



PARTNERSHIP to EDUCATE and ADVANCE KIDS

**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

The Partnership to Educate and Advance Kids
Audit Report
For the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Partnership to Educate and Advance Kids
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of **The Partnership to Educate and Advance Kids** (PEAK), which comprise the statement of financial position as of June 30, 2024, and the related statements 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 Partnership to Educate and Advance Kids as of June 30, 2024, and the changes in 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 Partnership to Educate and Advance Kids 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.

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 Partnership to Educate and Advance Kids' ability to continue as a going concern within one year after the date that 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 Partnership to Educate and Advance Kids' 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 Partnership to Educate and Advance Kids' 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 Partnership to Educate and Advance Kids 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Selden Fox, Ltd.

April 17, 2025

The Partnership to Educate and Advance Kids
Statement of Financial Position
June 30, 2024
(Comparative Totals for 2023)

Assets	2024	2023
Cash and cash equivalents	\$ 665,659	\$ 647,183
Investments	72,305	58,454
Accounts receivable	82,475	17,775
Prepaid expenses	870	931
Office equipment, net of accumulated depreciation of \$230	920	-
Restricted cash and cash equivalents	513,027	502,637
	\$ 1,335,256	\$ 1,226,980
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 228,592	\$ 100,971
Deferred revenue	30,775	90,112
	259,367	191,083
Net assets:		
With donor restrictions	538,027	525,000
Without donor restrictions	537,862	510,897
	1,075,889	1,035,897
	\$ 1,335,256	\$ 1,226,980

See accompanying notes.

The Partnership to Educate and Advance Kids
Statement of Activities
For the Year Ended June 30, 2024
(Comparative Totals for 2023)

	<u>2024</u>			<u>2023</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues:				
Sponsor tuition support	\$ 452,286	\$ -	\$ 452,286	\$ 481,990
Grants and contributions	113,611	-	113,611	652,020
In-kind contributions	2,858	-	2,858	3,590
Stewardship events	226,136	-	226,136	247,556
Investment income	938	23,827	24,765	4,447
Net assets released from restriction	10,800	(10,800)	-	-
Total revenues	806,629	13,027	819,656	1,389,603
Expenses:				
Program services	504,322	-	504,322	522,232
Management and general	115,598	-	115,598	115,872
Fund-raising	159,744	-	159,744	109,347
Total expenses	779,664	-	779,664	747,451
Change in net assets	26,965	13,027	39,992	642,152
Net assets, beginning of the year	510,897	525,000	1,035,897	393,745
Net assets, end of the year	\$ 537,862	\$ 538,027	\$ 1,075,889	\$ 1,035,897

See accompanying notes.

The Partnership to Educate and Advance Kids
Statement of Functional Expenses
For the Year Ended June 30, 2024
(Comparative Totals for 2023)

	Program Services	Management and General	Fund-raising	2024 Total	2023 Total
Bank charges	\$ -	\$ 1,561	\$ -	\$ 1,561	\$ 1,832
Bad debt expense	-	33,082	-	33,082	23,538
Depreciation	-	230	-	230	-
Insurance	-	1,680	-	1,680	6,925
Miscellaneous	-	603	-	603	451
Office expense	-	253	-	253	747
Payroll reimbursements	75,998	56,025	103,238	235,261	147,482
Postage	-	-	-	-	180
Printing and publications	-	-	-	-	600
Professional fees	-	16,793	-	16,793	36,916
Stewardship events	-	-	56,506	56,506	68,144
Student expenses	20,644	-	-	20,644	19,891
Telephone	-	5,371	-	5,371	3,683
Tuition payments	407,680	-	-	407,680	437,062
	\$ 504,322	\$ 115,598	\$ 159,744	\$ 779,664	\$ 747,451

See accompanying notes.

The Partnership to Educate and Advance Kids
Statement of Cash Flows
For the Year Ended June 30, 2024
(Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 39,992	\$ 642,152
Adjustments to reconcile change in net assets to net cash from operating activities:		
Reinvested dividends	(3,574)	-
Bad debt expense	33,082	23,538
Depreciation	230	-
Changes in operating assets and liabilities:		
Accounts receivable	(97,782)	(2,113)
Prepaid expenses	61	182
Accounts payable and accrued expenses	127,621	95,535
Deferred revenue	(59,337)	(13,642)
Cash flows from operating activities	<u>40,293</u>	<u>745,652</u>
Cash flows from investing activities - purchases		
Purchases of investments	(10,277)	(12,297)
Purchase of office equipment	(1,150)	-
Cash flows from investing activities	<u>(11,427)</u>	<u>(12,297)</u>
Net change in cash and cash equivalents, and restricted cash and cash equivalents	28,866	733,355
Cash and cash equivalents, and restricted cash and cash equivalents:		
Beginning of the year	<u>1,149,820</u>	<u>416,465</u>
End of the year	<u>\$ 1,178,686</u>	<u>\$ 1,149,820</u>
Statement of Financial Position:		
Cash and cash equivalents	\$ 665,659	\$ 647,183
Restricted cash and cash equivalents	<u>513,027</u>	<u>502,637</u>
	<u>\$ 1,178,686</u>	<u>\$ 1,149,820</u>

See accompanying notes.

The Partnership to Educate and Advance Kids Notes to the Financial Statements

1. Nature of Operations

The Partnership to Educate and Advance Kids (PEAK) was incorporated as an Illinois not-for-profit corporation on January 14, 1998. PEAK provides full, four-year high school scholarships and mentoring to academically marginal, economically disadvantaged, inner-city children.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. The financial statements have been prepared to focus on PEAK as a whole to present balances and transactions according to the existence or absence of donor-imposed transactions. This has been accomplished by classification of fund balances and transactions into two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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

Net Assets With Donor Restrictions – Net assets subject to donor or grantor-imposed stipulations. Some donor or grantor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets on the statement of activities.

Cash Equivalents – For the purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

The Partnership to Educate and Advance Kids
Notes to the Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Investments – Investments are stated at fair value in the statement of financial position. Gains and losses (realized and unrealized) on investments are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment return is reported net of external and direct internal investment expenses.

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could affect the amounts reported in the statement of financial position and the statement of activities.

Accounts Receivable – Accounts receivable are stated at the amount due from program sponsors for tuition installments paid by PEAK, reduced by an allowance for doubtful accounts. No late fees are charged on amounts past due.

The allowance for doubtful accounts is established through bad debt expense. Management determines the allowance based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts deemed uncollectible are charged to expense. Past due status is based on contractual terms. Management has determined an allowance is not necessary at June 30, 2024 and 2023.

Office Equipment – Office equipment is stated at cost or at their estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful life of five years.

Deferred Revenue – Sponsor payments for tuition and fees collected in advance of the commencement of the fall semester are recorded as deferred revenue.

Revenue Recognition – PEAK's primary revenue source is from sponsor tuition support, whereas PEAK has identified sponsors to fund tuition for the entire school year. Since the primary beneficiary of the revenue is the student rather than the sponsor, it is recognized as a contribution, similar to the other contribution revenue sources. Sponsors are invoiced for their verbal commitment on July 1 of each year, at which time the sponsor tuition revenue is recognized. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give include a barrier and right of return and are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions.

The Partnership to Educate and Advance Kids
Notes to the Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

In-kind Contributions – PEAK records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived 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 amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in professional fees expense.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements, and during the reporting period. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as more information is available.

Income Taxes – PEAK is incorporated as a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code. PEAK is exempt from income taxes, except to the extent of any unrelated business income. There was no unrelated business income for the years ended June 30, 2024 and 2023. Accordingly, no provision for income tax is included in the financial statements. The federal and state tax returns for the fiscal years ended June 30, 2021 through June 30, 2023, remain subject to examination.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Payroll expense is allocated based on estimates of time spent by employee. All direct costs of the programs are charged to the programs, and all remaining costs are considered management and general, or fund-raising expenses.

Summarized Comparative Information – 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 PEAK's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

The Partnership to Educate and Advance Kids
Notes to the Financial Statements (cont'd)

3. Liquidity and Availability

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following at June 30:

	2024	2023
Cash and cash equivalents	\$ 665,659	\$ 647,183
Investments	72,305	58,454
Accounts receivable	82,475	17,775
Restricted cash and cash equivalents	513,027	502,637
Less net assets with restriction	(538,027)	(525,000)
	\$ 795,439	\$ 701,049

PEAK's goal is generally to maintain financial assets sufficient to fund expenses for the next year, not being covered by sponsor commitments.

4. Fair Value Measurements

Fair value is defined 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.

Fair value is categorized in three levels based on the reliability of observable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that PEAK has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Partnership to Educate and Advance Kids
Notes to the Financial Statements (cont'd)

4. Fair Value Measurements (cont'd)

The money market fund is classified within Level 1 because it is an actively traded fund with a published trade price.

	2024			Total
	Level 1	Level 2	Level 3	
Vanguard federal money market fund	<u>\$ 72,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,305</u>
	2023			
	Level 1	Level 2	Level 3	Total
Vanguard federal money market fund	<u>\$ 58,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,454</u>

PEAK recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year.

5. In Kind Contributions

Volunteers to PEAK donated a significant number of hours to program services, management, and fund-raising activities, for which no value has been assigned. PEAK received contributed audit services, with a fair value of \$2,858 at June 30, 2024 (\$3,590 at June 30, 2023), determined based on unbilled hours at normal billing rates, which have been recorded as in-kind contribution revenue and professional fees expense under management and general, resulting in no effect on change in net assets or ending net assets.

6. Net Assets with Donor Restrictions

In the prior fiscal year, PEAK received a grant of \$500,000 to establish a scholarship fund, included in net assets with donor restriction at June 30, 2023. The grant is intended to be a permanent endowment whereby the principal is to be held in perpetuity and the income used to support one new Peak Scholarship each year beginning with the 2023-2024 school year, with each scholarship continuing for four years, with the intent to support the equivalent of four full scholarships starting in the fourth year. In establishing this scholarship funding policy, PEAK considered the long-term expected return on its investment assets.

The Partnership to Educate and Advance Kids
Notes to the Financial Statements (cont'd)

6. Net Assets with Donor Restrictions (cont'd)

The Board of Directors of PEAK has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, PEAK classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, PEAK considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 PEAK, and (7) PEAK's investment policies.

PEAK has invested the endowment assets in a separate money market fund, with interest earned on the fund to be used to fund scholarships. If the income earned by the fund is not sufficient to meet the funding obligation, a portion of the principal may be utilized in any one year to sustain the scholarships.

The change in endowment net assets as of June 30, 2024, and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 500,000	\$ -
Contributions	-	500,000
Investment income	23,827	-
Amount appropriated for expenditure	<u>(10,800)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 513,027</u>	<u>\$ 500,000</u>

PEAK also received a donation of \$25,000 in a prior year to be used for a special needs student, which is included in net assets with donor restriction at June 30, 2024 and 2023.

7. Subsequent Events

Subsequent events have been evaluated through April 17, 2025, which is the date the financial statements were available to be issued.