

# **Chicago Commons Association**

Financial Report  
June 30, 2023

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## Independent Auditors Report

RSM US LLP

Board of Directors  
Chicago Commons Association

### Opinion

We have audited the financial statements of Chicago Commons Association, which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2023, 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 (GAAS). 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 Chicago Commons 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.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2022, Chicago Commons Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

### Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chicago Commons 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chicago Commons 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.

#### **Report on Summarized Comparative Information**

We have previously audited Chicago Commons Association's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Chicago, Illinois  
March 22, 2024

## Chicago Commons Association

### Statement of Financial Position June 30, 2023 (With Comparative Totals For 2022)

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,583,123	\$ 5,136,987
Accounts receivable, net	11,502,276	7,693,364
Delegate advances	257,337	-
Other current assets	158,161	158,937
Contributions receivable	150,980	369,460
<b>Total current assets</b>	<b>14,651,877</b>	<b>13,358,748</b>
Property and equipment, net	3,356,080	3,652,448
Operating right-of-use assets	1,226,295	-
Finance right-of-use assets	278,198	-
Investments	161,221	134,988
Beneficial interest in trusts	3,838,588	3,583,667
	<b>\$ 23,512,259</b>	<b>\$ 20,729,851</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 1,481,502	\$ 1,279,775
Delegates payable	2,329,035	2,152,218
Accrued expenses	1,632,994	1,246,396
Deferred revenue	76,462	3,787
Operating lease liability—current	455,892	-
Finance lease liability—current	55,503	-
Notes payable—current	2,032,825	49,757
<b>Total current liabilities</b>	<b>8,064,213</b>	<b>4,731,933</b>
Long-term liabilities:		
Operating lease liability	767,409	-
Finance lease liability	224,576	-
Notes payable	778,414	2,811,239
<b>Total long-term liabilities</b>	<b>1,770,399</b>	<b>2,811,239</b>
<b>Total liabilities</b>	<b>9,834,612</b>	<b>7,543,172</b>
Net assets:		
Without donor restrictions:		
Undesignated	8,423,194	8,258,097
Board-designated—Valliere Sustainability Fund	240,000	240,000
	<b>8,663,194</b>	<b>8,498,097</b>
With donor restrictions:		
Time restrictions	38,324	157,500
Purpose restrictions	1,060,542	870,416
Perpetual in nature	3,915,587	3,660,666
	<b>5,014,453</b>	<b>4,688,582</b>
	<b>13,677,647</b>	<b>13,186,679</b>
	<b>\$ 23,512,259</b>	<b>\$ 20,729,851</b>

See notes to financial statements.

## Chicago Commons Association

### Statement of Activities Year Ended June 30, 2023 (With Comparative Totals For 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Public support and revenue:				
Direct public support:				
Contributions	\$ 526,666	\$ 1,220,149	\$ 1,746,815	\$ 1,186,281
Special events, net of expenses (2023—\$291,619; 2022—\$310,614)	218,578	-	218,578	303,907
Net assets released from restrictions	1,149,199	(1,149,199)	-	-
	<b>1,894,443</b>	<b>70,950</b>	<b>1,965,393</b>	1,490,188
Fees and grants from governmental agencies	44,165,596	-	44,165,596	37,708,700
Fee for service revenue	5,065,749	-	5,065,749	5,206,458
Client fees and other support	285,590	-	285,590	134,976
Investment (loss) income, net	28,255	-	28,255	(10,386)
(Decrease) increase in beneficial interest in trusts	-	254,921	254,921	(877,591)
Other income	36,973	-	36,973	47,801
	<b>51,476,606</b>	<b>325,871</b>	<b>51,802,477</b>	43,700,146
Expenses:				
Program services:				
Child development	32,584,177	-	32,584,177	26,254,184
Senior services	12,946,010	-	12,946,010	12,819,086
Family Hub services	995,013	-	995,013	384,142
	<b>46,525,200</b>	<b>-</b>	<b>46,525,200</b>	39,457,412
Supporting services:				
Management and general	4,188,006	-	4,188,006	4,066,384
Fundraising	598,303	-	598,303	521,728
	<b>4,786,309</b>	<b>-</b>	<b>4,786,309</b>	4,588,112
	<b>51,311,509</b>	<b>-</b>	<b>51,311,509</b>	44,045,524
<b>Increase (decrease) in net assets</b>	<b>165,097</b>	<b>325,871</b>	<b>490,968</b>	<b>(345,378)</b>
Net assets:				
Beginning of year	8,498,097	4,688,582	13,186,679	13,532,057
End of year	<b>\$ 8,663,194</b>	<b>\$ 5,014,453</b>	<b>\$ 13,677,647</b>	<b>\$ 13,186,679</b>

See notes to financial statements.

**Chicago Commons Association**

**Statement of Functional Expenses  
Year Ended June 30, 2023 (With Comparative Totals For 2022)**

	Program Services			Total Program Services
	Child Development	Senior Services	Family Hub	
Functional expenses:				
Salary and wages	\$ 8,422,596	\$ 9,573,392	\$ 338,538	\$ 18,334,526
Payroll taxes and employee benefits	1,822,176	1,192,717	91,621	3,106,514
	10,244,772	10,766,109	430,159	21,441,040
Professional development, travel and conferences	425,651	37,107	9,034	471,792
Delegate expense	14,425,782	-	-	14,425,782
Supplies	1,168,353	96,659	122,551	1,387,563
Operating expenses	1,245,102	977,102	282,617	2,504,821
Professional services	1,686,345	256,936	115,962	2,059,243
Building, utilities and insurance	2,928,680	628,910	34,690	3,592,280
Equipment rental and maintenance	264,327	42,435	-	306,762
Depreciation and amortization	192,348	105,431	-	297,779
Interest expense	2,817	35,321	-	38,138
	<u>\$ 32,584,177</u>	<u>\$ 12,946,010</u>	<u>\$ 995,013</u>	<u>\$ 46,525,200</u>

(Continued)

**Chicago Commons Association**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2023 (With Comparative Totals For 2022)**

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2023	2022
Functional expenses:					
Salary and wages	\$ 2,265,141	\$ 426,866	\$ 2,692,007	\$ 21,026,533	\$ 20,310,741
Payroll taxes and employee benefits	403,982	76,227	480,209	3,586,723	3,334,114
	<u>2,669,123</u>	<u>503,093</u>	<u>3,172,216</u>	<u>24,613,256</u>	<u>23,644,855</u>
Professional development, travel and conferences	82,333	15,959	98,292	570,084	665,339
Delegate expense	-	-	-	14,425,782	9,729,562
Supplies	169,395	9,301	178,696	1,566,259	1,508,466
Operating expenses	243,301	21,255	264,556	2,769,377	2,585,769
Professional services	1,176,164	12,113	1,188,277	3,247,520	2,873,167
Building, utilities and insurance	(359,539)	30,544	(328,995)	3,263,285	2,117,848
Equipment rental and maintenance	94,882	1,538	96,420	403,182	430,008
Depreciation and amortization	26,426	2,725	29,151	326,930	365,855
Interest expense	85,921	1,775	87,696	125,834	124,655
	<u>\$ 4,188,006</u>	<u>\$ 598,303</u>	<u>\$ 4,786,309</u>	<u>\$ 51,311,509</u>	<u>\$ 44,045,524</u>

See notes to financial statements.

## Chicago Commons Association

### Statement of Cash Flows

Year Ended June 30, 2023 (With Comparative Totals For 2022)

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 490,968	\$ (345,378)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	326,930	365,855
Noncash contributions, investment securities	(26,231)	(46,357)
Reduction in carrying amount of right-of-use assets	474,421	-
Cash paid for operating leases	(457,543)	-
Allowance for doubtful accounts	48,715	31,689
(Increase) decrease in market value of beneficial interest in perpetual trusts	(254,921)	877,591
Realized and unrealized loss on investments	4,671	12,200
Changes in:		
Accounts receivable	(3,857,627)	(1,372,183)
Delegate advances	(257,337)	-
Other current assets	776	77,167
Contributions receivable	218,480	(331,960)
Accounts payable and accrued expenses	588,325	187,317
Delegates payable	176,817	2,152,218
Deferred revenue	72,675	3,787
<b>Net cash (used in) provided by operating activities</b>	<b>(2,450,881)</b>	<b>1,611,946</b>
Cash flows from investing activities:		
Purchases of property and equipment	(30,562)	(25,821)
Purchases of investments	(4,673)	(1,912)
<b>Net cash used in investing activities</b>	<b>(35,235)</b>	<b>(27,733)</b>
Cash flows from financing activities:		
Cash paid for finance leases	(17,991)	-
Repayments of notes payable	(49,757)	(46,866)
<b>Net cash used in financing activities</b>	<b>(67,748)</b>	<b>(46,866)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,553,864)</b>	<b>1,537,347</b>
Cash and cash equivalents:		
Beginning of year	5,136,987	3,599,640
End of year	<b>\$ 2,583,123</b>	<b>\$ 5,136,987</b>
Supplemental disclosure of cash flow information:		
Interest paid	<b>\$ 125,833</b>	<b>\$ 124,655</b>
Supplemental disclosure of noncash investment and financing activity:		
Right-of-use asset obtained in exchange for a lease liability	<b>\$ 298,070</b>	<b>\$ -</b>

See notes to financial statements.

## Chicago Commons Association

### Notes to Financial Statements

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#### 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 (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 Accounting Standards Codification (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 \$239,479 at June 30, 2023, based on specific identification of uncollectible accounts and historical collection experience. The amounts of accounts receivable which were not yet billed but accrued as of June 30, 2023 totaled approximately \$2,149,000.

**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

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#### **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 is 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 three to seven years for equipment and software, five 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.

**Delegates balances:** Amounts due from or due to Commons' Head Start and Early Head Start subgrantees (delegates) for advances to (an asset) or for reimbursement of grant expenses incurred by those delegates (a liability), are reflected on the statement of financial position.

**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 year 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.

**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

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#### 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, 2023, 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, 2023, 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 \$7,550,000, which have not been recognized, because Commons has not yet met the related conditions. Unexpended amounts received in advance, if any, are recorded as advances from government agencies; there were no such advances at June 30, 2023. 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.

In fiscal year 2022, Commons became a direct grant recipient of Head Start and Early Head Start funds from the federal government. Commons passes through federal funds to four delegate agencies, Chicago-based child care and community centers, who operate Head Start/Early Head Start programs. These federal grants are reported as fees and grants from governmental agencies, and the amounts passed through to delegates is reported as delegate expense.

**Fee for service revenue:** Commons recognizes fee for service revenue in accordance with ASC 606, Revenue from Contracts with Customers. Revenue from contracts with clients is reported at the amount that reflects the consideration to which Commons expects to be entitled in exchange for providing services. The performance obligation of providing educational and senior care services is simultaneously received and consumed by clients. Revenue is recognized as performance obligations are satisfied (over time) and is billed monthly to clients based on statutory rates for the amount of time services were provided. Payments for these services are received after services are provided and are recorded as accounts receivable when billed.

## Chicago Commons Association

### Notes to Financial Statements

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

**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.

**Estimates:** In preparing financial statements in conformity with U.S. GAAP, 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.

**Reclassifications:** Certain fiscal year 2022 balances have been reclassified to conform to the current year presentation, including reclassification of a certain financial institution account from cash and cash equivalents to investments, without any effect on previously reported net assets or changes in net assets.

**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, 2022, 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% 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.

**Leases:** Prior to July 1, 2022, Commons followed the lease accounting guidance in FASB ASC 840. Effective July 1, 2022, Commons follows the lease guidance in FASB ASC 842. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

Commons adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, Commons has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with Commons' historical accounting treatment under ASC 840, Leases.

Commons elected the package of practical expedients under the transition guidance within Topic 842, in which the entity does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. Commons has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

## Chicago Commons Association

### Notes to Financial Statements

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

Commons determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) Commons obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Commons also considers whether its service arrangements include the right to control the use of an asset.

Commons made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Commons made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Commons has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to Commons, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Commons' operating leases of approximately \$1,680,000 at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated net assets or consolidated cash flows.

**Subsequent events:** Commons has evaluated subsequent events for potential recognition and/or disclosure through March 22, 2024, the date the financial statements were available to be issued.

## Chicago Commons Association

### Notes to Financial Statements

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#### Note 2. Liquidity

The table below represents financial assets and liquidity resources available for general expenditures within one year of June 30, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,583,123
Accounts receivable, net	11,502,276
Contributions receivable	150,980
Delegate advances	257,337
Investments	161,221
Beneficial interest in trusts	<u>3,838,588</u>
	<u>18,493,525</u>
Less amounts not available to be used within one year:	
Investments held in custodial trusts	3,838,588
Net assets with donor restrictions	1,175,865
Less net assets with restrictions to be met in less than a year	(1,098,866)
Board-designated net assets	<u>240,000</u>
	<u>4,155,587</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 14,337,938</u></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.

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.

## Chicago Commons Association

### Notes to Financial Statements

#### Note 3. Fair Value

The Fair Value Measurements and Disclosures topic of the ASC 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.

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 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. 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 and equity 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	\$ 88,633	\$ -	\$ -	\$ 88,633
Equity securities	72,588	-	-	72,588
Beneficial interest in perpetual trusts	-	-	3,838,588	3,838,588
	<u>\$ 161,221</u>	<u>\$ -</u>	<u>\$ 3,838,588</u>	<u>\$ 3,999,809</u>

## Chicago Commons Association

### Notes to Financial Statements

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#### Note 3. Fair Value (Continued)

There were no transfers into or out of Level 3 of the fair value hierarchy, and no purchases of any Level 3 assets during fiscal year 2023.

#### Note 4. Property and Equipment

Property and equipment at June 30, 2023, consists of:

Land and land improvements	\$ 272,675
Buildings and building improvements	5,524,409
Machinery and equipment	1,424,977
Vehicles	475,125
	<hr/>
	7,697,186
Accumulated depreciation	(4,341,106)
	<hr/>
	<u>\$ 3,356,080</u>

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

Depreciation expense totaled \$326,930 for fiscal year 2023.

During fiscal year 2012, Commons purchased a building located in the Grand Boulevard community. This facility houses senior care services and administrative offices. As part of the acquisition, Commons assumed an existing ground lease with the County of Cook, Illinois for the land, valued at \$56,000. The original term of the ground lease is 30 years, ending December 2030. There are two extension options, each to extend the lease for an additional 10-year term. 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.

The perpetual trusts' names and Commons' percentage interests and balances at June 30, 2023, are as follows:

	Percentage Interest	Commons' Balance
		<hr/>
Hobart Williams Charitable Trust	10.00%	\$ 2,551,876
Frank W. Thurston Chicago Community Trust	25.00%	1,213,171
Emaroy June Benevolent Fund	3.28%	73,541
		<hr/>
		<u>\$ 3,838,588</u>

## Chicago Commons Association

### Notes to Financial Statements

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#### Note 6. Line of Credit

Commons has a line of credit agreement with a commercial bank which expires on June 30, 2024, and provides for maximum borrowings of \$5,000,000 with an interest rate equal to 1.25% plus the Secured Overnight Financing Rate (SOFR). 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, 2023.

#### Note 7. Notes Payable

Commons' notes payable consisted of the following at June 30, 2023:

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% 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% 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 is secured by a mortgage security agreement in connection with the Grand Boulevard facility.	831,239
	<u>\$ 2,811,239</u>

Future principal payments are as follows at June 30, 2023:

2024	\$ 2,032,825
2025	56,084
2026	59,543
2027	63,215
2028	67,114
Thereafter	532,458
	<u>\$ 2,811,239</u>

Subsequent to year-end, on September 29, 2023, Commons refinanced the notes payable aggregating \$1,980,000 with IFF. The fifteen-year note initially bears interest at 6.5% per annum and requires monthly principal and interest payments in the amount of \$17,248 for five years; the lender resets the interest rate and required monthly payments in 2028 and 2033.

#### Note 8. Retirement Plan Benefits

Commons has a savings and retirement plan for employees who are at least 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 nonelective contribution portion (matching contributions) an employee must have attained 21 years of age. Commons may contribute a discretionary matching contribution of 50% of a participant's elective deferral limited to 4% 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% vested after three years of eligible service. Employer contributions to the plan were \$185,715 for 2023.

## Chicago Commons Association

### Notes to Financial Statements

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#### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Subject to the passage of time:	
General operating grants to fund future periods	\$ 38,324
Subject to expenditure for specific purposes:	
Child development and youth services	205,382
Family Hub	735,438
Senior Care	119,722
	<u>1,060,542</u>
Subject to investment for perpetuity:	
Beneficial interest in trusts	3,838,588
Other gifts to be maintained in perpetuity	76,999
	<u>3,915,587</u>
	<u>\$ 5,014,453</u>

#### Note 10. Leases and Commitments

Commons leases real estate, under operating lease agreements that generally have initial terms of five years. Some leases include one or more options to renew, generally at the Commons' sole discretion, with renewal terms that can extend the lease term up to two years. In addition, certain leases contain termination options, where the rights to terminate are held by either Commons, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that Commons will exercise that option. Commons' operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Commons also leases certain equipment under a finance lease agreement with a term of five years and interest rates of 4.19%. The Commons' finance leases generally do not contain any material restrictive covenants or residual value guarantees.

ROU assets and lease liabilities for operating and finance leases are included in ROU asset and lease liability, respectively, in the statement of financial position. Lease assets represent Commons' right to use an underlying asset for the lease term and lease liabilities represent Commons' obligation to make lease payments arising from the lease.

Operating lease cost	\$ 463,043
Short-term lease cost	193,590
Finance lease interest expense	5,047
Finance lease amortization expense	19,871
	<u>\$ 681,551</u>

Operating and finance lease ROU assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the risk-free rate at the commencement date in determining the present value of future payments.

## Chicago Commons Association

### Notes to Financial Statements

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#### Note 10. Leases and Commitments (Continued)

The weighted-average remaining lease term and weighted-average discount rate at June 30, 2023, are as follows:

Weighted-average remaining lease term:	
Operating leases	3.00 years
Finance leases	3.67 years
Weighted-average discount rate:	
Operating leases	1.19%
Finance leases	4.19%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease obligations recognized in the statement of financial position are as follows as of June 30, 2023:

	Operating	Finance	Total
Years ending June 30, 2023:			
2023	\$ 458,165	\$ 66,180	\$ 524,345
2024	384,460	66,180	450,640
2025	321,795	66,180	387,975
2026	81,039	66,180	147,219
2027	-	44,120	44,120
Thereafter	-	-	-
Total lease payments	1,245,459	308,840	1,554,299
Less imputed interest	(22,158)	(28,761)	(50,919)
Total present value of lease liabilities	<u>\$ 1,223,301</u>	<u>\$ 280,079</u>	<u>\$ 1,503,380</u>

Commons is a party to a master services agreement for financial and accounting services with a term through 2026. Commons is responsible for monthly fees for services rendered and reimbursement of expenses. Certain fees may also be payable if Commons terminates the arrangement.

#### Note 11. Supporting Agencies

Commons received approximately 85% 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.