

**Chicago Commons
Association**

Financial Report
June 30, 2020

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5-6
Statement of cash flows	7
Notes to financial statements	8-17



RSM US LLP

Independent Auditor's Report

Board of Directors
Chicago Commons Association

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Commons Association which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Chicago Commons Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
December 21, 2020

Chicago Commons Association

Statement of Financial Position

June 30, 2020 (With Comparative Totals For 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,734,043	\$ 2,715,615
Accounts receivable, net	5,086,749	6,131,663
Other current assets	130,775	96,480
Contributions receivable	71,610	151,689
Investments	99,338	91,169
Property and equipment, net	4,075,799	3,793,923
Beneficial interest in trusts	3,452,162	3,502,993
	<u>\$ 17,650,476</u>	<u>\$ 16,483,532</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,401,333	\$ 1,092,775
Accrued expenses	1,047,656	867,164
Accrued settlement and retirement obligations	10,000	20,000
Notes payable	2,952,005	2,905,059
	<u>5,410,994</u>	<u>4,884,998</u>
Net assets:		
Without donor restrictions:		
Undesignated	7,958,149	7,267,425
Board designated - Valliere Sustainability Fund	240,000	240,000
	<u>8,198,149</u>	<u>7,507,425</u>
With donor restrictions:		
Time restrictions	135,025	142,310
Purpose restrictions	377,147	368,807
Perpetual in nature	3,529,161	3,579,992
	<u>4,041,333</u>	<u>4,091,109</u>
	<u>12,239,482</u>	<u>11,598,534</u>
	<u>\$ 17,650,476</u>	<u>\$ 16,483,532</u>

See notes to financial statements.

Chicago Commons Association

Statement of Activities
Year Ended June 30, 2020 (With Comparative Totals For 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Public support and revenue:				
Direct public support:				
Contributions	\$ 160,586	\$ 672,387	\$ 832,973	\$ 645,980
Special events, net of expenses of \$165,716 in 2020 and \$98,656 in 2019	364,771	59,826	424,597	127,620
Net assets released from restrictions	731,158	(731,158)	-	-
	<u>1,256,515</u>	<u>1,055</u>	<u>1,257,570</u>	<u>773,600</u>
Fees and grants from governmental agencies	24,483,100	-	24,483,100	23,033,237
Fee for service revenue	3,802,303	-	3,802,303	3,128,992
Client fees and other support	161,873	-	161,873	239,222
Investment income, net	8,837	-	8,837	7,576
(Decrease) increase in beneficial interest in trusts	-	(50,831)	(50,831)	21,521
Other income	32,004	-	32,004	59,458
	<u>29,744,632</u>	<u>(49,776)</u>	<u>29,694,856</u>	<u>27,263,606</u>
Expenses:				
Program services:				
Child development	12,945,566	-	12,945,566	12,782,752
Senior services	12,634,629	-	12,634,629	11,566,753
Family Hub services	201,582	-	201,582	273,088
	<u>25,781,777</u>	<u>-</u>	<u>25,781,777</u>	<u>24,622,593</u>
Supporting services:				
Management and general	2,716,462	-	2,716,462	2,534,923
Fundraising	555,669	-	555,669	446,328
	<u>3,272,131</u>	<u>-</u>	<u>3,272,131</u>	<u>2,981,251</u>
Operating expenses	<u>29,053,908</u>	<u>-</u>	<u>29,053,908</u>	<u>27,603,844</u>
Increase (decrease) in net assets	690,724	(49,776)	640,948	(340,238)
Net assets:				
Beginning of year	<u>7,507,425</u>	<u>4,091,109</u>	<u>11,598,534</u>	<u>11,938,772</u>
End of year	<u>\$ 8,198,149</u>	<u>\$ 4,041,333</u>	<u>\$ 12,239,482</u>	<u>\$ 11,598,534</u>

See notes to financial statements.

Chicago Commons Association

Statement of Functional Expenses

Year Ended June 30, 2020 (With Comparative Totals For 2019)

	Program Services			Total Program Services
	Child Development	Senior Services	Family Hub	
Functional expenses:				
Salary and wages	\$ 5,840,479	\$ 9,224,749	\$ 84,415	\$ 15,149,643
Payroll taxes and employee benefits	1,121,895	1,160,327	13,257	2,295,479
	<u>6,962,374</u>	<u>10,385,076</u>	<u>97,672</u>	<u>17,445,122</u>
Professional development, travel and conferences	98,440	38,564	2,864	139,868
Supplies	810,764	175,380	2,292	988,436
Operating expenses	2,349,023	1,488,116	23,510	3,860,649
Professional services	1,008,308	39,465	34,603	1,082,376
Building, utilities and insurance	1,301,972	352,516	40,641	1,695,129
Equipment rental and maintenance	181,813	56,991	-	238,804
Depreciation and amortization	232,872	64,080	-	296,952
Interest expense	-	34,441	-	34,441
	<u>\$ 12,945,566</u>	<u>\$ 12,634,629</u>	<u>\$ 201,582</u>	<u>\$ 25,781,777</u>

See notes to financial statements.

Chicago Commons Association

Statement of Functional Expenses (Continued)
 Year Ended June 30, 2020 (With Comparative Totals For 2019)

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2020	2019
Functional expenses:					
Salary and wages	\$ 1,227,458	\$ 354,134	\$ 1,581,592	\$ 16,731,235	\$ 15,942,084
Payroll taxes and employee benefits	159,277	56,771	216,048	2,511,527	2,567,619
	<u>1,386,735</u>	<u>410,905</u>	<u>1,797,640</u>	<u>19,242,762</u>	<u>18,509,703</u>
Professional development, travel and conferences	89,849	12,489	102,338	242,206	189,612
Supplies	12,321	1,666	13,987	1,002,423	880,026
Operating expenses	92,165	81,015	173,180	4,033,829	3,486,654
Professional services	873,829	31,494	905,323	1,987,699	1,994,342
Building, utilities and insurance	132,615	12,252	144,867	1,839,996	1,760,423
Equipment rental and maintenance	12,738	1,102	13,840	252,644	317,775
Depreciation and amortization	30,679	3,015	33,694	330,646	363,196
Interest expense	85,531	1,731	87,262	121,703	102,113
	<u>\$ 2,716,462</u>	<u>\$ 555,669</u>	<u>\$ 3,272,131</u>	<u>\$ 29,053,908</u>	<u>\$ 27,603,844</u>

See notes to financial statements.

Chicago Commons Association

Statement of Cash Flows

Year Ended June 30, 2020 (With Comparative Totals For 2019)

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 640,948	\$ (340,238)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	330,646	363,196
Decrease (increase) in market value of beneficial interest in perpetual trusts	50,831	(21,521)
Realized and unrealized gain on investments	(6,415)	(5,085)
Changes in:		
Accounts receivable	1,044,914	1,623,679
Other current assets	(34,295)	(26,148)
Contributions receivable	80,079	366,928
Accounts payable and accrued expenses	489,050	(62,089)
Net cash provided by operating activities	2,595,758	1,898,722
Cash flows from investing activities:		
Purchases of property and equipment	(612,522)	(125,584)
Purchases of investments	(1,754)	(1,553)
Net cash used in investing activities	(614,276)	(127,137)
Cash flows from financing activities:		
Net proceeds from notes payable	1,000,000	-
Payments of notes payable	(953,054)	(76,076)
Repayments of settlement obligation	(10,000)	(13,811)
Net cash provided by (used in) financing activities	36,946	(89,887)
Increase in cash and cash equivalents	2,018,428	1,681,698
Cash and cash equivalents:		
Beginning of year	2,715,615	1,033,917
End of year	\$ 4,734,043	\$ 2,715,615
Supplemental disclosure of cash flow information:		
Interest paid	\$ 121,703	\$ 102,113

See notes to financial statements.

Chicago Commons Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Chicago Commons Association (Commons) is a nonprofit social services agency that partners with individuals, families and communities to overcome poverty, discrimination and isolation. Commons creates programs that promote self-sufficiency and strengthen individuals at key stages of life from child development to elderly care. Commons targets its program services to communities affected by high rates of poverty and limited educational and economic resources for families. Commons operates three core programs - Child Development, Senior Services and Family Hub, and bases its operations in four Chicago, Illinois neighborhoods - West Humboldt Park, Pilsen, New City/Back of the Yards and Grand Boulevard.

Commons was founded in 1894 as a settlement house on the near west side of Chicago, a neighborhood then populated by recent immigrants who were vulnerable to the largely unregulated growth of industrial, urban America. Throughout its history, Commons has successfully adjusted its programs and targeted communities to respond to changes in the needs of Chicago's neighborhoods. As in previous times, Commons continues to transform itself to ensure that resources are used in a way that makes a deep and lasting impact on the people and neighborhoods that participate in its programs.

Commons receives a significant portion of its funding from city, state and federal government programs. In addition, Commons continues to raise significant private resources from individuals, corporations and foundations.

Commons is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Basis of presentation: Commons' financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to nonprofit organizations.

Accounting standards: Commons follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to U.S. GAAP in these footnotes are to the *FASB Accounting Standards Codification*TM, sometimes referred to as the Codification or ASC.

Cash and cash equivalents: Commons defines cash equivalents as short-term, highly-liquid investments that have original maturities of three months or less and are readily convertible into known amounts of cash. Commons maintains its cash balances in bank accounts which, at times, may exceed federally insured limits. Commons has not experienced any losses in such accounts and management believes that Commons is not exposed to any significant credit risk on cash.

Accounts receivable: Receivables are almost entirely due from governmental agencies and are valued at management's estimate of the amount that will ultimately be collected. Management recorded an allowance for doubtful accounts of \$202,854 at June 30, 2020, based on specific identification of uncollectible accounts and historical collection experience.

Investments: Investments consist of a bond market index fund held at the Vanguard Group. Investments are recorded at fair value, based on quoted prices in active markets for identical assets. Changes in market value or realized gains and losses from investment sales are recorded net of investment fees and costs as investment income (loss) on the statement of activities.

Chicago Commons Association

Notes to Financial Statements

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

Commons' investment portfolio is exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could affect the amounts reported in the statement of activities.

Property and equipment: Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment in amounts over \$5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or returned are removed from the property and equipment account, and any gain or loss upon disposition is recognized at that time. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets. These lives range from 3 to 7 years for equipment and software, 5 years for vehicles, 20 years for land improvements and 31.5 to 50 years for buildings and building improvements.

Impairment: Commons reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized.

Beneficial interest in irrevocable perpetual trusts: Commons is an income beneficiary of certain irrevocable perpetual trusts established by donors and administered by certain third-party trusts. Income allocations from such trusts have no restriction on their use and are recognized as revenue when received from the third-party trusts. Commons' beneficial interest in the assets of irrevocable perpetual trusts is carried at fair value in its statement of financial position based on the fair value of the underlying trust assets.

Classification of net assets: Net assets and related activities of the various funds are classified based on the existence or absence of donor-imposed restrictions.

Without donor restrictions: Net assets without donor restrictions represent resources available for support of daily operations and contributions received for which there are no donor-imposed stipulations or time restrictions. This also includes board designated funds.

Board designated: Certain net assets without donor restrictions have been identified by the board to be used for a specific purpose. During fiscal 2013, the board established the Valliere Sustainability Fund. This fund is a working capital fund that allows Commons to have the financial wherewithal to grow and respond to opportunities that arise that will result in better, more impactful services for clients. The Valliere Sustainability Fund has an initial corpus of \$240,000, which is comprised of received bequests.

With donor restrictions: Net assets with donor restrictions include net assets subject to donor-imposed restrictions that will be met either by actions of Commons or passage of time. Also included in this category are net assets subject to donor restrictions requiring that the contributed assets be invested and maintained in perpetuity by Commons. The income generated from these funds can be used for general operations and is therefore classified as net assets without donor restrictions, when appropriated for use. Net assets released from restrictions represent amounts released from time restriction or spent on restricted purposes.

Chicago Commons Association

Notes to Financial Statements

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

Contributions: Commons recognizes donors' unconditional promises to give cash and other assets as revenue in the period the promises are made. Contributions receivable have been recorded for amounts expected to be collected in the future. At June 30, 2020, amounts were primarily due within one year. Contributions to be received after one year are discounted to present value. Amortization of the discount is recorded as contribution revenue. No allowance for uncollectible contributions at June 30, 2020, has been provided based upon management's assessment, which includes analysis of various factors including prior collection history, type of contribution and nature of fundraising activity.

Donors' promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met.

Contributions received with donor-imposed restrictions are recorded as increases to net assets with donor restrictions, unless satisfaction of restrictions occurs in the same year as revenue recognition, in which case the contributions are recorded as increases in net assets without donor restrictions.

Donated materials and other noncash donations are recorded as contributions at their estimated fair value on the date received.

Many individuals volunteer their time and perform a variety of tasks that assist Commons with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Commons reports such contributions at their estimated fair value when received.

Fees and grants from governmental agencies: Government grants and contract agreements are accounted for as conditional promises to give and are recognized as revenue when the barriers have been substantially met. Generally, the barriers are met when qualifying expenses have been incurred and other grant requirements have been met. Commons has received conditional commitments, which generally represent unexpended government grants, amounting to approximately \$4,300,000 which have not been recognized, because Commons has not yet met the related barriers. These amounts are subject to recognition as Commons incurs qualifying expenses and performs its duties under the terms of the grant agreements. Unexpended amounts received in advance are recorded as advances from government agencies. Commons has elected the simultaneous release policy for government grants, which allows the organization to recognize restricted conditional contributions directly in net assets without donor restrictions when the condition is met, which is generally when qualifying expenditures have been incurred.

Fee for service revenue: Revenue is recognized in the fiscal year that the services are rendered.

Functional expenses: Operating expenses directly identified with a functional core program are charged to that program and, where these expenses affect more than one program, they are allocated on the basis of ratios estimated by management. Commons has a cost allocation plan which is updated annually. Personnel costs are allocated based on estimates of time and effort as determined by annual time studies. Occupancy, IT, and other shared costs are allocated based on estimated usage, which is determined on a rational basis such as square footage or headcount.

Chicago Commons Association

Notes to Financial Statements

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

Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative data: The financial statements include certain prior year summarized comparative information in total but not in the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Commons' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Commons may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Commons and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in the financial statements.

Commons files Form 990 in the U.S. federal jurisdiction and the state of Illinois.

Accounting pronouncement adopted: Commons adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in fiscal year 2020. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. Commons follows this guidance in accounting for government grants. Adoption of this standard did not have a significant effect on Commons' financial statements.

Recent accounting pronouncements: In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The updated standard will be effective for Commons' June 30, 2021 financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for Commons' June 30, 2023 financial statements.

A June 2020 accounting standards update issued by the FASB allowed a one-year effective date deferral of Topic 606 and Topic 842, as reflected in the effective dates above. Commons is currently evaluating the impact of the adoption of the above standards on its financial statements.

Subsequent events: Commons has evaluated subsequent events for potential recognition and/or disclosure through December 21, 2020, the date the financial statements were available to be issued.

Chicago Commons Association

Notes to Financial Statements

Note 2. Liquidity

The table below represents financial assets and liquidity resources available for general expenditures within one year of June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,734,043
Accounts receivable, net	5,086,749
Contributions receivable	71,610
Investments	99,338
Beneficial interest in trusts	3,452,162
	<u>13,443,902</u>
Less amounts not available to be used within one year:	
Investments held in custodial trusts	3,452,162
Net assets with donor restrictions	589,171
Less net assets with restrictions to be met in less than a year	(512,321)
Board designated net assets	240,000
	<u>3,769,012</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,674,890</u>

Commons regularly monitors liquidity requirements to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Commons has various sources of liquidity at its disposal, including cash and cash equivalents, investments in a bond market index fund, and a line of credit (Note 6).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Commons considers all expenditures related to its ongoing activities in Child Development, Senior Services, and Family Hub as well as the conduct of services undertaken to support those activities to be general expenditures. Commons' beneficial interest in trusts are not included, as Commons is only entitled to earnings on investments and not the assets of the trusts themselves; therefore, these are not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, Commons operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The statement of cash flows identifies the sources and uses of cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

Note 3. Fair Value

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability.

Chicago Commons Association

Notes to Financial Statements

Note 3. Fair Value (Continued)

The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. Commons' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For fiscal year 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. Commons assesses levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2020, there were no such instances. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of publicly traded bond market index fund securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Beneficial Interest in Perpetual Trusts

The fair value of Commons' beneficial interest in perpetual trusts was provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. Such trust assets are held and invested in perpetuity by third-party trustees, which are financial institutions. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

	Fair Value Measurements Using			Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Bond mutual fund	\$ 99,338	\$ -	\$ -	\$ 99,338
Beneficial interest in perpetual trusts	-	-	3,452,162	3,452,162
	<u>\$ 99,338</u>	<u>\$ -</u>	<u>\$ 3,452,162</u>	<u>\$ 3,551,500</u>

Chicago Commons Association

Notes to Financial Statements

Note 3. Fair Value (Continued)

A reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) during the year ended June 30, 2020, is as follows:

	<u>Level 3 Assets</u>
Balance, beginning of year	\$ 3,502,993
Change in value of beneficial interest in trusts	(50,831)
Balance, end of year	<u>\$ 3,452,162</u>

Note 4. Property and Equipment

Property and equipment at June 30, 2020, consists of:

Land and land improvements	\$ 272,675
Buildings and building improvements	5,477,635
Machinery and equipment	1,408,271
Vehicles	342,986
	<u>7,501,567</u>
Accumulated depreciation	(3,425,768)
	<u>\$ 4,075,799</u>

Commons' land and buildings consist of various properties located throughout Chicago, Illinois.

Depreciation expense totaled \$330,646 for fiscal year 2020.

During fiscal years 2012 and 2013, Commons purchased and made improvements to a building located in the Grand Boulevard community. This facility houses senior care services and administrative offices. As part of the acquisition, Commons assumed a ground lease with the County of Cook, Illinois for the land, valued at \$56,000. The original term of the ground lease is 20 years, ending December 2022. There is an option for a one-time extension of an additional 10 years, which Commons intends to exercise. Upon termination, Commons has an option to purchase the land. Commons has capitalized the land lease and is amortizing the lease annually over the remaining term.

Note 5. Beneficial Interest in Perpetual Trusts

Commons is a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that Commons, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions. Although the beneficial interest in these trusts (and any appreciation in the value of the trusts) is permanently restricted, the income from the trusts is unrestricted.

Chicago Commons Association

Notes to Financial Statements

Note 5. Beneficial Interest in Perpetual Trusts (Continued)

The perpetual trusts' names, Commons' percentage interests and balances at June 30, 2020, are as follows:

	Percentage Interest	Commons' Balance
Hobart Williams Charitable Trust	10.00%	\$ 2,379,509
Frank W. Thurston Chicago Community Trust	25.00%	1,000,084
Emaroy June Benevolent Fund	3.28%	72,569
		<u>\$ 3,452,162</u>

Note 6. Line of Credit

Commons has a line of credit agreement with a commercial bank which expires on June 30, 2022, and provides for maximum borrowings of \$5,000,000 with an interest rate equal to 1.5 percent plus LIBOR. Any borrowings are collateralized by bank deposits and a security interest in Commons' accounts receivable. The agreement requires Commons' compliance with various covenants, including a minimum debt service coverage ratio. There were no borrowings on the line during the year ended June 30, 2020.

Note 7. Notes Payable

Commons' notes payable consisted of the following at June 30, 2020:

Note payable to IFF, dated July 2016, for \$1,980,000 for Nia Family Center and New City Family Center. The note carries a fixed interest rate of 3.55 percent for seven years; interest is paid quarterly and principal is due on July 28, 2023. The note is secured by a mortgage security agreement in connection with the Nia Family Center.	\$ 1,980,000
Note payable to IFF, dated October 11, 2019, in the original amount of \$1,000,000, payable in monthly principal and interest installments over 15 years, beginning December 1, 2019 and through November 2034. The interest rate is set at 6 percent for the first five-year period (with monthly installments of \$8,439 including principal and interest) and subject to a rate recalculated by the lender for the second and third five-year periods. This note refinanced a note with US Bank, and is secured by a mortgage security agreement in connection with the Grand Boulevard facility.	972,005
	<u>\$ 2,952,005</u>

Future principal payments are as follows at June 30, 2020:

2021	\$ 44,143
2022	46,866
2023	49,757
2024	2,032,825
2025	56,084
Thereafter	722,330
	<u>\$ 2,952,005</u>

Chicago Commons Association

Notes to Financial Statements

Note 8. Retirement Plan Benefits

Commons has a savings and retirement plan for employees who are 21 years of age and are United States citizens. An employee (other than an excluded employee) becomes a participant in the elective deferral portion of the plan on the first day of employment with Commons. To become a participant in the non-elective contribution portion (matching contributions) an employee must have attained 21 years of age. Commons may contribute a discretionary matching contribution of 50 percent of a participant's elective deferral limited to 4 percent of a participant's compensation per payroll period. Participants are immediately vested in their payroll deferral contributions. Vesting in Commons' contribution portion is based on years of continuous service. A participant is 100 percent vested after three years of eligible service. Employer contributions to the plan were \$84,700 for 2020.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020:

Subject to the passage of time:

General operating grants to fund future periods	\$ 75,199
Golf invitational	59,826
	<u>135,025</u>

Subject to expenditure for specific purposes:

Child development and youth services	206,904
Family Hub	121,120
Senior Care	49,123
	<u>377,147</u>

Subject to investment for perpetuity:

Beneficial interest in trusts	3,452,162
Other gifts to be maintained in perpetuity	76,999
	<u>3,529,161</u>
	<u>\$ 4,041,333</u>

Note 10. Leases and Commitments

Commons is obligated under various occupancy and equipment leases expiring through fiscal year 2024. Annual future minimum lease payments related to these leases at June 30, 2020, are as follows:

2021	\$ 581,786
2022	201,728
2023	147,406
2024	124,932
	<u>\$ 1,055,852</u>

Total rent expense in fiscal year 2020 was \$813,786.

Commons is a party to a master services agreement for financial and accounting services with a term through 2021. Commons is responsible for monthly fees for services rendered and reimbursement of expenses. Certain fees may also be payable if Commons terminates the arrangement.

Chicago Commons Association

Notes to Financial Statements

Note 11. Supporting Agencies

Commons received approximately 85 percent of revenue in the form of fees and grants from governmental agencies. This support is subject to review and final determination by the granting agencies. Commons does not anticipate any significant adjustment upon final review and determination.

Note 12. Impacts of the Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 "coronavirus" outbreak to be a pandemic. The resulting economic volatility, stay-at-home orders, and restrictions on in-person attendance for day care centers have resulted in uncertainties that have impacted Commons' program operations. While operations have been impacted, Commons did not experience any negative financial results for the fiscal year ended June 30, 2020 resulting from the pandemic; however, this could change in subsequent fiscal years. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Commons.