

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(Including Rowe Elementary School)

YEAR ENDED JUNE 30, 2022

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

YEAR ENDED JUNE 30, 2022

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**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

YEAR ENDED JUNE 30, 2022

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## **Independent Auditors' Report**

Board of Directors  
Northwestern University Settlement Association

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

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Northwestern University Settlement Association, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwestern University Settlement Association as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwestern University Settlement Association 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 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 Northwestern University Settlement Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the 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 auditors' 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 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.

In performing an audit in accordance with generally accepted auditing standards 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 Northwestern University Settlement 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 Northwestern University Settlement 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 35 through 42 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The supplementary information on pages 43 through 45 is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 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, and 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.

*Ostrow Reisin Berk & Abrams, Ltd.*

November 14, 2022

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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June 30, 2022

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ASSETS

Current assets:

Cash	\$ 1,052,183
Investments	3,630,702
Grants and contributions receivable, net of allowance for doubtful accounts of \$57,000	1,949,578
Cash - restricted by NMTC	88,684
Prepaid expenses	16,368

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Total current assets 6,737,515

Property and equipment, net	23,293,184
Cash - restricted by NMTC	96,606
Leverage loan note receivable - NMTC	8,868,400
Beneficial interest in perpetual trust	403,172

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Total assets \$ 39,398,877

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*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

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June 30, 2022

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LIABILITIES AND NET ASSETS

Current liabilities:

Current portion of notes payable	\$ 267,769
Accounts payable	178,237
Accrued expenses	325,605
Contract liabilities	58,801

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Total current liabilities 830,412

Long-term liability:

Long-term portion of notes payable, net of loan acquisition costs of \$113,859	21,246,373
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Total liabilities 22,076,785

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Net assets:

Without donor restrictions:

Undesignated	11,455,093
Board-designated	4,517,777

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Total net assets without donor restrictions 15,972,870

With donor restrictions 1,349,222

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Total net assets 17,322,092

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Total liabilities and net assets \$ 39,398,877

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*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year ended June 30, 2022	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>			
School public revenue and fees:			
School public revenue	\$ 12,880,001		\$ 12,880,001
Food service	919,072		919,072
Contributed goods and services:			
Facilities	732,000		732,000
Food commodities	65,622		65,622
Students fees	132,280		132,280
<b>Total school public revenue and fees</b>	<b>14,728,975</b>		<b>14,728,975</b>
<b>Private revenue:</b>			
Contributed goods - food pantry	615,888		615,888
Contributions - individuals and corporations	473,287	\$ 195,326	668,613
Contributions - foundations and trusts	297,248	73,390	370,638
Contributions - Auxiliary boards	451,760		451,760
<b>Total private revenue</b>	<b>1,838,183</b>	<b>268,716</b>	<b>2,106,899</b>
<b>Government revenue</b>	<b>3,543,466</b>		<b>3,543,466</b>
<b>Rental and miscellaneous revenue:</b>			
Facility rentals	700,498		700,498
Program fees	180,263		180,263
Other revenue	269,995		269,995
<b>Total rental and miscellaneous revenue</b>	<b>1,150,756</b>		<b>1,150,756</b>
Net investment loss	(509,013)	(133,350)	(642,363)
Net assets released from restrictions	724,677	(724,677)	
<b>Total revenue</b>	<b>21,477,044</b>	<b>(589,311)</b>	<b>20,887,733</b>

*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

Year ended June 30, 2022	Without donor restrictions	With donor restrictions	Total
Expenses:			
Program services	\$ 20,125,897		\$ 20,125,897
Management and general	1,211,646		1,211,646
Fundraising	710,939		710,939
<b>Total expenses</b>	<b>22,048,482</b>		<b>22,048,482</b>
Change in net assets	(571,438)	\$ (589,311)	(1,160,749)
Net assets, beginning of year	16,544,308	1,938,533	18,482,841
<b>Net assets, end of year</b>	<b>\$ 15,972,870</b>	<b>\$ 1,349,222</b>	<b>\$ 17,322,092</b>

*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022	Program services										Management and general	Fundraising	Total expenses
	Group Services	Head Start	Emergency Services	AmeriCorps	Arts Program	Camp	Mental Health	Rowe Elementary School	Total program services				
Auxiliary boards - special events												\$ 242,553	\$ 242,553
CPS administrative charges											\$ 309,822		309,822
Depreciation expense		\$ 5,692			\$ 116,887	\$ 129,132		\$ 402,033	\$ 653,744		49,161		702,905
Direct student expenses		2,990						2,177,555	2,180,545				2,180,545
Assistance to individuals	\$ 220	8,830	\$ 629,429		24,761	10,950			674,190				674,190
Financing costs								828,814	828,814		20,148		848,962
Meeting and travel			31,112	\$ 24					31,136		17,063	27,107	75,306
Occupancy	101,810	326,722	35,723	7,938	33,228	205,634	\$ 6,778	1,585,295	2,303,128		243,516	782	2,547,426
Personnel expenses	763,191	1,602,521	195,721	173,573	142,691	674,399	127,949	9,065,871	12,745,916		225,384	376,313	13,347,613
Professional services	16,513	44,253	230		3,596	11,821	9,650	41,879	127,942		110,711	8,141	246,794
Supplies and costs of administration	28,355	151,477	30,466	2,885	2,311	272,624	20,682	71,682	580,482		235,841	56,043	872,366
<b>Total</b>	<b>\$ 910,089</b>	<b>\$ 2,142,485</b>	<b>\$ 922,681</b>	<b>\$ 184,420</b>	<b>\$ 323,474</b>	<b>\$ 1,304,560</b>	<b>\$ 165,059</b>	<b>\$ 14,173,129</b>	<b>\$ 20,125,897</b>		<b>\$ 1,211,646</b>	<b>\$ 710,939</b>	<b>\$ 22,048,482</b>

*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

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Year ended June 30, 2022

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Cash flows from operating activities:	
Change in net assets	\$ (1,160,749)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	702,905
Amortization of loan acquisition costs	99,953
Debt prepayment penalty and interest payoff	274,801
Bad debt	48,000
Net realized and unrealized loss on investments held and sold	642,363
Change in value of beneficial interest in perpetual trust	88,375
(Increase) decrease in operating assets:	
Grants and contributions receivable	(315,213)
Prepaid expenses	1,634
Increase (decrease) in operating liabilities:	
Accounts payable	(53,932)
Accrued expenses	(408,195)
Contract liabilities	14,251
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Net cash used in operating activities	(65,807)
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Cash flows from investing activities:	
Acquisition of property and equipment	(18,444)
Proceeds from sale of investments	2,778,041
Purchases of investments	(2,812,710)
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Net cash used in investing activities	(53,113)
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*See notes to consolidated financial statements.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

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Year ended June 30, 2022

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Cash flows from financing activities:

Proceeds from debt	\$ 7,075,199
Payments on notes payable	(7,184,137)

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Net cash used in financing activities (108,938)

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Net change in cash and restricted cash (227,858)

Cash and restricted cash, beginning of year 1,465,331

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Cash and restricted cash, end of year \$ 1,237,473

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Supplemental disclosure of cash flow information:

Interest paid during the year	\$ 749,009
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Reconciliation of cash and restricted cash within the consolidated statement of financial position to the consolidated statement of cash flows:

Cash	\$ 1,052,183
Cash - restricted by NMTC, current portion	88,684
Cash - restricted by NMTC, noncurrent portion	96,606

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Cash and restricted cash per the consolidated statement of cash flows \$ 1,237,473

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*See notes to consolidated financial statements.*

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Association and purpose**

#### **Nature of activities:**

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 5 through 15-year old's. 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.

AmeriCorps Project Yes – Introduces recent college graduates to the challenges that families face in the midst of poverty and allows them to serve children in educational after-school activities. The program instills leadership skills in young adults and fosters community and personal service habits as well as to provide professional development for future careers in education, law, public services and other similar work. This program will be discontinued during the year ending June 30, 2023.

Arts Program – Adventure Stage Chicago – Presents community performances that expand the imagination of children and provides examples of overcoming adversity, taking responsibility for one's actions and contributing to the community in the hope that the audience and participants grow to see themselves as agents of change. Arts Program also includes Neighboring Bridges – professional teaching artists that use storytelling and creative drama to develop literacy skills and cognitive competence at schools. In addition, the Trailblazers Teen Ensemble provides arts programming and mentorship for youth.

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

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **1. Association and purpose (continued)**

#### **Nature of activities: (continued)**

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.

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, 2022, the School served 882, 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 84% of its support from per pupil and related funding from Chicago Public Schools for the year ended June 30, 2022. 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.

### **2. Summary of significant accounting policies**

The significant accounting policies of Northwestern University Settlement Association are summarized below:

#### **Basis of accounting:**

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

#### **Principles of 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 Credits financing transaction described in Note 8. Northwestern University Settlement Association is the sole member of the Foundation.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Principles of consolidation: (continued)**

These 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”). Material inter-company balances and transactions have been eliminated.

#### **Basis of presentation:**

The Association reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Directors of the Association has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment. Voluntary resolutions by the Board of Directors to designate a portion of the Association’s net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption “net assets without donor restrictions.” Board-designated net 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.

Board-designated net assets consist of the following at June 30, 2022:

<u>June 30, 2022</u>	
Operating, maintenance and equipment fund	\$ 300,000
Auxiliary boards	855,367
Endowment fund	3,362,410
<u>Total</u>	<u>\$ 4,517,777</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 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 9 for description of the endowment fund.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Basis of presentation: (continued)**

**Net assets with donor restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. See Note 10.

#### **Recent accounting pronouncement:**

During the year ended June 30, 2022, the Association adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the Association's consolidated financial statements.

#### **Investments:**

Investments include investments that are held for Board-designated endowment purposes.

Money market funds and a certificate of deposit are carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted prices in active markets. See Note 5. The Association records donated securities at fair value at the date of donation. Net investment loss is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Grants and contributions receivable:**

Grants and contributions receivable consists of government Title, ESSER, Head Start and after school funding for the fourth quarter of the 2021-2022 school year, as well as miscellaneous other contributions. The Association estimates any allowance for uncollectible accounts based on an analysis of specific account history and experience. At June 30, 2022, the Association recorded an allowance for uncollectible accounts of \$57,000.

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.

#### **Cash - restricted by NMTC:**

The Association has cash reserve accounts under the terms of its NMTC financing described in Note 8 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.

#### **Leverage loan note receivable - NMTC:**

Leverage loan note receivable - NMTC represents funds advanced in connection with the NMTC financing described in Note 8. The note receivable is stated at unpaid principal balance, less an allowance for loan 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, 2022, the Association's management estimated that the note receivable is fully collectible, thus no allowance for loan losses was provided.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Leverage loan note receivable - NMTC: (continued)**

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% to be paid to the Association. Interest income was \$88,683 during the year ended June 30, 2022 and is included in net investment loss on the consolidated statement of activities.

#### **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 purposes 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 three to ten years for equipment and ten to forty 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.

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, 2022.

#### **Loan acquisition costs:**

Loan acquisition costs are recorded on the consolidated statement of financial position as a direct deduction from the face amount of debt. Loan acquisition costs are amortized ratably over the terms of the debt and are reflected as financing costs expense on the consolidated statement of functional expenses.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Revenue and revenue recognition:**

The Association has the following types of revenue:

School public revenue (including Title and Elementary and Secondary School Emergency Relief (ESSER) Fund funding) and food service revenue

The Association receives a student allocation from Chicago Public Schools 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 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.

The revenue is recognized ratably over the Association year. Other state and local entitlements, SPED, and other CPS funding are allocated by CPS and recognized as revenue ratably over the Association year. Federal entitlements such as Title and ESSER funding are also allocated by CPS and are recognized as revenue as allowable costs 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 non-exchange transactions as the benefit to the resource provider is incidental to the public benefit received by the students served by the Association.

#### Contributions and government revenue

The Association recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Association recognizes government revenue based on when qualifying expenditures are incurred.

#### **Contributed goods and services:**

Contributed goods are reflected as contributions at their fair value at 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 a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. 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.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Contributed goods and services: (continued)**

Contributed goods are not sold, and goods and services are only utilized by the Association. There were no donor restrictions for contributed goods and services during the year ended June 30, 2022.

During the year ended June 30, 2022, the Association was the recipient of the use of facilities provided by Chicago Public Schools valued at \$732,000 which is included in occupancy expense (program services) on the consolidated statement of functional expenses. The fair value of the contributed rent was based on recent comparable rental prices.

During the year ended June 30, 2022, food commodities of \$65,622 for School was allocated to the Rowe Elementary School Program – direct student expenses (program services), included in the consolidated statement of functional expenses. Food commodities are provided by the Illinois Board of Education under the National School Lunch Program and are valued using estimates of wholesale value.

During the year ended June 30, 2022, contributed goods of \$615,888 for the food pantry was allocated to the Emergency Services Program - assistance to individuals expense (program services), included in the consolidated statement of functional expenses. Contributed goods consists of donated food used for distribution in the Association's food pantry. Contributed goods for the food pantry are valued at a cost per pound provided by a local food bank which utilizes wholesale values provided by a national food bank.

#### **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.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **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. 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 programs 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.

#### **Tax status:**

The Association is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Association is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Association was not required to record a liability related to uncertain tax positions as of June 30, 2022.

#### **Concentrations:**

The Association maintains its cash in multiple national bank accounts which, at times, may exceed federally-insured limits. The uninsured balance was approximately \$832,000 as of June 30, 2022. Management believes that the Association is not exposed to any significant credit risk on cash.

One grantor accounts for approximately 57% of grants and contributions receivable at June 30, 2022.

#### **Use of estimates:**

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

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Subsequent events:**

Management of the Association has reviewed and evaluated subsequent events through November 14, 2022, the date the consolidated financial statements were available to be issued.

### **3. Revenue from contracts with customers**

Program service fees include students 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 the life of the school year using the output method as education and other program services are provided. As of June 30, 2022, all education and other program services have been completed, and thus, there are no remaining performance obligations outstanding.

#### **Disaggregation of revenue from contracts with customers:**

Revenue from contracts with customers disaggregated by category for the year ended June 30, 2022 is as follows:

<u>Year ended June 30, 2022</u>	
Revenue recognized over time:	
Students fees	\$ 132,280
Program fees	180,263
Association dues	34,725
Fee for service	35,414
<hr/>	
Total contract revenue	\$ 382,682

#### **Receivables from contracts with customers:**

Receivables from contracts with customers represent amounts billed to students of the Association or families utilizing before/after school care related to their education or before/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 at June 30, 2022 and 2021.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **3. Revenue from contracts with customers (continued)**

#### **Contract assets and liabilities:**

There were no contract assets as of June 30, 2022 and 2021. Contract liabilities include student fees collected in advance of the school year. As of June 30, 2022 and 2021, contract liabilities were \$58,801 and \$44,550, respectively.

#### **Significant judgments:**

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 which 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 which 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.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**4. Liquidity and availability**

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:

June 30, 2022	
Financial assets at year-end:	
Cash	\$ 1,052,183
Investments	3,630,702
Grants and contributions receivable, net	1,949,578
Cash - restricted by NMTC	185,290
Total current financial assets	6,817,753
Less - Amounts not available for general expenditures within one year:	
Cash - restricted by NMTC	(185,290)
Board-designated assets	(4,517,777)
Endowments subject to endowment spending policy and appropriation	(243,683)
Total amounts not available to be used within one year	(4,946,750)
Total financial assets available for general expenditures within one year	\$ 1,871,003

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. As of June 30, 2022, donor-restricted endowment funds are not available for general expenditures.

The Association's goal is 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 maintains a revolving line of credit (Note 8) to cover working capital expenses while waiting to collect on receivables.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **5. Fair value measurements**

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.

Level 2        Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability'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 Association assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Association's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers during the year ended June 30, 2022.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**5. Fair value measurements (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

**Money market funds and certificate of deposit:** Valued at cost.

**Mutual funds, exchange-traded funds, equities, and U.S. corporate bonds:** Valued at the fair value based on quoted market prices.

**Beneficial interest in perpetual trust:** The Association considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Association will never receive those assets or have the ability to direct the trustee to redeem them.

The Association's investments and beneficial interest in perpetual trust consisted of the following at June 30, 2022:

June 30, 2022	Level 1	Level 3	Total
Mutual funds and exchange-traded funds	\$ 1,519,633		\$ 1,519,633
Equities	1,342,822		1,342,822
U.S. corporate bonds	535,458		535,458
<b>Total investments at fair value</b>	<b>\$ 3,397,913</b>		<b>3,397,913</b>
Certificate of deposit			32,823
Money market funds			199,966
<b>Total investments</b>			<b>\$ 3,630,702</b>
<b>Beneficial interest in perpetual trust</b>		<b>\$ 403,172</b>	<b>\$ 403,172</b>

For the beneficial interest in perpetual trust, unrealized losses of \$72,668 during the year ended June 30, 2022 are included in net investment loss on the consolidated statement of activities.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **5. Fair value measurements (continued)**

#### **Risks and uncertainties:**

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.

### **6. Conditional promise to receive**

The Association records revenue associated with conditional grants and contributions when the conditions have been substantially met. During the year ended June 30, 2022, the Association received a pledge in the amount of \$220,000, conditioned upon the hiring of an employee to manage a new teen program. This condition was not met as of June 30, 2022.

### **7. Property and equipment**

The components of property and equipment are as follows:

<u>June 30, 2022</u>	
Land and land improvements	\$ 6,619,531
Buildings and improvements	24,477,636
Furniture	76,314
Equipment	538,269
Software	13,300
Vehicles	103,704
	<u>31,828,754</u>
Less accumulated depreciation	<u>8,535,570</u>
Property and equipment, net	<u>\$ 23,293,184</u>

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **8. Notes payable, line of credit, and NMTC transaction**

As part of a New Market Tax Credits (NMTC) 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% 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, 2022, the balance owed on the NMTC loans payable was \$12,890,000.

It is expected that at the end of the seven-year NMTC compliance period, in July 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 the Northwestern University Settlement Association.

In July 2017, Northwestern University Settlement Association borrowed \$5,215,000, of which the proceeds were used to fund the leverage loan described above. The note was payable in monthly principal and interest payments of \$30,810 at an interest rate of 5.03% with a final balloon payment of \$4,405,062 due on July 15, 2024. The note was collateralized by certain real property owned by Northwestern University Settlement Association. During August 2021, this loan was repaid with proceeds from a term loan from Wintrust Bank, and the Association was charged a pre-payment penalty of \$161,780.

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 principal and interest payments of \$12,382 at an interest rate of 6.03% with a final balloon payment of \$1,634,862 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. During August 2021, this loan was repaid with proceeds from a term loan from Wintrust Bank, and the Association was charged a pre-payment penalty of \$94,570.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**8. Notes payable, line of credit, and NMTC transaction (continued)**

In August 2021, the Association signed a new term note for \$7,050,000 with Wintrust Bank, N.A. The note proceeds were used to repay \$6,592,570 of the aforementioned notes payable with Fifth Third Bank, in addition to \$256,350 in pre-payment penalties and accrued interest through the payoff date. The term loan bears interest at 3% and calls for monthly payments of principal and interest of \$39,099 through July 2024. A balloon payment of approximately \$6,290,000 is due on the maturity date of July 15, 2024. The note is collateralized by certain real property owned by Northwestern University Settlement Association and is subject to certain financial and non-financial covenants. At June 30, 2022, the balance owed on the loan was \$6,835,181.

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 one month LIBOR plus 2% (an effective interest rate of 3.79% as of June 30, 2022) and matures on August 3, 2023. There were no borrowings on the line of credit as of June 30, 2022.

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 is payable in monthly interest only payments at a rate of 5.63% with a final balloon payment of \$1,900,000 due on July 15, 2024. The note is 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, 2022, the balance owed on the loan was \$1,900,000.

The Association also has a vehicle loan with a balance owed of \$2,821 as of June 30, 2022.

Interest expense was \$592,612 during the year ended June 30, 2022.

The future minimum principal payments on the notes payable and line of credit are as follows:

Year ending June 30:	Amount
2023	\$ 267,769
2024	272,584
2025	21,087,648
Total principal payments	21,628,001
Unamortized loan acquisition costs	(113,859)
Total notes payable, net	\$ 21,514,142

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **8. Notes payable, line of credit, and NMTC transaction (continued)**

The Association is subject to various financial covenants under loan agreements for the notes payable and line of credit. The Association was in compliance with those covenants as of June 30, 2022.

### **9. Endowment funds**

Endowment funds consist of family funds established by donors to provide annual funding for specific activities and general operations of the Association. Endowment funds also include certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Association's Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022, there were no such donor stipulations. As a result of this interpretation, the Association retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 purposes 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

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**9. Endowment funds (continued)**

Composition of and changes in endowment funds for the year ended June 30, 2022 are as follows:

Year ended June 30, 2022	Net assets without donor restrictions - Board-designated	Net assets with donor restrictions - Family funds	Total
Beginning of year	\$ 3,883,420	\$ 324,468	\$ 4,207,888
Distributions and transfers	(25,000)	(19,856)	(44,856)
Investment loss	(496,010)	(60,929)	(556,939)
<b>Total</b>	<b>\$ 3,362,410</b>	<b>\$ 243,683</b>	<b>\$ 3,606,093</b>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, there were no underwater endowments.

**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.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. Endowment funds (continued)**

**Spending policy and how the investment objectives relate to spending policy:**

The Association's current spending policy is generally limited to 3% annual withdrawals for Board-designated endowment funds and 5% 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.

**10. Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

<u>June 30, 2022</u>	
Endowments:	
Subject to endowment spending policy and appropriation:	
Family funds - various	\$ 243,683
Time restrictions:	
Contributions receivable and other time restrictions	702,367
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trust	403,172
<u>Total net assets with donor restrictions</u>	<u>\$ 1,349,222</u>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**10. Net assets with donor restrictions (continued)**

During the year ended June 30, 2022, net assets were released from restrictions by incurring expenses satisfying the following restrictions specified by donors:

<u>Year ended June 30, 2022</u>	
Purpose restrictions:	
Camp	\$ 535,000
Theater	60,000
Rowe Charter School	20,999
Other	60,809
Time restrictions:	
Contributions receivable	47,869
Total net assets released from restrictions	\$ 724,677

**11. Leases – facility rental revenue**

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

The Association also leases out a gymnasium to Noble Network of Charter Schools on an annual basis through June 30, 2023.

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

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 395,829
2024	376,938
2025	388,246
2026	399,893
2027	411,890
thereafter	1,774,890
Total	\$ 3,747,686

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**11. Leases – facility rental revenue (continued)**

In addition, the Association leases out its theatre and camp space to outside groups. Facility rentals revenue including school, theatre and camp space was \$700,498 for the year ended June 30, 2022.

Total cost of all property for leasing was \$15,277,148 as of June 30, 2022 and total accumulated depreciation of all property for leasing was \$5,729,728 as of June 30, 2022.

**12. Leases – rental expense**

The Association has a lease agreement with Chicago Public Schools to lease space for Rowe Elementary School for \$1 per year. The Association is responsible for all utilities, facility oversight and IT infrastructure.

The Association also leases computer equipment through July 2025.

Total rent expense was \$938,254 for the year ended June 30, 2022.

Future minimum rental payments are due as follows:

Year ending June 30:	Amount
2023	\$ 76,851
2024	67,839
2025	29,188
2026	4,865
Total	\$ 178,743

**13. Retirement fund commitments**

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 \$146,520 to this plan during the year ended June 30, 2022.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **13. Retirement fund commitments (continued)**

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 Chicago Public Schools who then remits those contributions to the Fund for the benefit of applicable Chicago schools.

Chicago Public Schools 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.

CTPF pension amounts are as follows for the year ended June 30, 2022:

<u>Year ended June 30, 2022</u>	
Total pensionable salaries	\$ 4,919,625
Employees' contribution expense picked up by employer	\$ 356,007
Employer's contribution expense (11.16%)	\$ 549,030
Less: CPS deduction amount for employer's pension expense	(688,985)
Pension true-up amount	\$ (139,955)

### **14. Commitments and contingencies**

#### **Grants:**

The Association has received funds from state and federal agencies during in the year ended June 30, 2022 which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to the Association's operations.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **14. Commitments and contingencies (continued)**

#### **Employment agreements:**

The Association has an employment agreement with its former President that includes a provision for consulting services to be rendered after termination. Consulting expense was approximately \$133,000 during the year ended June 30, 2022. 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 also 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.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

June 30, 2022	Northwestern University Settlement Association	Northwestern Settlement Foundation	Bay Road Association	Eliminations	Consolidated total
<b>ASSETS</b>					
Current assets:					
Cash	\$ 929,141	\$ 10,000	\$ 113,042		\$ 1,052,183
Investments	3,597,879		32,823		3,630,702
Grants and contributions receivable, net of allowance for doubtful accounts of \$57,000	1,949,578				1,949,578
Cash - restricted by NMTC		88,684			88,684
Prepaid expenses	16,368				16,368
<b>Total current assets</b>	<b>6,492,966</b>	<b>98,684</b>	<b>145,865</b>		<b>6,737,515</b>
Property and equipment, net	12,190,781	11,102,403			23,293,184
Cash - restricted by NMTC		96,606			96,606
Leverage loan note receivable - NMTC	8,868,400				8,868,400
Beneficial interest in perpetual trust	403,172				403,172
<b>Total assets</b>	<b>\$ 27,955,319</b>	<b>\$ 11,297,693</b>	<b>\$ 145,865</b>		<b>\$ 39,398,877</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

June 30, 2022	Northwestern University Settlement Association	Northwestern Settlement Foundation	Bay Road Association	Eliminations	Consolidated total
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
<b>Current liabilities:</b>					
Current portion of notes payable	\$ 267,769				\$ 267,769
Accounts payable	178,237				178,237
Accrued liabilities	309,362	\$ 4,768	\$ 11,475		325,605
Contract liabilities	58,801				58,801
<b>Total current liabilities</b>	<b>814,169</b>	<b>4,768</b>	<b>11,475</b>		<b>830,412</b>
<b>Long-term liability:</b>					
Long-term portion of notes payable, net of loan acquisition costs of \$113,859	8,429,936	12,816,437			21,246,373
<b>Total liabilities</b>	<b>9,244,105</b>	<b>12,821,205</b>	<b>11,475</b>		<b>22,076,785</b>
<b>Net assets (deficit):</b>					
<b>Without donor restrictions:</b>					
Undesignated	12,844,215	(1,523,512)	134,390		11,455,093
Board-designated	4,517,777				4,517,777
<b>Total net assets without donor restrictions</b>	<b>17,361,992</b>	<b>(1,523,512)</b>	<b>134,390</b>		<b>15,972,870</b>
<b>With donor restrictions</b>	<b>1,349,222</b>				<b>1,349,222</b>
<b>Total net assets (deficit)</b>	<b>18,711,214</b>	<b>(1,523,512)</b>	<b>134,390</b>		<b>17,322,092</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 27,955,319</b>	<b>\$ 11,297,693</b>	<b>\$ 145,865</b>		<b>\$ 39,398,877</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

Year ended June 30, 2022	Northwestern University Settlement Association			Northwestern Settlement Foundation	Bay Road Association		Consolidated total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions	Eliminations	
<b>Revenue:</b>							
School public revenue and fees:							
School public revenue	\$ 12,880,001		\$ 12,880,001				\$ 12,880,001
Food service	919,072		919,072				919,072
Contributed goods and services:							
Facilities	732,000		732,000				732,000
Food commodities	65,622		65,622				65,622
Students fees	132,280		132,280				132,280
<b>Total school public revenue and fees</b>	<b>14,728,975</b>		<b>14,728,975</b>				<b>14,728,975</b>
<b>Private revenue:</b>							
Contributed goods - food pantry	615,888		615,888				615,888
Contributions - individuals and corporations	473,287	\$ 195,326	668,613				668,613
Contributions - foundations and trusts	462,417	73,390	535,807			\$ (165,169)	370,638
Contributions - Auxiliary boards	451,760		451,760				451,760
<b>Total private revenue</b>	<b>2,003,352</b>	<b>268,716</b>	<b>2,272,068</b>			<b>(165,169)</b>	<b>2,106,899</b>
<b>Government revenue</b>	<b>3,543,466</b>		<b>3,543,466</b>				<b>3,543,466</b>
<b>Rental and miscellaneous revenue:</b>							
Facility rentals	700,498		700,498	\$ 250,000		(250,000)	700,498
Program fees	180,263		180,263				180,263
Other revenue	230,153		230,153		\$ 39,842		269,995
<b>Total rental and miscellaneous revenue</b>	<b>1,110,914</b>		<b>1,110,914</b>	<b>250,000</b>	<b>39,842</b>	<b>(250,000)</b>	<b>1,150,756</b>
<b>Net investment loss</b>	<b>(509,013)</b>	<b>(133,350)</b>	<b>(642,363)</b>				<b>(642,363)</b>
<b>Net assets released from restrictions</b>	<b>724,677</b>	<b>(724,677)</b>					
<b>Total revenue</b>	<b>21,602,371</b>	<b>(589,311)</b>	<b>21,013,060</b>	<b>250,000</b>	<b>39,842</b>	<b>(415,169)</b>	<b>20,887,733</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

Year ended June 30, 2022	Northwestern University Settlement Association			Northwestern Settlement Foundation	Bay Road Association		Consolidated total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions	Eliminations	
Expenses:							
Program services	\$ 19,923,705		\$ 19,923,705	\$ 452,192		\$ (250,000)	\$ 20,125,897
Management and general	1,204,197		1,204,197	172,568	\$ 50	(165,169)	1,211,646
Fundraising	710,939		710,939				710,939
<b>Total expenses</b>	<b>21,838,841</b>		<b>21,838,841</b>	<b>624,760</b>	<b>50</b>	<b>(415,169)</b>	<b>22,048,482</b>
Change in net assets	(236,470)	\$ (589,311)	(825,781)	(374,760)	39,792		(1,160,749)
Net assets (deficit), beginning of year	17,598,462	1,938,533	19,536,995	(1,148,752)	94,598		18,482,841
Net assets (deficit), end of year	\$ 17,361,992	\$ 1,349,222	\$ 18,711,214	\$ (1,523,512)	\$ 134,390	\$ -	\$ 17,322,092

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022	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		
Personnel expenses:										
Salary expenses	\$ 9,728,388	\$ 188,929	\$ 309,363	\$ 10,226,680						\$ 10,226,680
Payroll taxes and fringe benefits	2,943,875	22,441	61,905	3,028,221						3,028,221
Professional development	73,653	14,014	5,045	92,712						92,712
<b>Total personnel expenses</b>	<b>12,745,916</b>	<b>225,384</b>	<b>376,313</b>	<b>13,347,613</b>						<b>13,347,613</b>
Direct student expenses:										
Professional services-Special ED	436,051			436,051						436,051
Food services	616,998			616,998						616,998
Classroom supplies and equipment	114,077			114,077						114,077
Curriculum	137,138			137,138						137,138
Infrastructure technology equipment	412,371			412,371						412,371
Student programming and support	356,756			356,756						356,756
Uniforms, assessments and other	107,154			107,154						107,154
<b>Total direct student expenses</b>	<b>2,180,545</b>			<b>2,180,545</b>						<b>2,180,545</b>
Program and administrative expenses:										
Honorariums	35,711			35,711						35,711
Assistance to individuals	638,479			638,479						638,479
Program supplies	402,798	20,453	13,108	436,359						436,359
Fundraising, meeting, and special events	31,136	17,063	27,107	75,306						75,306
Transportation expenses	68,258	5,332	1,073	74,663						74,663
Office supplies	52,074	276		52,350						52,350
Contractual, printing, ventures	26,060	17,492	38,505	82,057						82,057
Postage and courier services	1,857	1,128	1,097	4,082						4,082
Audit and payroll processing		110,363		110,363						110,363
CPS administrative charges		309,822		309,822						309,822
Professional services	127,942	110,711	8,141	246,794						246,794
Marketing, recruiting and membership dues	29,435	13,600	2,260	45,295						45,295
Bank charges		11,748		11,748		\$ 7,399	\$ 7,399	\$ 50		19,197
Auxiliary boards - fundraising and other expense			242,553	242,553						242,553
Other						165,169	165,169		\$ (165,169)	
Bad debt		48,000		48,000						48,000
<b>Total program and administrative expenses</b>	<b>1,413,750</b>	<b>665,988</b>	<b>333,844</b>	<b>2,413,582</b>		<b>172,568</b>	<b>172,568</b>	<b>50</b>	<b>(165,169)</b>	<b>2,421,031</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2022	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		
Occupancy expenses:										
Facility rent	\$ 982,000	\$ 18,650		\$ 1,000,650					\$ (250,000)	\$ 750,650
Building repairs and maintenance	726,505	42,392		768,897						768,897
Telephone expense	93,282	845		94,127						94,127
Property security services	24,902	5,239		30,141						30,141
General liability insurance	171,737	105,359		277,096						277,096
Utilities expense	317,368	57,015		374,383						374,383
Janitorial supplies and care of building	187,943	1,329		189,272						189,272
Equipment repairs and maintenance	49,391	1,061	\$ 782	51,234						51,234
Equipment leasing		11,626		11,626						11,626
Depreciation expense	397,080	49,161		446,241	\$ 256,664		\$ 256,664			702,905
<b>Total occupancy expenses</b>	<b>2,950,208</b>	<b>292,677</b>	<b>782</b>	<b>3,243,667</b>	<b>256,664</b>		<b>256,664</b>		<b>(250,000)</b>	<b>3,250,331</b>
Interest expense and financing costs	633,286	20,148		653,434	195,528		195,528			848,962
<b>Total</b>	<b>\$ 19,923,705</b>	<b>\$ 1,204,197</b>	<b>\$ 710,939</b>	<b>\$ 21,838,841</b>	<b>\$ 452,192</b>	<b>\$ 172,568</b>	<b>\$ 624,760</b>	<b>\$ 50</b>	<b>\$ (415,169)</b>	<b>\$ 22,048,482</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED DETAIL SCHEDULE OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022	Program services											Management and general	Fundraising	Total expenses
	Group Services	Head Start	Emergency Services	AmeriCorps	Arts Program	Camp	Mental Health	Rowe Elementary School	Total program services					
<b>Personnel expenses:</b>														
Salary expenses	\$ 628,107	\$ 1,224,148	\$ 154,004	\$ 140,019	\$ 100,769	\$ 524,027	\$ 93,693	\$ 6,863,621	\$ 9,728,388	\$ 188,929	\$ 309,363	\$ 10,226,680		
Payroll taxes and fringe benefits	126,734	365,535	40,238	32,049	41,922	137,379	32,352	2,167,666	2,943,875	22,441	61,905	3,028,221		
Professional development	8,350	12,838	1,479	1,505		12,993	1,904	34,584	73,653	14,014	5,045	92,712		
<b>Total personnel expenses</b>	<b>763,191</b>	<b>1,602,521</b>	<b>195,721</b>	<b>173,573</b>	<b>142,691</b>	<b>674,399</b>	<b>127,949</b>	<b>9,065,871</b>	<b>12,745,916</b>	<b>225,384</b>	<b>376,313</b>	<b>13,347,613</b>		
<b>Direct student expenses:</b>														
Professional services-Special ED								436,051	436,051			436,051		
Food services								616,998	616,998			616,998		
Classroom supplies and equipment								114,077	114,077			114,077		
Curriculum		2,990						134,148	137,138			137,138		
Infrastructure technology equipment								412,371	412,371			412,371		
Student programming and support								356,756	356,756			356,756		
Uniforms, assessments and other								107,154	107,154			107,154		
<b>Total direct student expenses</b>		<b>2,990</b>						<b>2,177,555</b>	<b>2,180,545</b>			<b>2,180,545</b>		
<b>Program and administrative expenses:</b>														
Honorariums					24,761	10,950			35,711			35,711		
Assistance to individuals	220	8,830	629,429						638,479			638,479		
Program supplies	28,267	147,184	30,073	2,530	1,778	174,577	15,324	3,065	402,798	20,453	13,108	436,359		
Fundraising, meeting, and special events			31,112	24					31,136	17,063	27,107	75,306		
Transportation expenses		349	337	355		61,882	5,335		68,258	5,332	1,073	74,663		
Office supplies								52,410	52,410	276		52,686		
Contractual, printing, ventures						25,915		145	26,060	17,492	38,505	82,057		
Postage and courier services	18					1,341		498	1,857	1,128	1,097	4,082		
Audit and payroll processing										110,363		110,363		
CPS administrative charges										309,822		309,822		
Professional services	16,513	44,253	230		3,596	11,821	9,650	41,879	127,942	110,711	8,141	246,794		
Marketing, recruiting and membership dues	70	3,877	56		533	8,909	23	15,967	29,435	13,600	2,260	45,295		
Bank charges										19,197		19,197		
Auxiliary boards - fundraising and other expense											242,553	242,553		
Other		67						(403)	(336)			(336)		
Bad debt										48,000		48,000		
<b>Total program and administrative expenses</b>	<b>45,088</b>	<b>204,560</b>	<b>691,237</b>	<b>2,909</b>	<b>30,668</b>	<b>295,395</b>	<b>30,332</b>	<b>113,561</b>	<b>1,413,750</b>	<b>673,437</b>	<b>333,844</b>	<b>2,421,031</b>		

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**CONSOLIDATED DETAIL SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2022	Program services											
	Group Services	Head Start	Emergency Services	AmeriCorps	Arts Program	Camp	Mental Health	Rowe Elementary School	Total program services	Management and general	Fundraising	Total expenses
Occupancy expenses:												
Facility rent								\$ 732,000	\$ 732,000	\$ 18,650		\$ 750,650
Building repairs and maintenance	\$ 55,943	\$ 177,404	\$ 15,523	\$ 2,996	\$ 21,174	\$ 122,888	\$ 2,996	327,581	726,505	42,392		768,897
Telephone expense	13,095	21,347	3,379	845	2,112	17,289	845	34,370	93,282	845		94,127
Property security services	4,106	6,623	1,060	265	662		265	11,921	24,902	5,239		30,141
General liability insurance	12,108	31,081	2,570	1,876	1,285	3,877	1,285	117,655	171,737	105,359		277,096
Utilities expense	114	58,347	9,669	229	2,858	47,198	229	198,724	317,368	57,015		374,383
Janitorial supplies and care of building	4,946	9,096	836	761	2,473	6,657	380	162,794	187,943	1,329		189,272
Equipment repairs and maintenance	11,498	22,824	2,686	966	2,664	7,725	778	250	49,391	1,061	\$ 782	51,234
Equipment leasing										11,626		11,626
Depreciation expense		5,692			116,887	129,132		402,033	653,744	49,161		702,905
<b>Total occupancy expenses</b>	<b>101,810</b>	<b>332,414</b>	<b>35,723</b>	<b>7,938</b>	<b>150,115</b>	<b>334,766</b>	<b>6,778</b>	<b>1,987,328</b>	<b>2,956,872</b>	<b>292,677</b>	<b>782</b>	<b>3,250,331</b>
<b>Interest expense and financing costs</b>								<b>828,814</b>	<b>828,814</b>	<b>20,148</b>		<b>848,962</b>
<b>Total</b>	<b>\$ 910,089</b>	<b>\$ 2,142,485</b>	<b>\$ 922,681</b>	<b>\$ 184,420</b>	<b>\$ 323,474</b>	<b>\$ 1,304,560</b>	<b>\$ 165,059</b>	<b>\$ 14,173,129</b>	<b>\$ 20,125,897</b>	<b>\$ 1,211,646</b>	<b>\$ 710,939</b>	<b>\$ 22,048,482</b>

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF FINANCIAL POSITION – ROWE ELEMENTARY SCHOOL**

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June 30, 2022

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ASSETS

Current assets:

Cash	\$ 1,167
Accounts receivable	1,263,620

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Total assets	\$ 1,264,787
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LIABILITIES AND NET ASSETS

Current liabilities:

Accrued liabilities	\$ 843,607
Deferred revenue	5,765

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Total current liabilities	849,372
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Net assets:

Without donor restrictions	415,415
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Total liabilities and net assets	\$ 1,264,787
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**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF REVENUE AND EXPENSES – ROWE ELEMENTARY SCHOOL**

Year ended June 30, 2022

Revenue:

Chicago Public Schools:

Per pupil tuition	\$ 12,880,001
Contributed goods and services	732,000
Contributions - individuals and corporations	25,612
Contributions - foundations and trusts	95,999
Food service	1,166,790
Students fees	132,280
Other	306,944

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Total revenue	15,339,626
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Expenses:

Personnel expenses:

Salary expenses	6,863,621
Payroll taxes and fringe benefits	2,165,767
Professional development	15,234

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Total personnel expenses	9,044,622
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Direct student expenses:

Professional services-Special ED	436,051
Stipends	306,093
Food services	616,998
Classroom supplies and equipment	102,887
Equipment leases and IT supplies	317,168
Curriculum	134,070
Infrastructure technology equipment	95,203
Student programming and support	50,663
Uniforms, assessments and other	118,322

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Total direct student expenses	2,177,455
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**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF REVENUE AND EXPENSES – ROWE ELEMENTARY SCHOOL (CONTINUED)**

Year ended June 30, 2022

Expenses: (continued)

Program and administrative expenses:

Office supplies	\$	52,410
Contractual, printing, ventures		145
Postage and courier services		498
Audit and payroll processing		65,282
CPS administrative charges		309,822
Professional services		41,879
Marketing, recruiting and membership dues		15,504
Bank fees		6,648

Total program and administrative expenses		492,188
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Occupancy expenses:

Facility rent		982,000
Utilities expense		198,724
Building repairs and maintenance		265,975
Telephone expense		34,370
Property security services		11,921
General liability insurance		117,655
Janitorial supplies and care of building		214,920
Equipment repairs and maintenance		19,346
Depreciation expense		402,033

Total occupancy expenses		2,246,944
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Financing costs		828,814
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Total expenses		14,790,023
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Change in net assets	\$	549,603
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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Northwestern University Settlement Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Northwestern University Settlement Association, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Northwestern University Settlement Association's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern University Settlement Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern University Settlement Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. See Item 2022-01.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northwestern University Settlement Association's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Northwestern University Settlement Association's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Northwestern University Settlement Association's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Northwestern University Settlement Association's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern University Settlement Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, IL  
November 14, 2022

## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Northwestern University Settlement Association

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Northwestern University Settlement Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Northwestern University Settlement Association's major federal programs for the year ended June 30, 2022. Northwestern University Settlement Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northwestern University Settlement Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northwestern University Settlement Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northwestern University Settlement Association's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northwestern University Settlement Association's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northwestern University Settlement Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northwestern University Settlement Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Northwestern University Settlement Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northwestern University Settlement Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Northwestern University Settlement Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, IL  
November 14, 2022

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through State of Illinois Department of Human Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	*	93.596	FCSVI00344 \$ 1,095,668
Total Child Care and Development Fund (CCDF) Cluster			<u>1,095,668</u>
Passed through City of Chicago Department of Family and Support Services:			
Head Start	93.600	147321/174538	206,519
Head Start	93.600	179393	288,643
Head Start (Early Head Start Child Care Partnership)	93.600	147320/174543	130,194
Head Start (Early Head Start Child Care Partnership)	93.600	179392	207,591
Total Head Start			<u>832,947</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Illinois State Board of Education:			
School Breakfast Program	10.553	15-016571P-00	220,633
National School Lunch Program	10.555	15-016571P-00	480,815
National School Lunch Program (Snack Program)	10.555	15-016571P-00	106,744
National School Lunch Program (Food Distribution Program - Non-Cash USDA Foods)	10.555	15-016571P-00	65,622
National School Lunch Program (Child Nutrition Program Emergency Operating Costs)	10.555	200038096	159,601
National School Lunch Program (Supply Chain Assistance Funds)	10.555	200088228	22,495
Passed through State of Wisconsin Department of Public Instruction:			
Summer Food Service Program for Children	10.559	64-9414	13,798
Total Child Nutrition Cluster	*		<u>1,069,708</u>
Passed through Illinois State Board of Education:			
Child and Adult Care Food Program	10.558	15-016571P-00	75,713
Child and Adult Care Food Program	10.558	15-016571P-00	103,112
Total Child and Adult Care Food Program			<u>178,825</u>

*See notes to schedule of expenditures of federal awards.*

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through Illinois State Board of Education:			
Passed through Board of Education of the City of Chicago:			
Title I Grants to Local Educational Agencies	84.010	66571	\$ 509,240
Supporting Effective Instruction State Grants (Title II)	84.367	66571	24,512
English Language Acquisition Grants (Title III)	84.365	66571	20,186
Student Support and Academic Enrichment Program (Title IV)	84.424	66571	6,757
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	*	84.425D 66571	1,362,307
			1,923,002
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
Passed through State of Illinois Department of Human Services:			
AmeriCorps State and National Grants	94.006	07380013H	142,627
Total expenditures of federal awards			\$ 5,242,777

\*Denotes a major program.

*See notes to schedule of expenditures of federal awards.*

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2022**

### **1. Basis of presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Northwestern University Settlement Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Northwestern University Settlement Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of Northwestern University Settlement Association.

### **2. Insurance, loans, or loan guarantees**

There were no insurance, loans, or loan guarantees outstanding as of and for the year ended June 30, 2022.

### **3. Subrecipients**

There were no amounts provided to subrecipients from any federal program during the year ended June 30, 2022.

### **4. Federal awards for endowment funds**

There were no federal awards for endowment funds that are federally restricted at year-end.

### **5. Value of non-cash commodities**

The value of non-cash commodities provided by the Illinois State Board of Education under the National School Lunch Program is \$65,622.

### **6. Indirect cost rate**

The Association has elected not to use the 10 percent de minimus indirect cost rate under the Uniform Guidance.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2022**

### **Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Northwestern University Settlement Association.
2. There was one material weakness in internal control disclosed during the audit of the consolidated financial statements. See Item 2022-001. There were no significant deficiencies disclosed during the audit of the consolidated financial statements.
3. There were no instances of noncompliance material to the consolidated financial statements of Northwestern University Settlement Association, which would be required to be reported in accordance with *Government Auditing Standards*.
4. There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for Northwestern University Settlement Association expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs were:
  - Education Stabilization Fund - COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund (84.425D)
  - Child Nutrition Cluster: School Breakfast Program (10.553), National School Lunch Program (10.555), and Summer Food Service Program for Children (10.559)
  - Child Care and Development Fund (CCDF) Cluster: Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Northwestern University Settlement Association qualified as a low-risk auditee.

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

### **Financial Statement Findings**

#### **Item 2022-001 Improper accounting for conditional contributions**

##### *Condition*

During the year ended June 30, 2022, Northwestern University Settlement Association (the Association) recorded a contribution that was conditioned upon the hiring of an employee to fill a role in a specific program. However, the Association did not hire such a person during the year.

##### *Criteria*

In accordance with the accounting guidance for contributions and grants, a contribution contains a condition if it contains a barrier to be overcome and a right of return or release from obligation, if the condition is not met. Conditional promises to give should not be recognized as revenue until the condition has been met.

##### *Cause and Effect*

The Association recorded a contribution that contained a condition that had not been met. The Association's accounting and development team did not determine that the contribution contained a condition and a material audit adjustment was required in order to fairly state the Association's consolidated financial statements.

##### *Recommendation*

We recommend that the accounting and development teams review all contribution agreements to determine if contributions are conditional or unconditional and with donor restrictions or without donor restrictions. Afterwards, the accounting team should determine that the contribution has been accounted for correctly.

##### *Views of Responsible Officials and Planned Corrective Actions*

The accounting and development teams currently review all contribution agreements, including the one referenced above, to determine if contributions are conditional or unconditional and with donor restrictions or without donor restrictions. To ensure that all relevant factors are known and considered, the accounting and development teams will submit their initial assessments for all significant contribution agreements to both the Business Manager and President of the Association.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

**Major Federal Award Programs Findings and Questioned Costs**

None

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2022**

**Financial Statement Findings**

None

**Major Federal Award Programs Findings and Questioned Costs**

None

**Independent Accountants' Report on Compliance with  
Requirements of Applicable Laws and Regulations  
Prescribed by Administering Agency**

Board of Directors  
Northwestern University Settlement Association

We have examined Rowe Elementary School's compliance with compliance requirements listed in Attachment A provided by its administering agency, Chicago Public Schools, during the year ended June 30, 2022. Management of Rowe Elementary School is responsible for Rowe Elementary School's compliance with the specified requirements. Our responsibility is to express an opinion on Rowe Elementary School's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Rowe Elementary School complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Rowe Elementary School complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on Rowe Elementary School's compliance with specified requirements.

This report is intended solely for the information and use of the Board of Directors and management of Northwestern University Settlement Association and Chicago Public Schools and is not suitable for any other purpose.

In our opinion, except for the material noncompliance disclosed on page 61, Rowe Elementary School complied, in all material respects, with the specified requirements referred to in Attachment A during the year ended June 30, 2022.

Rowe Elementary School's response to the finding identified in our examination is noted on page 61. We express no opinion on Rowe Elementary School's response.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, IL  
November 14, 2022

## Attachment A

Chicago Public Schools provided the specified requirements in a memorandum dated May 16, 2022 and a Charter School Agreement dated July 1, 2020.

- Open Meetings Act (5 ILCS 120/1.01 *et seq.*)
- Fingerprint-based Criminal Background Investigations and Checks of the Statewide Sex Offender Database and Statewide Child Murderer and Violent Offender Against Youth Database (105 ILCS 5/10-21.9 and 105 ILCS 5/34-18.5)
- Illinois School Student Records Act (105 ILCS 10/1 *et seq.*)
- Administering Medication (105 ILCS 5/10-22.21b)
- Hazardous Materials Training (105 ILCS 5/10-20.17a)
- School Safety Drill Act (105 ILCS 128/1 *et seq.*)
- Abused and Neglected Child Reporting Act (325 ILCS 5/1 *et seq.*)
- Eye Protection in School Act (105 ILCS 115/0.01 *et seq.*)
- Toxic Art Supplies in Schools Act (105 ILCS 135/1 *et seq.*)
- Infectious Disease Policies and Rules (105 ILCS 5/10-21.11)
- Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74/1 *et seq.*)
- Open Enrollment Process and Lottery (105 ILCS 5/27A-4(d), (h))
- Board of Directors Requirements (105 ILCS 5/27A-5(c))
- Conformance with the following sections of the Charter School Agreement:
  - Governance and Operation
  - Maintenance of Corporate Status and Good Standing
  - Facilities
  - Pension Payments
  - Management and Financial Controls
  - Enrollment/Attendance
  - Insurance

# **NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION**

## **SCHEDULE OF CURRENT YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2022**

### **Finding 2022-001 Enrollment/Attendance**

#### *Criteria/Requirement*

Rowe Elementary School (the School) is required to take daily attendance and maintain accurate attendance records.

#### *Condition*

During the year ended June 30, 2022, the School entered attendance information directly in ASPEN and did not maintain any original documentation to support the attendance figures within ASPEN. We were unable to test whether the School is maintaining accurate enrollment data and daily records of students' attendance in ASPEN.

#### *Effect*

The School is not in compliance with this requirement.

#### *Recommendation*

We recommend that the School take daily attendance and maintain accurate internal attendance records as per this compliance requirement.

#### *Management Response*

Management will implement the attendance plan as follows:

- Rowe teachers will be trained on how to enter daily morning attendance into ASPEN directly as part of their morning procedures. We will establish a time frame for when the attendance must be submitted. If attendance is not submitted by the time decided, clerks at each campus and/or our Director of Operations will follow up as needed with those teachers directly.
- Clerks at each campus will be responsible for entering daily AM student tardies.
- A Google form will be created that our Director of Operations and Principal will complete every morning that signifies that attendance has been taken and is correct and updated.

**NORTHWESTERN UNIVERSITY  
SETTLEMENT ASSOCIATION**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2022**

**Finding 2021-001 Conformance with the School Safety Drill Act**

*Criteria/Requirement*

The School is required to conduct a minimum of three school evacuation drills.

*Condition*

During the year ended June 30, 2021, we noted that only two school evacuation drills were performed at each building.

*Recommendation*

We recommended that the School perform all required safety drills throughout the school year.

*Status*

During the year ended June 30, 2022, the School performed all required safety drills. This is no longer a finding.