencies. Any significant reduction in the level of this support could have an effect on the Organization’s programs.

Contributions: Contributions are recorded as revenue when received or pledged. Donors’ promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met. The Organization has received a conditional promise to give in the amount of $100,000, which has not been recognized because the Organization has not yet met the related barrier. Contributions received with donor-imposed restrictions, temporary in nature, are recorded as revenue with donor restrictions, unless satisfaction of restrictions occurs in the same year as revenue recognition, in which case the contributions are recorded as revenue without donor restrictions.

Donated materials and other noncash donations are recorded as contributions at their estimated fair values on the date received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with their programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion.

Contributions of services are recognized if the services received: (a) create or enhance nonfinancial assets or (b) require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair value when received. Donated supplies comprise of supplies used in various program manners and classroom materials for both the Early Childhood Education and Out of School Time programs. The Organization considers fair value of donated supplies to be the retail sales price. Contributed services recognized comprise professional services from attorneys advising the Organization on various administrative legal matters and services from a public relations consultant consulting the Organization on public relations matters. Contributed services are valued and are reported at the estimated fair value based on current rates for similar legal and public relations consultant services. For the year ended June 30, 2023, the Organization recorded nonfinancial contributions of $127,839 for legal fees, $21,400 for public relation consultant fees and $4,712 of donated supplies.

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

Program service fees: The Organization recognizes revenue from program service fees in the month services are provided. Families classified as fee-for-service, their monthly fees are invoiced at the beginning of each month. For families qualifying for childcare assistance from the state of Illinois, monthly fees are billed at the end of each month and submitted to Illinois Action for Children, the intermediary who processes child care assistance billings on behalf of the state of Illinois. All performance obligations are met during the month for which the program fee applies, except program fees paid in advance. Program fees paid in advance are deferred to the service period to which they relate. As of June 30, 2023, the Organization had minimal deferred program fees.

The revenue streams noted above do not include significant financing components as performance obligations are satisfied within a year of invoicing. Also, there are no consideration amounts that are variable.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated to the respective areas on the basis of ratios estimated by management.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee health and benefits, payroll taxes, supplies, postage and shipping, printing, transportation, conferences, conventions and meetings, scholarships, membership dues, miscellaneous and interest, which are allocated on the basis of estimates of time and effort. Occupancy and depreciation are allocated on a square footage basis, and telecommunications is allocated on a full time equivalent basis.

Estimates: In preparing financial statements in conformity 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.

Income taxes: Chicago Youth Centers is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization 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 Organization and 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 guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. At June 30, 2023, there were no unrecognized tax benefits identified or recorded as liabilities.

The Organization files form 990 in the U.S. federal jurisdiction and the state of Illinois.

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

Adopted accounting pronouncements: During the fiscal year ended June 30, 2023, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (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 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows the Organization to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases, (2) not reassess the lease classification for any expired or existing leases and (3) not reassess initial direct costs for any existing leases. The Organization also elected to apply the practical expedient to use hindsight in determining the lease term.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than 12 months. Accordingly, an operating right-of-use asset and lease liability totaling approximately $1,364,000 and $1,426,000, respectively, was recognized as of July 1, 2022. Existing deferred rent and lease incentive of approximately $62,000 as of July 1, 2022, is included as a reduction to the initial measurement of the right-of-use asset for the operating lease. In addition, a finance right-of-use asset and lease liability totaling approximately $5,000 each was recognized during the fiscal year.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through January 18, 2024, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise the following:

Cash and cash equivalents	$ 1,275,656
Accounts receivable	1,936,034
Pledges receivable	1,687,830
Investments	5,096,754
	9,996,274
Less amounts not available to be used within one year:	
Security deposits	36,304
Net assets with donor restrictions related to the endowment	3,125,842
Net assets restricted until appropriated for expenditure	968,637
Investments held for quasi-endowment established by the board less 2024 budgeted appropriation	646,186
Investments designated by the board for special projects less 2024 budgeted appropriation	350,296
Funds designated by the board for capital improvements	83,083
Financial assets not available to be used within one year	5,210,348
Financial assets available to meet general expenditures over the next 12 months	$ 4,785,926

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit. See Note 9 for information about the Organization’s line of credit. Of the $4,785,926 available in financial assets, $1,066,108 will be utilized to pay outstanding accounts payable and payroll obligations as of June 30, 2023.

The endowment funds consist of donor-restricted endowments and funds designated by the board as quasi-endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The principal of donor-restricted endowments is not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of 5% as described in Note 11. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board of directors’ annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3. Pledges Receivable

In fiscal year 2023, the Organization launched its “Imagine the Possibilities” Growth Campaign (the “Campaign”) which is designed to transform the way the Organization invests in its people, places and programs. The Organization is raising funds to establish safe and inspiring facilities; expand impact; and empower the Organization’s people. The Campaign will raise $8.2 million over three to five years.

Pledges receivable for fiscal year 2023, consisted of the following:

“Imagine the Possibilities” Growth Campaign:	
With donor restrictions—time restricted expected to be received in fiscal year:	
2024	$ 434,750
2025	453,250
2026	213,250
2027	138,250
2028	31,000
2029-2030	11,500
	1,282,000
Annual Giving:	
With donor restrictions—time restricted expected to be received in fiscal year:	
2024	330,000
2025	110,000
2026	50,000
2027	50,000
	540,000
	1,822,000
Unamortized discount to present value	(89,870)
Allowance for uncollectible pledges	(44,300)
	(134,170)
Total pledges receivable, net	$ 1,687,830

The present value discount for new pledges received in 2023 ranges between 3.97% and 4.87%. The discount rate was based on the approximate number of years remaining for pledge payments. The pledges receivable for the “Imagine the Possibilities” Growth Campaign include $472,000 of amounts due from members of the Board of Directors as of June 30, 2023.

Note 4. Fair Value Measurements

The Organization follows the accounting guidance on fair value measurements and disclosure, which 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 this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy 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. The types of investments included in Level 1 include listed equities and fixed income mutual funds.

Note 4. Fair Value Measurements (Continued)

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3: Inputs are unobservable for the asset or liability and 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. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, funds of hedge funds and distressed debt.

Investments in certain equity mutual funds and fixed income mutual funds traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in over-the-counter markets and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted ask price is used.

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 Organization'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 investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The Organization assesses the levels of the investments at each measurement date. Transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

The following table summarizes the Organization's investments accounted for at fair value as of June 30, 2023, using the fair value hierarchy:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income mutual funds	$ 1,143,236	$ -	$ -	$ 1,143,236
Equity mutual funds—domestic	2,919,153	-	-	2,919,153
Equity mutual funds—international	1,034,365	-	-	1,034,365
	$ 5,096,754	$ -	$ -	$ 5,096,754

Note 5. Investments

The Organization utilizes a pooled investment approach in the management of their investment portfolios. Investment income realized and unrealized gains or losses are allocated on a quarterly basis to the underlying individual funds based on each fund's pro rata share of the total beginning investment balance. Investments consisted of the following:

	Cost	Fair Value
Fixed income mutual funds	$ 1,284,717	$ 1,143,236
Equity mutual funds—domestic	2,251,027	2,919,153
Equity mutual funds—international	960,148	1,034,365
	$ 4,495,892	$ 5,096,754

Note 6. Real Estate Held for Sale and Property and Equipment

As of June 30, 2023, the Organization was negotiating two separate purchase sale agreements for its Elliott Donnelley Youth Center and surrounding parcels of land. The property was reclassified from property and equipment to real estate held for sale. The net book value for all parcels was $157,691 as of June 30, 2023. The purchase sale agreements were executed in July 2023.

The Organization was renovating property in the Calumet Heights neighborhood of Chicago to operate as a center with various program services. The renovation of the property was completed and placed into service in fiscal year 2023.

Property and equipment consisted of the following at June 30, 2023:

Land	$ 84,249
Buildings	3,414,737
Property improvements	5,343,751
Leasehold improvements	1,165,132
Motor vehicles	87,918
Equipment	1,421,238
	11,517,025
Accumulated depreciation	(5,056,749)
	$ 6,460,276

Total depreciation and amortization expense for fiscal year 2023 amounted to $377,202.

Note 7. Lease Obligations

Chicago Youth Centers occupies its office facilities and certain of its neighborhood youth centers under long-term leases (the latest of which expires in fiscal year 2029). The lease for the administrative office commenced July 15, 2018, and provides for increases in rental expense based on increases in annual rent, real estate taxes and operating expenses over the base year, as defined. The lease for the neighborhood youth centers contains an option to extend the lease term. In addition, Chicago Youth Centers has entered into an operating lease for copier equipment.

Note 7. Lease Obligations (Continued)

Approximate total minimum annual rental payments (excluding increased payments) under these leases are to be as follows:

Maturity of the operating lease liability as of June 30, 2023, is as follows:

2024	$ 245,155
2025	245,103
2026	244,626
2027	251,843
2028	259,275
2029	98,590
Total undiscounted minimum lease payments	1,344,592
Less discount to present value	(101,411)
Total operating lease liability	$ 1,243,181

The supplementary qualitative operating lease information is as follows:

Weighted-average remaining lease term (years)	5.32
Weighted-average discount rate	2.92%

The Organization is obligated under a non-cancelable finance lease for office equipment through 2028. Amortization on the right-of-use asset for finance lease totaled $414 and is included in depreciation and amortization expense on the statement of functional expenses for the fiscal year ended June 30, 2023. The accumulated amortization of the right-of-use asset for finance lease was $414 as of June 30, 2023. Interest expense on the lease liability for finance lease totaled $150 for the year ended June 30, 2023.

Maturity of the finance lease liability as of June 30, 2023, is as follows:

2024	$ 1,257
2025	1,257
2026	1,257
2027	1,257
2028	733
Total undiscounted minimum lease payments	5,761
Less discount to present value	(904)
Total finance lease liability	$ 4,857

The supplementary qualitative finance lease information is as follows:

Interest paid for amounts included in the measurement of finance lease liabilities—operating cash flows	150
Weighted-average remaining lease term (years)	4.61
Weighted-average discount rate	7.75%

Total rentals charged to operations for fiscal year 2023 amounted to $264,069.

Note 8. Loans Payable

Chicago Youth Centers maintains an operating line of credit with BMO Harris Bank N.A., limited to $1,500,000. The line is secured by Chicago Youth Centers' investment portfolio and has no expiration date. Borrowings on the line are payable on demand. The line bears interest at the prime rate (8.25% at June 30, 2023). There were $81,400 in net borrowings during fiscal year 2023, and the outstanding balance at June 30, 2023, was $471,919. Interest expense of $31,635 was incurred in fiscal year 2023.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

Net assets restricted for special purposes:	
Pledge receivable restricted for time	$ 1,687,830
Art scholarships and programs	87,609
Camp programs	153,997
Early childhood services	4,485
Family engagement	6,038
General operations	815,641
Network infrastructure	87,324
Rebecca Crown Center operations	91,024
Scholarships	16,399
Sidney Epstein Center maintenance	35,382
Youth and teen services	124,711
	3,110,440
Net assets related to endowment funds in perpetuity:	
Camp programs	1,232,525
Sidney Epstein Center maintenance	500,000
Rebecca Crown Center operations	325,000
Art scholarships and programs	314,604
Scholarships	127,912
General operations	625,801
	3,125,842
	$ 6,236,282

Net assets were released from restrictions for the following purposes during 2023:

Youth and teen services	$ 117,428
Early childhood services	8,404
Family engagement	27,196
Wellness activities	19,179
Appropriated investment return	131,677
	$ 303,884

Note 10. Endowment Funds

The Organization's endowment consists of eight individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions (endowment fund): (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (endowment funds) is classified as net assets with donor restrictions (special purposes) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund.

2) The purpose of the Organization and the donor-restricted endowment fund.

3) General economic conditions.

4) The possible effect of inflation and deflation.

5) The expected total return from income and the appreciation of investments.

6) Other resources of the Organization.

7) The investment policies of the Organization.

Endowment composition: The Organization's endowment net assets are as follows:

Board designated funds	$ 665,104
Donor-restricted funds	4,323,400
	$ 4,988,504

Note 10. Endowment Funds (Continued)

Changes in endowment net assets: The Organization's changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, July 1, 2022	$ 680,860	$ 4,060,144	$ 4,741,004
Contributions	-	1,025	1,025
Investment results	29,371	393,908	423,279
Expenditures	(45,127)	(131,677)	(176,804)
Balance, June 30, 2023	$ 665,104	$ 4,323,400	$ 4,988,504

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. There is one individual donor-restricted endowment fund with permission from the donor to distribute the principal balance if investment earnings are insufficient to cover the costs of scholarships provided from the fund. The cumulative scholarships paid from and investment returns for this donor-restricted fund in 2023 exceeded the principal balance by $17,056. The market value of this donor-restricted fund was $41,211, and the principal balance was $58,267. There were no other deficiencies of this nature as of June 30, 2023.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Investment Committee, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the total fund benchmark, which consists of 60% Morgan Stanley Capital International All-Country World Index, 26% Barclays U.S. Aggregate Bond Index, 7% Wilshire Liquid Alternatives Index, 5% Financial Times Stock Exchange European Public Real Estate/National Association of Real Estate Investments Trust Global Real Estate Index and 2% Intercontinental Exchange Bank of America Merrill Lynch U.S. Three-Month Treasury Index, while assuming a moderate level of investment risk. The Organization expects the returns earned on the endowment funds, over a three- to five-year cycle, to exceed the rate of return of the appropriate style benchmarks. Actual returns in any given year may vary from this amount.

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

Note 10. Endowment Funds (Continued)

Spending policy: The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior eight quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to attain average real total returns (net of investment management fees and after inflation) in excess of the spending rate over the long term. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11. Related-Party Transactions

Members of the Board of Directors made contributions to the Organization totaling $882,580 for fiscal year ending June 30, 2023. Members of the Organization's senior management made contributions to the Organization totaling $5,713. Accounts receivable—special events and other and pledges receivable include $37,000 and $472,000, respectively, of amounts due from members of the Board of Directors as of June 30, 2023. The Organization also received grants and sponsorships from companies or individuals who employ or are otherwise affiliated with the Board of Directors in the amount of $333,543 for the fiscal year ended June 30, 2023.

Note 12. Comparative Totals for Prior Year

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.