ILLINOIS NETWORK OF CHARTER SCHOOLS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

ILLINOIS NETWORK OF CHARTER SCHOOLS

YEAR ENDED DECEMBER 31, 2020

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Independent Auditors' Report

Board of Directors
Illinois Network of Charter Schools

We have audited the accompanying financial statements of Illinois Network of Charter Schools, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Network of Charter Schools as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Illinois Network of Charter Schools adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

As described in Note 3 to the financial statements, net assets at January 1, 2020 have been restated to correct an error related to the recognition of grants and contributions receivable. Our opinion is not modified with respect to this matter.

Ostrow Reisin Berk & Abrams, Ltd.

April 17, 2023

ILLINOIS NETWORK OF CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

December 31, 2020	
ASSETS	
Cash	$ 5,232,429
Certificates of deposit	2,114,431
Receivables:	
Grants and contributions	18,730
Contract services	15,591
Related party administrative fee	241,104
Prepaid expenses and deposits	71,236
Property and equipment, net	16,659
Total assets	$ 7,710,180
LIABILITIES AND NET ASSETS	
Liabilities:	
PPP loan payable	$ 311,400
Accounts payable	30,696
Accrued expenses	30,293
Contract liabilities	103,325
Deferred rent	9,583
Total liabilities	485,297
Net assets:	
Without donor restrictions:	
Board-designated	900,000
Undesignated	6,308,153
Total without donor restrictions	7,208,153
With donor restrictions	16,730
Total net assets	7,224,883
Total liabilities and net assets	$ 7,710,180

See notes to financial statements.

ILLINOIS NETWORK OF CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

Year ended December 31, 2020	Without donor restrictions	With donor restrictions	Total
Revenue:			
Foundation and corporate grants	$ 1,737,320	$ 167,230	$ 1,904,550
Individual contributions	494,851		494,851
Contributions from member schools	624,154		624,154
Contract services revenue	100,971		100,971
Related party administrative fees	153,108		153,108
Net investment income	65,682		65,682
Net assets released from restrictions	192,800	(192,800)	
Total revenue	3,368,886	(25,570)	3,343,316
Expenses:			
Program services	2,308,458		2,308,458
Management and general	396,523		396,523
Fundraising	246,225		246,225
Total expenses	2,951,206		2,951,206
Change in net assets	417,680	(25,570)	392,110
Net assets:			
Beginning of year, as previously reported	6,790,473	17,300	6,807,773
Prior period adjustment		25,000	25,000
Beginning of year, as restated	6,790,473	42,300	6,832,773
End of year	$ 7,208,153	$ 16,730	$ 7,224,883

See notes to financial statements.

ILLINOIS NETWORK OF CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020	Program services				Supporting services		
	Charter growth	Charter support	Charter advocacy	Total program services	Management and general	Fundraising	Total
Personnel	$ 51,581	$ 932,645	$ 564,678	$ 1,548,904	$ 247,827	$ 213,698	$ 2,010,429
Awards and sponsorships		125,037	141,618	266,655	200		266,855
Meetings and events	5,317	2,732	32,321	40,370	11,554		51,924
Professional services		39,108	241,411	280,519	50,577	293	331,389
Office expenses		16,691	16,990	33,681	19,738	403	53,822
Occupancy	42,372	44,973	50,984	138,329	52,520	31,831	222,680
Depreciation and amortization					14,107		14,107
Total expenses	$ 99,270	$ 1,161,186	$ 1,048,002	$ 2,308,458	$ 396,523	$ 246,225	$ 2,951,206

See notes to financial statements.

ILLINOIS NETWORK OF CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

Year ended December 31, 2020	
Cash flows from operating activities:	
Change in net assets	$ 392,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	14,107
Deferred rent	(12,459)
(Increase) decrease in operating assets:	
Grants and contributions receivable	157,772
Contract services receivable	(15,591)
Related party administrative fee receivable	(153,358)
Prepaid expenses and deposits	(198)
Increase (decrease) in operating liabilities:	
Accounts payable	(56,322)
Accrued expenses	583
Contract liabilities	(20,781)
Net cash provided by operating activities	305,863
Cash flows from investing activity:	
Interest reinvested in certificates of deposit	(48,617)
Net cash used in investing activity	(48,617)
Cash flow from financing activity:	
Proceeds from PPP loan payable	311,400
Net cash provided by financing activity	311,400
Net increase in cash	568,646
Cash, beginning of year	4,663,783
Cash, end of year	$ 5,232,429

See notes to financial statements.

1. Organization

Illinois Network of Charter Schools (the Organization) operates as an Illinois not-for-profit organization. The Organization's chartered objectives are to improve educational outcomes for Illinois students by promoting and invigorating the charter school concept and by translating the collective expertise and strength of high-quality charter schools into individual charter school solutions. The Organization's main source of revenue is grants and contributions from foundations, individuals, and member schools.

2. Summary of significant accounting policies

Basis of accounting:

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncement:

Effective January 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Organization recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five-step approach for the recognition of revenue. The Organization implemented this standard during the year ended December 31, 2020 using the modified retrospective method. The adoption of this standard did not materially impact the financial statements of the Organization.

Net assets:

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> **Net assets without donor restrictions -** Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization. Board-designated net assets are net assets without donor restrictions designated by the Board of Directors for future discretional use. These designations are based on the actions of the Board of Directors, which can be altered or revoked at a future time by the Board of Directors.

2. Summary of significant accounting policies (continued)

Net assets: (continued)

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

Grant and contributions revenue:

Grants and contributions revenue are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash:

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At December 31, 2020, cash in excess of these limits totaled approximately $4,990,000. Management believes that the Organization is not subject to any significant credit risk on cash.

Certificates of deposit:

Certificates of deposit are carried at cost plus accrued interest and have a maturity date of one year or longer. At December 31, 2020, balances in excess of federally-insured limits totaled approximately $1,864,000. Management believes that the Organization is not exposed to any significant credit risk on certificates of deposit.

2. Summary of significant accounting policies (continued)

Grants and contributions receivable:

Grants and contributions receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization regularly monitors collectibility of grants and contributions receivable, and in the event that circumstances indicate that a receivable may not be fully realizable, an allowance to reduce the receivable to the net realizable value would be recorded. Based on the Organization's assessment of the year-end receivables and current relationships with major funders and donors, management has concluded that realization losses on remaining balances outstanding at year-end will be immaterial. An allowance for uncollectible accounts is considered unnecessary and is not provided.

Property and equipment:

Property and equipment are stated at cost if purchased or fair value at date of donation, if donated. Depreciation of furniture and equipment and software is provided over three or five years using the straight-line method. Amortization of leasehold improvements is provided ratably over the lesser of the term of the lease or the estimated life of the improvements. Major additions and betterments of $5,000 or more are capitalized while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Deferred rent:

The Organizations records rent expense on a straight-line basis over the life of the related lease. The difference between rent expense recorded and the amount paid is charged to deferred rent in the statement of financial position.

2. Summary of significant accounting policies (continued)

Expense allocation:

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel, depreciation and amortization, and occupancy are allocated on the basis of time and effort. All other costs directly attributable to a program or supporting function are charged directly to that function.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through April 17, 2023, the date the financial statements were available to be issued.

3. Correction of an error

Net assets at January 1, 2020 have been restated to correct an understatement of grants and contributions receivable at December 31, 2019. The correction increased grants and contributions receivable, net assets with donor restrictions and total net assets at January 1, 2020 by $25,000 and increased the change in net assets for the year ended December 31, 2019 by $25,000.

4. Revenue from contracts with customers

Performance obligations:

Board member certification fees

The Organizations receives contract services revenue for providing training and then certifying charter school board members. The Organization recognizes these fees when certification is issued at a point in time.

Related party administrative fees

The Organization receives contract service revenue for work performed for an affiliated organization. The Organization recognizes these fees over time when the performance obligations of providing the services are met.

Consulting services

The Organization provides consulting services for customers. The Organization recognizes consulting services over time when the performance obligations of providing the services are met.

There is no variable consideration with these revenue streams. All performance obligations are satisfied within one year of contract origination. As a result, the Organization is not required to separately disclose aggregate amounts of unsatisfied performance obligations, if any, as of December 31, 2020.

Amounts are typically billed on a monthly basis with payments due within 30 to 60 days of invoice.

4. Revenue from contracts with customers (continued)

Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the year ended December 31, 2020 was as follows:

Year ended December 31, 2020		
Revenue recognized over time:		
Related party administrative fees	$	153,108
Consulting services		78,671
Total revenue recognized over time		231,779
Revenue recognized at a point in time:		
Board member certification fees		22,300
Total revenue from contracts with customers	$	254,079

Contract balances:

Accounts receivable relating to contracts with customers were $256,695 and $87,746 at December 31, 2020 and 2019, respectively. There were no contract assets related to revenue from contracts with customers at December 31, 2020 and 2019. Contract liabilities represent amounts received for services that have not been performed. Contract liabilities were $103,325 and $124,106 at December 31, 2020 and 2019, respectively.

Significant judgments:

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. Management determined the transaction prices where stand-alone purchase prices were not available. Significant judgment is also required to assess collectibility, which is assessed at the onset of the contract; and revenue is recognized at the amount management expects to collect from its customers when performance obligations have been satisfied.

5. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures within one year at December 31, 2020:

December 31, 2020	
Financial assets:	
Cash	$ 5,232,429
Certificates of deposit	2,114,431
Receivables:	
Grants and contributions	18,730
Contract services	15,591
Related party administrative fee	241,104
Total financial assets	7,622,285
Less amounts not available to be used within one year:	
Net assets with donor restrictions	16,730
Board-designated net assets	900,000
Total amounts not available to be used within one year	916,730
Financial assets available to meet general expenditures within one year	$ 6,705,555

The Organization has a goal to maintain financial assets on hand to meet at least six months of operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of current operating requirements in certificates of deposit.

6. PPP loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities and other allowable costs. The Organization applied for and received $311,400 in April 2020. The PPP loan has a maturity date of April 20, 2022 and bears interest at an annual rate of 1%. Loan forgiveness is subject to approval by the lender and the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than other than payroll expenses.

In November 2021, the Organization received notice from the SBA and its lender that the full loan amount of $311,400 was fully forgiven. The Organization has accounted for the PPP loan under the debt model and will recognize forgiveness of debt revenue of $311,400 during the year ended December 31, 2021 upon approval of the loan forgiveness application.

7. Property and equipment

The components of property and equipment are as follows:

December 31, 2020		
Furniture and fixtures	$	92,774
Computer equipment and software		142,455
Leasehold improvements		41,625
		276,854
Less accumulated depreciation and amortization		260,195
Property and equipment, net	$	16,659

8. Related party transactions

For the year ended December 31, 2020, the Organization incurred personnel expenses and other overhead costs related to work performed for an affiliated 501(c)(4) social welfare organization of $153,108. The Organization had accounts receivable outstanding from this organization of $241,104 at December 31, 2020.

Contributions from Board members during the year ended December 31, 2020 totaled $183,500.

9. Net assets with donor restrictions

As of December 31, 2020, the Organization had $16,730 in net assets with donor restrictions available as time restricted grants and contributions receivable.

During the year ended December 31, 2020, net assets were released from donor restrictions by incurring expenses satisfying purpose and time restrictions as follows:

Year ended December 31, 2020	
Purpose restrictions:	
Business services program	$ 37,300
Charter Excellence awards	35,500
STEM programming	25,000
COVID-19 relief funds	90,000
Time restrictions:	
Operating grants	5,000
Total net assets released from restrictions	$ 192,800

10. Leases

The Organization has an office space lease agreement in Chicago, Illinois originally set to expire on August 31, 2021. In June 2021, the lease was amended to extend the term to August 31, 2029 with an option for the Organization to terminate the lease on August 31, 2026.

Future minimum rental payment is as follows:

Year ending December 31:	Amount
2021	$ 57,500

Rent expense for the year ended December 31, 2020 was $189,092.

11. Defined contribution plan

The Organization has a 403(b) tax-deferred annuity plan available to all eligible employees. Employee contributions are subject to limitations imposed by Internal Revenue Code Section 415 and fully vest immediately. The plan allows for employer contributions of 5% of an employee's annual salary. Contributions to the plan totaled $72,099 for the year ended December 31, 2020.

12. Tax status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. The Organization follows the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2020.

13. Concentrations

One funder accounted for approximately 81% of foundation and corporate grants revenue during the year ended December 31, 2020.

Three funders accounted for approximately 86% of individual contributions revenue during the year ended December 31, 2020.

Two member schools accounted for approximately 32% of contributions from member schools revenue during the year ended December 31, 2020.

14. Conditional grants and contributions receivable

During the year ended December 31, 2020, the Organization received a conditional grant of $4,380,000 from a foundation to further the programs of the Organization. The grant is conditional upon incurring allowable costs as well as various deliverables. As of December 31, 2020, approximately $2,920,000 of the $4,380,000 grant remains conditional upon incurring allowable costs.