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# Northwestern University Settlement Association

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**Consolidated Financial Report  
with Supplemental Information  
June 30, 2024**

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## **Independent Auditor's Report**

To the Board of Directors  
Northwestern University Settlement Association

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Northwestern University Settlement Association (the "Association"), which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2024 and the changes in its net assets, functional expenses, and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Association and to meet our 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

To the Board of Directors  
Northwestern University Settlement Association

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 on our consideration of Northwestern University Settlement Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwestern University Settlement Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern University Settlement Association's internal control over financial reporting and compliance.



October 28, 2024

## Northwestern University Settlement Association

# Consolidated Statement of Financial Position

June 30, 2024

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 1,641,374
Investments (Note 4)	4,456,887
Grants and contributions receivable - Net	1,576,823
Prepaid expenses	9,084
	<hr/>
Total current assets	7,684,168
<b>Leveraged Loan Note Receivable</b> (Note 7)	8,868,400
<b>Property and Equipment - Net</b> (Note 6)	22,136,638
<b>Operating Lease Right-of-use Assets</b> (Note 13)	137,618
<b>Finance Lease Assets</b> (Note 13)	21,808
<b>Beneficial Interest in Perpetual Trust</b>	464,849
<b>Restricted Cash - NMTC</b>	24,193
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Total assets	<b>\$ 39,337,674</b>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 197,441
Contract liabilities	44,850
Accrued expenses	327,188
Current portion of long-term debt (Note 7)	77,760
Current portion of operating lease liabilities (Note 13)	148,648
Current portion of finance lease liabilities (Note 13)	9,427
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Total current liabilities	805,314
<b>Notes Payable - Net</b> (Note 7)	21,006,421
<b>Operating Lease Liabilities - Net of current portion</b> (Note 13)	2,432
<b>Finance Lease Liabilities - Net of current portion</b> (Note 13)	13,352
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Total liabilities	21,827,519
<b>Net Assets</b>	
Net assets without donor restrictions:	
Undesignated	11,034,818
Board designated (Note 9)	5,417,025
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Total net assets without donor restrictions	16,451,843
Net assets with donor restrictions (Note 9)	1,058,312
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Total net assets	17,510,155
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Total liabilities and net assets	<b>\$ 39,337,674</b>

## Northwestern University Settlement Association

# Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>			
School public revenue and fees:			
School public revenue	\$ 11,479,328	\$ -	\$ 11,479,328
Food service	768,869	-	768,869
Contributions of nonfinancial assets:			
Facilities	784,137	-	784,137
Food commodities	41,400	-	41,400
Student fees	59,647	-	59,647
Total school public revenue and fees	13,133,381	-	13,133,381
Private revenue:			
Contributions - Nonfinancial assets	380,661	-	380,661
Contributions - Individuals and corporations	478,980	10,101	489,081
Contributions - Foundations and trusts	833,281	34,155	867,436
Contributions - Auxiliary boards	801,445	9,196	810,641
Total private revenue	2,494,367	53,452	2,547,819
Government grants	4,138,588	-	4,138,588
Rental and miscellaneous revenue:			
Facility rentals	965,381	-	965,381
Program fees	166,397	-	166,397
Other revenue	322,316	-	322,316
Total rental and miscellaneous revenue	1,454,094	-	1,454,094
Net realized and unrealized gains on investments	515,167	79,600	594,767
Net assets released from restrictions	562,069	(562,069)	-
Total revenue, gains, and other support	22,297,666	(429,017)	21,868,649
<b>Expenses</b>			
Program services	20,457,198	-	20,457,198
Support services:			
Management and general	1,003,247	-	1,003,247
Fundraising	733,477	-	733,477
Total expenses	22,193,922	-	22,193,922
<b>Increase (Decrease) in Net Assets</b>	103,744	(429,017)	(325,273)
<b>Net Assets - Beginning of year</b>	16,348,099	1,487,329	17,835,428
<b>Net Assets - End of year</b>	<b>\$ 16,451,843</b>	<b>\$ 1,058,312</b>	<b>\$ 17,510,155</b>

# Northwestern University Settlement Association

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services							Support Services			Total	
	Group Services	Head Start	Emergency Services	Arts and Theatre	Camp	Mental Health	Teen Program	Rowe Elementary School	Total Program Services	Management and General		Fundraising
Professional services - Special education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 503,497	\$ 503,497	\$ -	\$ -	\$ 503,497
Food services	-	-	-	-	-	-	-	775,666	775,666	-	-	775,666
Classroom supplies	-	140	-	-	-	-	-	92,595	92,735	-	-	92,735
Curriculum	-	-	-	-	-	-	-	159,640	159,640	-	-	159,640
Infrastructure technology equipment	360	-	90	45	479	3,250	-	322,797	327,021	429	135	327,585
Student programming	-	280	-	-	-	-	-	279,065	279,345	-	-	279,345
Uniforms, assessments, and other	-	-	-	-	-	-	-	165,953	165,953	-	-	165,953
<b>Total direct student expenses</b>	<b>360</b>	<b>420</b>	<b>90</b>	<b>45</b>	<b>479</b>	<b>3,250</b>	<b>-</b>	<b>2,299,213</b>	<b>2,303,857</b>	<b>429</b>	<b>135</b>	<b>2,304,421</b>
Personnel expenses	996,976	1,971,456	276,815	21,640	587,109	523,158	460,144	8,059,447	12,896,745	269,300	250,699	13,416,744
CPS administrative charges	-	-	-	-	-	-	-	280,978	280,978	-	-	280,978
Auxiliary board - Special events	-	-	-	-	-	-	-	-	-	-	382,306	382,306
Depreciation expense	-	-	-	105,935	127,352	-	-	420,843	654,130	49,160	-	703,290
Professional services	10,722	131,473	1,868	5,864	54,254	153,135	11,335	105,410	474,061	348,093	16,926	839,080
Meeting and travel	13,067	3,343	7,960	-	49,526	24,439	5,053	63	103,451	25,640	32,012	161,103
Assistance to individuals	-	-	-	-	24,557	-	-	-	24,557	-	-	24,557
Occupancy	35,372	288,170	34,344	15,207	202,609	24,098	10,800	1,661,556	2,272,156	253,934	4,615	2,530,705
Supplies and costs of administration	75,780	177,581	365,994	16,276	111,660	103,994	27,198	47,842	926,325	55,898	46,784	1,029,007
Interest expense	-	-	-	-	-	-	-	520,938	520,938	793	-	521,731
<b>Total functional expenses</b>	<b>\$ 1,132,277</b>	<b>\$ 2,572,443</b>	<b>\$ 687,071</b>	<b>\$ 164,967</b>	<b>\$ 1,157,546</b>	<b>\$ 832,074</b>	<b>\$ 514,530</b>	<b>\$ 13,396,290</b>	<b>\$ 20,457,198</b>	<b>\$ 1,003,247</b>	<b>\$ 733,477</b>	<b>\$ 22,193,922</b>

## Northwestern University Settlement Association

# Consolidated Statement of Cash Flows

Year Ended June 30, 2024

<b>Cash Flows from Operating Activities</b>	
Decrease in net assets	\$ (325,273)
Adjustments to reconcile decrease in net assets to net cash and restricted cash from operating activities:	
Depreciation	703,290
Amortization of loan acquisition	55,196
Bad debt expense	75,976
Amortization of finance lease right-of-use asset	11,224
Change in value of beneficial interest in trust	(49,838)
Net realized and unrealized gain on investments	(594,767)
Changes in operating assets and liabilities that (used) provided cash and restricted cash:	
Grants and contributions receivable	(30,771)
Prepaid expenses	33,414
Accounts payable	(392,248)
Accrued expenses	(68,288)
Deferred revenue	42,390
Operating lease assets and liabilities	1,128
Net cash and restricted cash used in operating activities	(538,567)
<b>Cash Flows from Investing Activities</b>	
Purchase of property and equipment	(40,081)
Purchases of investments	(1,093,221)
Proceeds from sales of investments	1,222,668
Distributions from beneficial interest in trust	17,379
Net cash and restricted cash provided by investing activities	106,745
<b>Cash Flows from Financing Activities</b>	
Payments on notes payable	(272,786)
Principal payments on finance lease liability	(10,652)
Net cash and restricted cash used in financing activities	(283,438)
<b>Net Decrease in Cash and Restricted Cash</b>	(715,260)
<b>Cash and Restricted Cash - Beginning of year</b>	2,380,827
<b>Cash and Restricted Cash - End of year</b>	<b>\$ 1,665,567</b>
<b>Statement of Financial Position Classification of Cash and Restricted Cash</b>	
Cash	\$ 1,641,374
Restricted cash - NMTC	24,193
Total cash and restricted cash	<b>\$ 1,665,567</b>



**Note 1 - Nature of Business**

The mission of Northwestern University Settlement Association is to nurture, educate, and inspire children and families in need in Chicago, focusing on changing lives through education, social services, and the arts.

Northwestern University Settlement Association provides the following programs:

*Group Services* - Encompasses several programs serving children, families and seniors. Services include after-school and summer programs, offering arts, crafts, mentoring, academic, and recreational activities to children ages 5 through 15. It also includes Golden Agers Club for senior citizens, offering a safe space, social activities, and services for immediate needs.

*Head Start (Early Childhood Education)* - Prepares preschool age children for kindergarten, provides supportive services for parents and guardians, and expands the family's educational horizon.

*Emergency Services* - Emergency family services include responding to the immediate needs of the community while encouraging long-term change. Services include food pantry, clothing and household items distribution, special holiday assistance, referrals, and health programming.

*Arts and Theatre* - The Vittum Theatre provides a theatre venue with lighting, sound, and project equipment to host productions, film screenings, dance competitions, comedy shows, and corporate outings available to the public for short-term or long-term rentals.

*House in the Wood Camp* - Allows inner-city children exposure to wildlife in a safe outdoor environment; provides the children with skills necessary to succeed in school, in college, and beyond; and fosters growth and responsibility within the child. House in the Wood Camp also offers outdoor environmental education programming to public school students.

*Mental Health* - A program that provides clinical services and counseling for students enrolled in Northwestern University Settlement Association's Head Start program and Rowe Elementary School.

*Youth and Young Adult Services (Teen Program)* - Offers high-quality youth and young adult programming grounded in experiences that engage their interests and talents while building confidence, social awareness, curiosity, intellectual growth, and personal skills. The program's goal is to support youth as they overcome the barriers in their path to success through programming focused on college/career readiness, social-emotional well-being, and community building.

*Rowe Elementary School (the "School")* - A charter school that works with the entire family to develop academic skills for children, preparing students for success in high school and college. The School's mission is to instill a college mindset in its students and their families by delivering a rigorous academic curriculum infused with social and emotional programming and development. During the year ended June 30, 2024, the School served 710, mostly low-income, K-8 students from throughout Chicago. The School is supported through funding from Chicago Public Schools, grants from state and federal agencies, various community and corporate foundations, and the general public. The School received approximately 83 percent of its support from per pupil and related funding from Chicago Public Schools for the year ended June 30, 2024. The School is subject to a charter agreement with the Chicago School Reform board of trustees (Chicago Public Schools or CPS) through June 30, 2025. In addition, the School has been certified as a charter school by the Illinois State Board of Education (ISBE). Under state law, Chicago Public Schools has oversight responsibility to verify that the School complies with the requirements and meets the expectations of a public educational system. The School is expected to satisfy regulations and compliance requirements defined by Chicago Public Schools.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements of the Association have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Northwestern University Settlement Association; Northwestern Settlement Foundation; and Bay Road Association, an organization controlled by Northwestern University Settlement Association (collectively referred to as the "Association"). All material intercompany balances and transactions have been eliminated in consolidation.

Northwestern Settlement Foundation (the "Foundation") is a not-for-profit corporation. The Foundation was founded in conjunction with Northwestern University Settlement Association entering a New Markets Tax Credit financing transaction described in Note 7. Northwestern University Settlement Association is the sole member of the Foundation.

***Classification of Net Assets***

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

***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 Association.

***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 Association or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Board-designated Net Assets***

Board-designated net assets are net assets without donor restrictions designated by the board of directors primarily for an operating reserve and board-designated endowment. These designations are based on board actions, which can be altered or revoked at a future time by the board. Board-designated assets include assets for future special projects over which the board of directors retains control and may at its discretion subsequently use for other purposes. See Note 9 for details of amounts designated by the board.

***Investments***

Money market funds and certificates of deposit are carried at cost, which approximates fair value. All other investments are stated at fair value. The Association records donated securities at fair value at the date of donation. Net investment income (loss) is reported in the consolidated statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

**Note 2 - Significant Accounting Policies (Continued)**

***Grants and Contributions Receivable***

Grants receivable primarily consist of amounts owed from federal, state, and local agencies for government grants. The Association estimates an allowance for uncollectible accounts based on an analysis of specific account history and experience. At June 30, 2024, the Association recorded an allowance for uncollectible accounts of \$22,000.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Contributions due in more than one year, if any, are discounted using a risk-adjusted rate of return to reflect the present value of the receivable. The Association's grants and contributions receivable are all due in one year or less.

***Beneficial Interest in Perpetual Trust***

The Association is a beneficiary of a perpetual trust held by The Chicago Community Trust. The beneficial interest in perpetual trust is recorded at fair value based on the value of the trust's assets, which consist of investments in various securities. The Association receives distributions of trust income on an annual basis, which is recognized as contributions revenue without donor restrictions. Changes in the value of trust assets are recognized within net investment loss within net assets with donor restrictions.

***Restricted Cash***

The Association has cash reserve accounts under the terms of its New Markets Tax Credit (NMTC) financing described in Note 7 to pay debt service repayments on the respective NMTC notes payable, as well as other related costs. Under the respective terms of each cash reserve account, the Association is required to maintain separate deposit accounts for each cash reserve account. Disbursements from these accounts require an approval from NMTC lenders and the designated disbursement agent.

***Leveraged Loan Note Receivable***

The leveraged loan note receivable represents funds advanced in connection with the NMTC financing described in Note 7. The note receivable is stated at unpaid principal balance, less an allowance for credit losses, if any. The amount of the allowance is based on management's evaluation of the collectibility of the loan, credit concentrations, any specific impairment, and economic conditions. As of June 30, 2024, the Association estimates that the note receivable is fully collectible, as it was released as part of the planned unwind of the NMTC transaction subsequently in August 2024. See Note 7 for details of the subsequent event.

Interest on the note receivable is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The leverage loan note receivable calls for monthly interest-only payments through June 2024 at a rate of 1.00 percent to be paid to the Association. Interest income was \$88,684 during the year ended June 30, 2024 and is included in other revenue on the consolidated statement of activities and changes in net assets.

***Property and Equipment***

Property and equipment are stated at cost if purchased or at fair value at the date of donation if donated. The three lots on which the original settlement house building lies are owned by Northwestern University, which holds such lots for the benefit of the Association so long as the lots are used for the purpose of a social settlement. The Association has not recorded any value for the lots as the use is conditioned on the use for specific purposes.

Depreciation is provided over the estimated useful life of the assets using the straight-line method ranging from 3 to 10 years for equipment and 10 to 40 years for buildings and improvements. Major acquisitions over \$5,000 are capitalized while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

**Note 2 - Significant Accounting Policies (Continued)**

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 June 30, 2024.

***Leases***

The Association has operating leases for copiers and computer equipment. The Association recognizes expense for operating leases on a straight-line basis over the lease term. The Association made a policy election not to separate lease and nonlease components for its operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Association elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for its equipment leases.

***Loan Acquisition Costs***

Loan acquisition costs represent legal, consulting, and financial costs associated with debt financing (see Note 7). The loan acquisition costs are presented net with notes payable on the consolidated statement of financial position. Such charges are being amortized over the respective terms of the debt agreements. Amortization costs totaling \$55,196 for the year ended June 30, 2024 related to deferred finance charges are reflected as financing costs expense on the consolidated statement of functional expenses.

***School Public Revenue***

School public revenue consists of per pupil tuition and food service revenue. The Association receives a student allocation from CPS, as well as other state and local and federal entitlement funding, to cover the cost of educational expenses. Per pupil tuition is calculated by CPS and determined by the ISBE as defined by statute, and varies year to year as the following fluctuate: CPS' expenditures, expenditure composition, categorical revenue, and student attendance. Per pupil tuition includes an allotment for instruction and operations, facility costs (for organizations operating in independent facilities), and special education.

Revenue is recognized ratably over the fiscal year. Other state and local entitlements, special education funding, and other CPS funding are allocated by CPS and recognized ratably over the fiscal year. Federal entitlements, such as Title funds and Elementary and Secondary School Emergency Relief (ESSER) funds, are also allocated by CPS and are recognized as revenue as allowable expenditures are incurred. Food service revenue is recognized as revenue when meals are served to qualifying students. All of these revenue categories are accounted for as nonexchange transactions, as the benefit to the resource provider is incidental to the public benefit received by the students served by the Association.

***Contributions***

Unconditional promises to give cash and other assets to the Association are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year in which the gift is received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

***Government Revenue***

Government revenue consists of cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying consolidated financial statements (see Note 5).

Grant funding received in advance of conditions being met is recorded as deferred revenue.

***Contributed Nonfinancial Assets***

Contributed goods are reflected as contributions at their fair value at the date of donation and are reported as revenue without donor restrictions unless explicit donor stipulations specify how the donated revenue must be used. The Association also recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. See Note 11 for the categorization and valuation techniques applied to all donated goods and services.

The Association also receives services from a large number of volunteers who give a significant amount of their time to the Association but do not meet the criteria for financial statement recognition.

***Facility Rentals***

Rental income from property leased out under operating leases is recognized as revenue on a straight-line basis over the term of the lease or month to month for rentals not under lease agreements.

***Revenue from Contracts with Customers***

The Association's program service fees are considered contracts with customers and include student fees, program fees, association dues, and fee-for-service revenue. Revenue from program service fees is earned for providing education and other program services during the academic school year, which runs from August through June. Students are charged a fee at the onset of the school year for education services to be provided for that particular school year. The fees are recognized ratably over time during the school year using the output method as education and other program services are provided. As of June 30, 2024, all education and other program services have been completed, and, therefore, there are no remaining performance obligations outstanding.

Student fees and program fees are presented as individual line items on the consolidated statement of activities and changes in net assets. The Association recognized association dues of \$73,692 and fee-for-service revenue of \$32,000 for the year ended June 30, 2024, which are included with other revenue on the consolidated statement of activities and changes in net assets.

***Receivables from Contracts with Customers***

Receivables from contracts with customers represent amounts billed to students of the Association of families utilizing before- and after-school care related to their education or before- and after-school care and for which the Association has an unconditional right to receive payment due to the absence of a right of refund. There were no receivables from contracts with customers as of June 30, 2024 and 2023.

***Contract Assets and Liabilities***

There were no contract assets as of June 30, 2024 and 2023. Contract liabilities include student fees collected in advance of the school year. As of July 1, 2023 and June 30, 2024, contract liabilities were \$2,460 and \$44,850, respectively.

**Note 2 - Significant Accounting Policies (Continued)**

***Performance Obligations***

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While revenue from contracts with customers is generally applied to an individual contract with a customer, as a practical expedient, the Association applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Association reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

For program service fees, the Association has determined that students can be grouped into a single portfolio for each of the performance obligations.

Agreements concerning enrollment and student or family financial responsibility each contain terms that clarify the performance obligations and are fundamentally the same. Refunds and fee adjustments are generally not allowed by the Association.

Significant judgment is also required to assess collectibility that is assessed at the onset of the contract. Revenue is recognized at the amount management expects to collect from its customers when performance obligations have been satisfied.

***Functional Expense Allocation***

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents the natural classification of expenses by function. Most expenses are directly allocated. However, certain costs have been allocated among the program and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributable 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 personnel expenses and occupancy. Personnel expenses are allocated on the basis of estimates of time and effort. Occupancy is allocated on the basis of square footage of the buildings.

***Federal Income Taxes***

The Association is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that, more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that, as of June 30, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

***Concentrations***

The Association maintains its cash in multiple national bank accounts that, at times, may exceed the federal depository insurance limit. The Association's cash is only insured up to the federal depository insurance limit.

One grantor accounts for approximately 46 percent of grants and contributions receivable at June 30, 2024.

**Notes to Consolidated Financial Statements**

**June 30, 2024**

**Note 2 - Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The consolidated financial statements and related disclosures include evaluation of events up through and including October 28, 2024, which is the date the consolidated financial statements were available to be issued.

**Note 3 - Liquidity and Availability of Resources**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of June 30:

Cash	\$ 1,641,374
Investments	4,456,887
Grants and contributions receivable - Net	<u>1,576,823</u>
Financial assets - At year end	7,675,084
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	331,975
Endowments subject to appropriation and satisfaction of donor restrictions	261,488
Board designations	<u>5,417,025</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,664,596</u></u>

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. As of June 30, 2024, donor-restricted endowment funds are not available for general expenditures.

The Association has a goal to maintain available financial assets sufficient to pay general operating expenditures when due. The Association manages and monitors liquidity throughout the year by reviewing monthly financial reports, including budget-to-actual variances. To meet obligations and cash liquidity needs, the Association also maintains a revolving line of credit (see Note 8) to cover working capital expenses while waiting to collect on receivables.

**Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Notes to Consolidated Financial Statements

June 30, 2024

**Note 4 - Fair Value Measurements (Continued)**

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following table presents information about the Association's assets measured at fair value on a recurring basis at June 30, 2024 and the valuation techniques used by the Association to determine those fair values:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2024</u>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
<b>Assets</b>				
Investments:				
Equity securities	\$ 2,426,598	\$ -	\$ -	\$ 2,426,598
Mutual funds - Equity funds	1,142,522	-	-	1,142,522
Mutual funds - Bond funds	174,303	-	-	174,303
Fixed income	618,401	-	-	618,401
Total investments	4,361,824	-	-	4,361,824
Other assets - Beneficial interest in trust	-	-	464,849	464,849
Total assets	<u>\$ 4,361,824</u>	<u>\$ -</u>	<u>\$ 464,849</u>	<u>\$ 4,826,673</u>

Not included in the above table is \$61,656 of money market funds and \$33,407 of certificates of deposits as of June 30, 2024.

The Association invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

The following table presents reconciliations of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of June 30:

Balance - Beginning of year	\$ 432,390
Net unrealized gain	49,838
Distributions from trust	<u>(17,379)</u>
Balance - End of year	<u>\$ 464,849</u>



## Northwestern University Settlement Association

# Notes to Consolidated Financial Statements

June 30, 2024

### Note 5 - Conditional Contributions

The Association records revenue associated with conditional grants and contributions when the conditions have been substantially met. As of June 30, 2024, the Association is eligible to receive and recognize approximately \$821,000 of these conditional contributions upon the occurrence of future qualifying expenses for government grants.

### Note 6 - Property and Equipment

The components of property and equipment as of June 30, 2024 are as follows:

	Amount	Depreciable Life - Years
Land and land improvements	\$ 6,619,531	10-15
Building and building improvements	24,618,128	7-40
Furniture	76,314	3-10
Equipment	578,349	2-10
Software	13,300	3
Vehicles	167,186	3-5
	<hr/>	
Total cost	32,072,808	
	<hr/>	
Accumulated depreciation	9,936,170	
	<hr/>	
Net property and equipment	\$ 22,136,638	

Depreciation expense for June 30, 2024 was \$703,290.

### Note 7 - Notes Payable and NMTC Transaction

As part of a New Markets Tax Credit financing transaction dated July 20, 2017, Northwestern University Settlement Association borrowed \$9,015,000 from two separate financial institutions (see below) and funded a leverage loan receivable of \$8,868,400 to COCRF Investor 101, LLC, which was used to obtain NMTC loans payable of \$12,890,000 borrowed by the Foundation from COCRF SubCDE 65, LLC (\$2,000,000 in loans) and IFF Capital 20 LLC (\$10,890,000 in loans). The NMTC loans payable call for monthly interest payments only at a rate of 1.25 percent to be paid by the Foundation and have stated maturity dates of June 2047. The NMTC loans payable are collateralized by certain real property owned by the Foundation. Northwestern University Settlement Association transferred the ownership of the Rowe Middle School property to the Foundation as part of this NMTC transaction, and the Foundation leases the use of the property to Northwestern University Settlement Association. At June 30, 2024, the balance owed on the NMTC loans payable was \$12,890,000.

At the end of the seven-year NMTC compliance period in August 2024, the NMTC transaction will unwind and then the leverage loan receivable of \$8,868,400 and the NMTC loans payable of \$12,890,000 will be mutually released and forgiven with debt forgiveness income of approximately \$4,021,000 to be recognized by Northwestern University Settlement Association. See subsequent event described below.

In August 2021, the Association signed a new term note for \$7,050,000 with Wintrust Bank, N.A. The term loan bears interest at 3 percent and calls for monthly payments of principal and interest of \$39,099 through July 2024. A balloon payment of approximately \$6,290,000 was due on the maturity date of July 15, 2024. The note was collateralized by certain real property owned by Northwestern University Settlement Association and subject to certain financial and nonfinancial covenants. At June 30, 2024, the balance owed on the loan was \$6,297,648.

Notes to Consolidated Financial Statements

June 30, 2024

Note 7 - Notes Payable and NMTC Transaction (Continued)

In July 2017, Northwestern University Settlement Association borrowed \$1,900,000, of which the proceeds were used to fund the leverage loan described above. The note was payable in monthly interest-only payments at a rate of 5.63 percent, with a final balloon payment of \$1,900,000 due on July 15, 2024. The note was collateralized by certain real property owned by the Foundation but in a collateral position secondary to the interest of the Foundation's creditors. At June 30, 2024, the balance owed on the loan was \$1,900,000.

Interest expense was \$521,731 during the year ended June 30, 2024.

Under the agreements with the bank, the Association is subject to various financial covenants. The Association was in compliance with those covenants as of June 30, 2024.

On August 1, 2024, the Association's compliance period expired on the NMTC loans described above. As a result, the lenders exercised the right to accelerate the maturity date of the NMTC loans, requiring the Association to make an accelerated repayment of the unpaid principal amounts of the \$2,000,000 in loans from COCRF SubCDE 65, LLC and the \$10,890,000 in loan from IFF Capital 20 LLC. The total unpaid principal amount of \$12,890,000 in NMTC loans was forgiven by the lenders in exchange for the acceptance of the note receivable held by COCRF Investor 101, LLC in the principal amount of \$8,868,400. As a result, the Association recognized a new market tax credit gain of approximately \$4,021,000. In accordance with the NMTC agreement, the remaining balance of restricted cash - NMTC was also released.

Also on August 1, 2024, the Association issued \$8,550,000 of direct placement revenue bonds through the Illinois Finance Authority and Wintrust Bank, N.A. The proceeds of the issuance were used to repay the outstanding principal and interest on the existing \$7,050,000 term note with Wintrust Bank, N.A. and \$1,900,000 term note with IFF. On August 1, 2024, the outstanding Wintrust term note balance totaled \$6,283,469 and the IFF term note balance totaled \$1,909,203. Both notes were repaid in full. Interest on the bonds is variable and based on an index floating rate, defined as the one-month SOFR plus applicable margin of 1.75 percent, multiplied by the applicable factor of 80 percent during the initial interest period through August 1, 3024. After the initial interest period, the index floating rate will be adjusted by an applicable factor determined by Wintrust Bank, N.A. and the Association. Monthly principal and interest payments are required beginning on September 2, 2024 in accordance with the amortization schedule provided in the bond agreement and due in full upon maturity on August 1, 2055. The bonds are collateralized by mortgaged properties.

In addition to the bond issuance proceeds, the Association also made a draw on its existing revolving line of credit (see Note 8) totaling \$432,474 to finance the bond issuance costs, purchase an interest rate cap agreement, and assist in overall short-term liquidity for the transaction.

The principal balance of the outstanding bonds payable is due as follows:

Years Ending	Amount
2025	\$ 77,760
2026	98,632
2027	105,386
2028	111,324
2029	119,974
Unamortized debt discount	(330,755)
Thereafter	8,036,924
Total	\$ 8,219,245

Under the agreements with the bank, the Association is subject to various financial covenants. The Association was in compliance with those covenants as of June 30, 2024.

## Northwestern University Settlement Association

# Notes to Consolidated Financial Statements

June 30, 2024

### Note 8 - Line of Credit

In August 2022, the Association signed a revolving line of credit agreement with Wintrust Bank, N.A. for \$2,500,000. The line of credit bears interest at the one-month SOFR plus 2 percent (an effective interest rate of 7.40 percent as of June 30, 2024) and matures on June 30, 2025. There were no borrowings on the line of credit as of June 30, 2024. See Note 7 for borrowings withdrawn subsequently as a result of refinancing transaction.

### Note 9 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

Board-designated net assets:	
Operating, maintenance, and equipment fund	\$ 300,000
Auxiliary boards	1,069,502
Endowment fund	<u>4,047,523</u>
Total board-designated net assets	5,417,025
Undesignated net assets	<u>11,034,818</u>
Total net assets without donor restrictions	<u>\$ 16,451,843</u>

Net assets of the auxiliary boards are controlled by the individual auxiliary boards and are maintained for the exclusive benefit of the Association. Any fundraising activities or contributions made by the auxiliary boards that do not exclusively support the Association must be approved by the Association's board of directors. The endowment fund net assets have been designated by the board of directors for long-term investment. See Note 10 for description of the endowment fund.

Net assets with donor restrictions as of June 30 are available for the following purposes:

Subject to expenditures for a specified purpose	\$ 331,975
Subject to the Association's spending policy and appropriation - Family funds endowment	261,488
Not subject to appropriation or expenditure - Beneficial interest in perpetual trust	<u>464,849</u>
Total	<u>\$ 1,058,312</u>

During the year ended June 30, 2024, net assets were released from restrictions by incurring expenses satisfying the following restrictions specified by donors:

Purpose restrictions:	
Camp	\$ 44,900
Emergency services	19,200
Rowe Elementary School	267,037
Other	30,888
Time restrictions	<u>200,044</u>
Total released from restrictions	<u>\$ 562,069</u>

### Note 10 - Donor-restricted and Board-designated Endowments

The Association's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The donor-restricted endowment funds consist of family funds established by donors to provide annual funding for specific activities and general operations of the Association.

Notes to Consolidated Financial Statements

June 30, 2024

**Note 10 - Donor-restricted and Board-designated Endowments (Continued)**

*Interpretation of Relevant Law*

The Association is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Association had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Composition of changes in endowment funds for the year ended June 30, 2024 are as follows:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,047,523	\$ -	\$ 4,047,523
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	238,334	238,334
Accumulated investment gains	-	23,154	23,154
Total donor-restricted endowment funds	-	261,488	261,488
Total	\$ 4,047,523	\$ 261,488	\$ 4,309,011
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 3,670,940	\$ 245,235	\$ 3,916,175
Investment income	393,962	29,762	423,724
Appropriation of endowment assets for expenditure	(17,379)	(13,509)	(30,888)
Endowment net assets - End of year	\$ 4,047,523	\$ 261,488	\$ 4,309,011

Notes to Consolidated Financial Statements

June 30, 2024

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Underwater Endowment Funds

As of June 30, 2024, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its current rate-of-return objectives, the Association invests endowment assets in mutual funds to achieve its return objectives within prudent risk constraints. These strategies will be amended as the investment corpus grows.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association's current spending policy is generally limited to 3 percent annual withdrawals for board-designated endowment funds and 5 percent for family funds endowment funds based off the average balance of the endowment over the previous three years ending December 31. However, the board of directors may increase withdrawals on a discretionary basis. All withdrawals are approved by the board of directors and used to support operations.

Note 11 - Contributed Nonfinancial Assets

The Association receives volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed since no objective basis is available to measure the value of such services.

Contributed nonfinancial assets recognized within the consolidated statement of activities and changes in net assets consisted of the following for the year ended June 30, 2024:

Facilities use	\$ 784,137
Food commodities	41,400
Food pantry goods	358,831
Other contributed goods	<u>21,830</u>
Total	<u>\$ 1,206,198</u>

Contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets are not sold and goods and services are only utilized by the Association.

Contributed use of facilities was provided by CPS for shared occupancy of the Rowe Elementary School building, which is included in occupancy expense (program services) on the consolidated statement of functional expenses. The Association estimated the fair value of the contributed rent based on recent comparable rental prices.

Food commodities are provided by the Illinois Board of Education under the National School Lunch Program for use in the School. The Association estimated the fair value using estimates of wholesale value in a nondonation transaction.

Food pantry goods consist of donated food and homegoods used for distribution in the Association's food pantry. Contributed food goods are valued at a cost per pound provided by a local food bank, which utilizes wholesale values provided by a national food bank. Contributed homegoods for the pantry are valued based on the estimated the fair value using estimates of wholesale value in a nondonation transaction.

Notes to Consolidated Financial Statements

June 30, 2024

Note 11 - Contributed Nonfinancial Assets (Continued)

Other contributed goods primarily consist of books and other classroom supplies that are primarily utilized by the elementary school. The Association estimated the fair value using estimates of wholesale value in a nondonation transaction.

Note 12 - Facility Rental Revenue

The Association leases building space to Noble Network of Charter Schools under an operating lease agreement that calls for annual payments of \$355,300, with 3 percent increases annually. The lease expires on June 30, 2031 with one 10-year renewal option.

The Association also leases out a gymnasium to Noble Network of Charter Schools on an annual basis through June 30, 2024.

Future minimum payments to be received under these lease agreements are as follows:

Years Ending June 30	Amount
2025	\$ 399,893
2026	411,890
2027	424,247
2028	436,974
2029	450,084
Thereafter	941,080
Total	\$ 3,064,168

In addition, the Association leases out its theatre and camp space to outside groups. These leases are considered operating leases and for periods of less than one year. Facility rentals revenue, including school, theatre, and camp space, was \$965,381 for the year ended June 30, 2024.

Total cost of all property for leasing was \$15,302,548 as of June 30, 2024, and total accumulated depreciation of all property for leasing was \$6,284,033 as of June 30, 2024.

Note 13 - Leases

The Association is obligated under operating leases primarily for computers and office equipment commencing on July 2021 and August 2022 and expiring at various dates through August 2025. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 2.82 percent to 2.85 percent.

The Association made a policy election not to separate lease and nonlease components for operating leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability for operating leases.

The Association also leases office equipment under a long-term lease arrangement that is classified as a finance lease. Under the terms of the lease agreement, payments of \$940 are due monthly through July 2026. The right-of-use asset and related lease liability have been calculated using a discount rate of 2.66 percent.

The Association also has a lease agreement with CPS to lease space for Rowe Elementary School for \$1 per year and is considered an operating lease. The Association is responsible for all utilities, facility oversight, and IT infrastructure. The lease originally commenced on July 1, 2010 for an initial five-year term. The lease has been subsequently renewed through June 30, 2025. Subsequent renewal terms are contingent upon the Association's successful renewal of its charter school agreement with CPS, which is also in effect through June 30, 2025.

## Northwestern University Settlement Association

# Notes to Consolidated Financial Statements

June 30, 2024

### Note 13 - Leases (Continued)

Expenses recognized under these leases for the year ended June 30, 2024 consist of the following:

Lease cost:	
Finance lease cost:	
Amortization of right-of-use assets	\$ 11,224
Interest on lease liabilities	792
Operating lease cost	<u>193,052</u>
Total lease cost	<u>\$ 205,068</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$ 792
Operating cash flows from operating leases	165,900
Financing cash flows from finance leases	10,651
Weighted-average remaining lease term (years) - Finance leases	2.08
Weighted-average remaining lease term (years) - Operating leases	0.98
Weighted-average discount rate - Finance leases	2.7 %
Weighted-average discount rate - Operating leases	2.8 %

The future minimum lease payments under operating and finance leases are as follows:

Years Ending June 30	Operating Leases	Finance Lease	Total Payments
2025	\$ 150,583	\$ 11,280	\$ 161,863
2026	2,432	11,280	13,712
2027	<u>-</u>	<u>940</u>	<u>940</u>
Total	153,015	23,500	176,515
Less amount representing interest	<u>1,935</u>	<u>721</u>	<u>2,656</u>
Present value of net minimum lease payments	151,080	22,779	173,859
Less current obligations	<u>148,648</u>	<u>9,427</u>	<u>158,075</u>
Long-term obligations under leases	<u>\$ 2,432</u>	<u>\$ 13,352</u>	<u>\$ 15,784</u>

### Note 14 - Retirement Fund

The Association maintains a qualified profit-sharing plan in which substantially all employees, other than certified staff of Rowe Elementary School, are eligible to participate. The plan is participant directed. Under the plan, an employee may elect to defer a portion of compensation each year instead of receiving that amount in cash. Employer contributions are discretionary, as determined by the board of directors. The Association contributed \$146,824 to this plan during the year ended June 30, 2024.

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF or the "Fund"), a defined benefit plan. Members of the Fund include all active nonannuitants who are employed by a fund-covered employer and who hold an Illinois State Teacher Certification Board certification. The State of Illinois appropriates public contributions to CPS who then remits those (employer) contributions to the Fund for the benefit of applicable Chicago schools.

Notes to Consolidated Financial Statements

June 30, 2024

Note 14 - Retirement Fund (Continued)

CPS withholds the employer contribution related to pensionable salaries from the tuition that was paid to each school.

On a discretionary basis, the Association has elected to pay a portion of its employee's required contributions to the Fund. The Fund does not maintain separate actuarial records for the School. For the year ended June 30, 2024, the Association did not contribute more than 5 percent of the plan's total contributions.

CTPF pension amounts are as follows for the year ended June 30, 2024:

Total pensionable salaries	\$ 3,776,864
Employees' contribution expense picked up by the employer	274,815
Employer's contribution expense (11.16 percent)	421,498
Less CPS deduction amount for employer's pension expense	(523,007)
Pension true-up amount	101,509

Note 15 - Commitments and Contingencies

The Association has an employment agreement with its former president that includes a provision for consulting services to be rendered for up to five years after termination. Consulting expense was approximately \$40,000 during the year ended June 30, 2024. No amounts will be accrued until such time that the services are rendered.

The Association also has an employment agreement with its current president that includes a provision for an annual base salary and discretionary bonuses and contains a provision that provides for the president to receive three months of base compensation for termination without cause. The agreement is for a one-year period and it automatically extends unless either party notifies the other of the intention not to extend prior to the expiration of the term.



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## Supplemental Information

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## Independent Auditor's Report on Supplemental Information

To the Board of Directors  
Northwestern University Settlement Association

We have audited the consolidated financial statements of Northwestern University Settlement Association as of and for the year ended June 30, 2024 and have issued our report thereon dated October 28, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities and changes in net assets, consolidating statement of functional expenses, and Rowe Elementary School schedule of financial position and schedule of revenue and expenses are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

October 28, 2024

## Northwestern University Settlement Association

# Consolidating Statement of Financial Position

June 30, 2024

	Northwestern University Settlement Association	Northwestern Settlement Foundation	Bay Road Association	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 1,441,302	\$ 10,000	\$ 190,072	\$ -	\$ 1,641,374
Investments	4,423,480	-	33,407	-	4,456,887
Grants and contributions receivable - Net	1,576,823	-	-	-	1,576,823
Prepaid expenses	9,084	-	-	-	9,084
Total current assets	7,450,689	10,000	223,479	-	7,684,168
<b>Leveraged Loan Note Receivable</b>	8,868,400	-	-	-	8,868,400
<b>Property and Equipment - Net</b>	11,547,563	10,589,075	-	-	22,136,638
<b>Operating Lease Right-of-use Assets</b>	137,618	-	-	-	137,618
<b>Finance Lease Assets</b>	21,808	-	-	-	21,808
<b>Beneficial Interest in Perpetual Trust</b>	464,849	-	-	-	464,849
<b>Restricted Cash - NMTC</b>	-	24,193	-	-	24,193
Total assets	<b>\$ 28,490,927</b>	<b>\$ 10,623,268</b>	<b>\$ 223,479</b>	<b>\$ -</b>	<b>\$ 39,337,674</b>

## Northwestern University Settlement Association

# Consolidating Statement of Financial Position (Continued)

June 30, 2024

	Northwestern University Settlement Association	Northwestern Settlement Foundation	Bay Road Association	Eliminations	Total
<b>Liabilities and Net Assets (Deficiency in Net Assets)</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 197,441	\$ -	\$ -	\$ -	\$ 197,441
Contract liabilities	44,850	-	-	-	44,850
Accrued expenses	327,188	-	-	-	327,188
Current portion of long-term debt	77,760	-	-	-	77,760
Current portion of operating lease liabilities	148,648	-	-	-	148,648
Current portion of finance lease liabilities	9,427	-	-	-	9,427
Intercompany payables/receivables	(326,306)	314,831	11,475	-	-
Total current liabilities	479,008	314,831	11,475	-	805,314
<b>Notes Payable</b>	8,119,888	12,886,533	-	-	21,006,421
<b>Operating Lease Liabilities</b>	2,432	-	-	-	2,432
<b>Finance Lease Liabilities</b>	13,352	-	-	-	13,352
Total liabilities	8,614,680	13,201,364	11,475	-	21,827,519
<b>Net Assets (Deficiency in Net Assets)</b>					
Net assets (deficiency in net assets) without donor restrictions:					
Undesignated	13,400,910	(2,578,096)	212,004	-	11,034,818
Board designated	5,417,025	-	-	-	5,417,025
Total net assets (deficiency in net assets) without donor restrictions	18,817,935	(2,578,096)	212,004	-	16,451,843
Net assets with donor restrictions	1,058,312	-	-	-	1,058,312
Total net assets (deficiency in net assets)	19,876,247	(2,578,096)	212,004	-	17,510,155
Total liabilities and net assets (deficiency in net assets)	<b>\$ 28,490,927</b>	<b>\$ 10,623,268</b>	<b>\$ 223,479</b>	<b>\$ -</b>	<b>\$ 39,337,674</b>

## Northwestern University Settlement Association

# Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2024

	Northwestern University Settlement Association			Northwestern Settlement Foundation	Bay Road Association	Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions		
<b>Revenue, Gains, and Other Support</b>							
School public revenue and fees:							
School public revenue	\$ 11,479,328	\$ -	\$ 11,479,328	\$ -	\$ -	\$ -	\$ 11,479,328
Food service	768,869	-	768,869	-	-	-	768,869
Contributions of nonfinancial assets:							
Facilities	784,137	-	784,137	-	-	-	784,137
Food commodities	41,400	-	41,400	-	-	-	41,400
Student fees	59,647	-	59,647	-	-	-	59,647
Total school public revenue and fees	13,133,381	-	13,133,381	-	-	-	13,133,381
Private revenue:							
Contributions - Nonfinancial assets	380,661	-	380,661	-	-	-	380,661
Contributions - Individuals and corporations	478,980	10,101	489,081	-	-	-	489,081
Contributions - Foundations and trusts	1,054,300	34,155	1,088,455	-	-	(221,019)	867,436
Contributions - Auxiliary boards	801,445	9,196	810,641	-	-	-	810,641
Total private revenue	2,715,386	53,452	2,768,838	-	-	(221,019)	2,547,819
Government grants	4,138,588	-	4,138,588	-	-	-	4,138,588
Rental and miscellaneous revenue:							
Facility rentals	965,381	-	965,381	310,000	-	(310,000)	965,381
Program fees	166,397	-	166,397	-	-	-	166,397
Other revenue	247,871	-	247,871	-	74,445	-	322,316
Total rental and miscellaneous revenue	1,379,649	-	1,379,649	310,000	74,445	(310,000)	1,454,094
Net realized and unrealized gains on investments	515,167	79,600	594,767	-	-	-	594,767
Net assets releases from restrictions	562,069	(562,069)	-	-	-	-	-
Total revenue, gains, and other support	22,444,240	(429,017)	22,015,223	310,000	74,445	(531,019)	21,868,649
<b>Expenses</b>							
Program expenses	20,315,005	-	20,315,005	452,193	-	(310,000)	20,457,198
Support services:							
Management and general	993,195	-	993,195	230,509	562	(221,019)	1,003,247
Fundraising	733,477	-	733,477	-	-	-	733,477
Total expenses	22,041,677	-	22,041,677	682,702	562	(531,019)	22,193,922
<b>Increase (Decrease) in Net Assets</b>	402,563	(429,017)	(26,454)	(372,702)	73,883	-	(325,273)
<b>Net Assets (Deficit) - Beginning of year</b>	18,105,310	1,487,329	19,592,639	(1,895,332)	138,121	-	17,835,428
<b>Net Assets (Deficit) - End of year</b>	<b>\$ 18,507,873</b>	<b>\$ 1,058,312</b>	<b>\$ 19,566,185</b>	<b>\$ (2,268,034)</b>	<b>\$ 212,004</b>	<b>\$ -</b>	<b>\$ 17,510,155</b>

## Northwestern University Settlement Association

# Consolidating Statement of Functional Expenses

Year Ended June 30, 2024

	Northwestern University Settlement Association				Northwestern Settlement Foundation			Bay Road Association	Eliminations	Consolidated Total
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total	Management and General		
Direct student expenses:										
Professional services - Special Education	\$ 503,497	\$ -	\$ -	\$ 503,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 503,497
Food services	775,666	-	-	775,666	-	-	-	-	-	775,666
Classroom supplies	92,735	-	-	92,735	-	-	-	-	-	92,735
Curriculum	159,640	-	-	159,640	-	-	-	-	-	159,640
Infrastructure technology equipment	327,021	429	135	327,585	-	-	-	-	-	327,585
Student programming	279,345	-	-	279,345	-	-	-	-	-	279,345
Uniforms, assessments, and other	165,953	-	-	165,953	-	-	-	-	-	165,953
<b>Total direct student expenses</b>	<b>2,303,857</b>	<b>429</b>	<b>135</b>	<b>2,304,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,304,421</b>
Personnel expenses	12,896,745	269,300	250,699	13,416,744	-	-	-	-	-	13,416,744
CPS administrative charges	280,978	-	-	280,978	-	-	-	-	-	280,978
Auxiliary board - Special events	-	-	382,306	382,306	-	-	-	-	-	382,306
Depreciation expense	397,466	49,160	-	446,626	256,664	-	256,664	-	-	703,290
Professional services	474,061	348,093	16,926	839,080	-	-	-	-	-	839,080
Meeting and travel	103,451	25,640	32,012	161,103	-	-	-	-	-	161,103
Assistance to individuals	24,557	-	-	24,557	-	-	-	-	-	24,557
Occupancy	2,582,156	253,934	4,615	2,840,705	-	-	-	-	(310,000)	2,530,705
Supplies and cost of administration	926,325	45,846	46,784	1,018,955	-	9,490	9,490	562	-	1,029,007
Interest expense	325,409	793	-	326,202	195,529	-	195,529	-	-	521,731
Other	-	-	-	-	-	221,019	221,019	-	(221,019)	-
<b>Total expenses</b>	<b>\$ 20,315,005</b>	<b>\$ 993,195</b>	<b>\$ 733,477</b>	<b>\$ 22,041,677</b>	<b>\$ 452,193</b>	<b>\$ 230,509</b>	<b>\$ 682,702</b>	<b>\$ 562</b>	<b>\$ (531,019)</b>	<b>\$ 22,193,922</b>

**Northwestern University Settlement Association**

**Schedule of Financial Position - Rowe Elementary School**

**June 30, 2024**

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 1,167
Grants and contributions receivable - Net	832,885
Intercompany receivables	889,661
Prepaid expenses	7,500
	<hr/>
Total assets	<b><u>\$ 1,731,213</u></b>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Contract liabilities	\$ 10,450
Accrued expenses	46,298
	<hr/>
Total liabilities	56,748
<b>Net Assets</b> - Net assets without donor restrictions	<hr/>
	1,674,465
	<hr/>
Total liabilities and net assets	<b><u>\$ 1,731,213</u></b>

## Northwestern University Settlement Association

# Schedule of Revenue and Expenses – Rowe Elementary School

Year Ended June 30, 2024

### Revenue, Gains, and Other Support

School public revenue and fees:		
School public revenue	\$	11,479,328
Food service		768,869
Contributions of nonfinancial assets:		
Facilities		784,137
Food commodities		41,400
Student fees		59,647
Total school public revenue and fees		<u>13,133,381</u>
Private revenue:		
Contributions - Nonfinancial assets		7,745
Contributions - Individuals and corporations		123,120
Contributions - Foundations and trusts		12,356
Contributions - Auxiliary boards		101
Total private revenue		<u>143,322</u>
Government grants		77,385
Other revenue		383,540
Total revenue, gains, and other support		<u>13,737,628</u>

### Expenses

Program expenses:		
Personnel expenses:		
Salary expenses	\$	6,089,377
Payroll taxes and fringe benefits		1,932,287
Professional development		37,783
Total personnel expenses		<u>8,059,447</u>
Direct student expenses:		
Professional services - Special Education		503,497
Food services		775,666
Classroom supplies and equipment		92,595
Curriculum		159,640
Infrastructure technology equipment		322,797
Student programming		279,065
Uniforms, assessments and other		165,953
Total direct student expenses		<u>2,299,213</u>
Program and administrative expenses:		
Office supplies		16,509
Program materials		6,223
Contractual, printing, ventures		2,057
Postages and courier services		451
CPS administrative charges		280,978
Professional services		105,410
Marketing, recruiting, and membership dues		15,147
Other		7,518
Total program and administrative expenses		<u>434,293</u>



## Northwestern University Settlement Association

### Schedule of Revenue and Expenses – Rowe Elementary School (continued)

Year Ended June 30, 2024

Program expenses (continued):	
Occupancy expenses:	
Facility rent	784,137
Utilities	191,019
Building repairs and maintenance	388,329
Telephone	34,793
Property security services	21,173
General liability insurance	110,553
Janitorial supplies and care of building	131,552
Depreciation	420,843
Total occupancy expenses	<u>2,082,399</u>
Interest expense	<u>520,938</u>
Total expenses	<u>13,396,290</u>
<b>Increase in Net Assets</b>	341,338
<b>Net Assets - Beginning of year</b>	<u>1,333,127</u>
<b>Net Assets - End of year</b>	<u><u>\$ 1,674,465</u></u>