

Chicago Commons Association

Financial Report
June 30, 2024

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Independent Auditor's Report

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, 2024, 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, 2024, 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 Auditor's 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
December 26, 2024

Chicago Commons Association

Statement of Financial Position June 30, 2024 (With Comparative Totals for 2023)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,421,894	\$ 2,583,123
Investments	196,626	161,221
Accounts receivable, net	10,180,318	11,502,276
Delegate advances	34,139	257,337
Other current assets	103,972	158,161
Contributions receivable	215,980	150,980
Total current assets	15,152,929	14,813,098
Property and equipment, net	3,367,244	3,356,080
Operating right-of-use assets	986,818	1,226,295
Finance right-of-use assets	220,753	278,198
Beneficial interests in perpetual trusts	4,173,173	3,838,588
	\$ 23,900,917	\$ 23,512,259
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 729,546	\$ 1,481,502
Delegates payable	2,396,766	2,329,035
Accrued expenses	1,806,007	1,632,994
Other liabilities	8,727	76,462
Operating lease liability—current	588,662	455,892
Finance lease liability—current	58,075	55,503
Notes payable—current	140,016	2,032,825
Total current liabilities	5,727,799	8,064,213
Long-term liabilities:		
Operating lease liability	399,615	767,409
Finance lease liability	162,388	224,576
Notes payable	2,565,214	778,414
Total long-term liabilities	3,127,217	1,770,399
Total liabilities	8,855,016	9,834,612
Net assets:		
Without donor restrictions:		
Undesignated	9,252,590	8,423,194
Board-designated—Valliere Sustainability Fund	240,000	240,000
	9,492,590	8,663,194
With donor restrictions:		
Time restrictions	70,596	38,324
Purpose restrictions	1,232,543	1,060,542
Perpetual in nature	4,250,172	3,915,587
	5,553,311	5,014,453
	15,045,901	13,677,647
	\$ 23,900,917	\$ 23,512,259

See notes to financial statements.

Chicago Commons Association

Statement of Activities Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Public support and revenue:				
Direct public support:				
Contributions	\$ 905,598	\$ 1,490,459	\$ 2,396,057	\$ 1,746,815
Special events, net of expenses (2024—\$442,893; 2023—\$291,619)	22,591	-	22,591	218,578
Net assets released from restrictions	1,286,186	(1,286,186)	-	-
	2,214,375	204,273	2,418,648	1,965,393
Fees and grants from governmental agencies	45,047,469	-	45,047,469	44,165,596
Fee for service revenue	5,563,000	-	5,563,000	5,065,749
Client fees and other support	649,053	-	649,053	285,590
Investment income, net	52,955	-	52,955	28,255
Increase in beneficial interests in perpetual trusts	-	334,585	334,585	254,921
Other income	36,373	-	36,373	36,973
	53,563,225	538,858	54,102,083	51,802,477
Expenses:				
Program services:				
Child Development	32,536,256	-	32,536,256	32,455,952
Senior Services	13,561,430	-	13,561,430	12,683,327
Family Hub	1,236,007	-	1,236,007	966,345
	47,333,693	-	47,333,693	46,105,624
Supporting services:				
Management and general	4,794,822	-	4,794,822	4,626,154
Fundraising	605,314	-	605,314	579,731
	5,400,136	-	5,400,136	5,205,885
	52,733,829	-	52,733,829	51,311,509
Increase in net assets	829,396	538,858	1,368,254	490,968
Net assets:				
Beginning of year	8,663,194	5,014,453	13,677,647	13,186,679
End of year	\$ 9,492,590	\$ 5,553,311	\$ 15,045,901	\$ 13,677,647

See notes to financial statements.

Chicago Commons Association

Statement of Functional Expenses

Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Program Services			Supporting Services			2024 Total	2023 Total	
	Child Development	Senior Services	Family Hub	Total Program Services	Management and General	Fundraising			Total Supporting Services
Functional expenses:									
Salary and wages	\$ 9,322,253	\$ 10,296,493	\$ 593,273	\$ 20,212,019	\$ 2,345,561	\$ 395,812	\$ 2,741,373	\$ 22,953,392	\$ 21,026,533
Payroll taxes and employee benefits	1,905,984	1,248,890	155,968	3,310,842	419,609	63,185	482,794	3,793,636	3,586,723
	11,228,237	11,545,383	749,241	23,522,861	2,765,170	458,997	3,224,167	26,747,028	24,613,256
Professional development, travel and conferences	492,897	82,455	21,186	596,538	97,993	22,698	120,691	717,229	570,084
Delegate expense	13,616,119	-	-	13,616,119	-	-	-	13,616,119	14,425,782
Supplies	949,024	148,072	109,473	1,206,569	120,496	10,349	130,845	1,337,414	1,566,259
Operating expenses	1,018,804	989,620	148,059	2,156,483	234,938	22,305	257,243	2,413,726	2,720,661
Professional services	1,883,468	231,452	191,304	2,306,224	1,350,364	23,424	1,373,788	3,680,012	3,247,520
Building, utilities and insurance	2,199,107	352,689	7,799	2,559,595	149,811	10,060	159,871	2,719,466	3,312,001
Equipment rental and maintenance	882,506	25,536	8,945	916,987	13,798	50,696	64,494	981,481	403,182
Depreciation and amortization	240,809	94,825	-	335,634	21,723	2,192	23,915	359,549	326,930
Interest expense	25,285	91,398	-	116,683	40,529	4,593	45,122	161,805	125,834
	\$ 32,536,256	\$ 13,561,430	\$ 1,236,007	\$ 47,333,693	\$ 4,794,822	\$ 605,314	\$ 5,400,136	\$ 52,733,829	\$ 51,311,509

See notes to financial statements.

Chicago Commons Association

Statement of Cash Flows Year Ended June 30, 2024 (With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 1,368,254	\$ 490,968
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	302,104	326,930
Noncash contributions—investment securities	(16,475)	(26,231)
Amortization of finance right-of-use asset	57,445	19,872
Allowance for future uncollectible receivables	34,929	48,715
Increase in market value of beneficial interests in perpetual trusts	(334,585)	(254,921)
Realized and unrealized (gain) loss on investments	(17,465)	4,671
Changes in:		
Accounts receivable	1,287,029	(3,857,627)
Delegate advances	223,198	(257,337)
Other current assets	54,189	776
Contributions receivable	(65,000)	218,480
Accounts payable and accrued expenses	(578,943)	588,325
Delegates payable	67,731	176,817
Other liabilities	(67,735)	72,675
Operating right-of-use asset	612,170	433,760
Operating lease liability	(607,717)	(436,754)
Net cash provided by (used in) operating activities	2,319,129	(2,450,881)
Cash flows from investing activities:		
Purchases of property and equipment	(313,268)	(30,562)
Purchases of investments	(1,465)	(4,673)
Net cash used in investing activities	(314,733)	(35,235)
Cash flows from financing activities:		
Cash paid for finance leases	(59,616)	(17,991)
Proceeds of notes payable	1,980,000	-
Repayments of notes payable	(2,086,009)	(49,757)
Net cash used in financing activities	(165,625)	(67,748)
Increase (decrease) in cash and cash equivalents	1,838,771	(2,553,864)
Cash and cash equivalents:		
Beginning	2,583,123	5,136,987
Ending	\$ 4,421,894	\$ 2,583,123
Supplemental disclosure of cash flow information:		
Interest paid	\$ 161,803	\$ 125,833
Supplemental schedule of noncash investing and financing activity:		
Right-of-use asset obtained in exchange for a lease liability	\$ 372,693	\$ 1,679,927

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 (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. Commons' allowance for expected credit loss methodology is developed using historical collection experience, current and future economic market conditions, and a review of the current status of receivables. These factors may change over time, impacting the allowance level. Accounts receivable are charged to the allowance for future uncollectible receivables when Commons determines the receivable is not collectible. Management recorded an allowance for future expected credit losses of \$204,550 at June 30, 2024, 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, 2024, totaled approximately \$1,819,000.

Chicago Commons Association

Notes to Financial Statements

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

Investments: 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.

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 interests 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 interests 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.

Chicago Commons Association

Notes to Financial Statements

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

Net assets released from restrictions represent amounts released from time restriction or spent on restricted purposes.

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, 2024, 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, 2024, 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. At June 30, 2024, Commons has \$982,500 in conditional contributions that have not been recognized.

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 \$7,424,000, 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, 2024. 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 and Early Head Start programs. These federal grants are reported as fees and grants from governmental agencies, and the amounts passed through to delegates are reported as delegate expense.

Chicago Commons Association

Notes to Financial Statements

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

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.

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 2023 balances have been reclassified to conform to the current year presentation 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, 2023, 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. 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: Commons follows the lease guidance in FASB ASC 842 which 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.

Chicago Commons Association

Notes to Financial Statements

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. 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.

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 non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease 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.

Subsequent events: Commons has evaluated subsequent events for potential recognition and/or disclosure through December 26, 2024, 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, 2024:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,421,894
Accounts receivable, net	10,180,318
Contributions receivable	215,980
Delegate advances	34,139
Investments	196,626
Beneficial interests in perpetual trusts	4,173,173
	<u>19,222,130</u>
Less amounts not available to be used within one year:	
Investments held in custodial trusts	4,173,173
Net assets to be maintained in perpetuity	76,999
Board-designated net assets	240,000
	<u>4,490,172</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 14,731,958</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 interests in perpetual 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.

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.

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 2024, 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 interests in perpetual trusts: The fair value of Commons' beneficial interests 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	\$ 90,098	\$ -	\$ -	\$ 90,098
Equity securities	106,528	-	-	106,528
Beneficial interests in perpetual trusts	-	-	4,173,173	4,173,173
	<u>\$ 196,626</u>	<u>\$ -</u>	<u>\$ 4,173,173</u>	<u>\$ 4,369,799</u>

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 2024.

Chicago Commons Association

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment at June 30, 2024, consists of:

Land and land improvements	\$ 272,675
Buildings and building improvements	5,809,254
Machinery and equipment	1,453,400
Vehicles	475,125
	<hr/>
	8,010,454
Accumulated depreciation	(4,643,210)
	<hr/>
	<u>\$ 3,367,244</u>

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

Depreciation expense totaled \$302,104 for fiscal year 2024.

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 Interests 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 interests 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 interests 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, 2024, are as follows:

	Percentage Interest	Commons' Balance
Hobart Williams Charitable Trust	10.00%	\$ 2,750,325
Frank W. Thurston Chicago Community Trust	25.00%	1,346,256
Emaroy June Benevolent Fund	3.28%	76,592
		<hr/>
		<u>\$ 4,173,173</u>

Note 6. Line of Credit

Commons has a line of credit agreement with a commercial bank which expires on June 30, 2026, 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, 2024.

Chicago Commons Association

Notes to Financial Statements

Note 7. Notes Payable

Commons' notes payable consisted of the following at June 30, 2024:

Note payable to IFF, dated September 2023, for \$1,980,000 for Nia Family Center and New City Family Center. The 15-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. The note is secured by a mortgage security agreement in connection with Nia Family Center.	\$ 1,926,816
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 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.	778,414
Note payable to IFF, dated July 2016, for \$1,980,000 for Nia Family Center and New City Family Center. The note was repaid with the proceeds from the IFF note payable dated September 2023.	-
	<u>\$ 2,705,230</u>

Future principal payments are as follows at June 30:

2025	\$ 140,016
2026	149,098
2027	158,770
2028	169,070
2029	180,039
Thereafter	1,908,237
	<u>\$ 2,705,230</u>

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 \$219,614 for 2024.

Chicago Commons Association

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2024:

Subject to the passage of time:

General operating grants to fund future periods	\$ 70,596
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Subject to expenditure for specific purposes:

Child Development and youth services	131,404
Family Hub	978,208
Senior Care	122,931
	<u>1,232,543</u>

Subject to investment for perpetuity:

Beneficial interests in perpetual trusts	4,173,173
Other gifts to be maintained in perpetuity	76,999
	<u>4,250,172</u>
	<u><u>\$ 5,553,311</u></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 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 rate of 4.19%. 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	\$ 626,904
Short-term lease cost	28,667
Finance lease interest expense	10,677
Finance lease amortization expense	57,445
	<u>\$ 723,693</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

Note 10. Leases and Commitments (Continued)

The weighted-average remaining lease term and weighted-average discount rate at June 30, 2024, are as follows:

Weighted-average remaining lease term:	
Operating leases	1.94 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, 2024:

	Operating	Finance	Total
Years ending June 30:			
2025	\$ 589,788	\$ 66,180	\$ 655,968
2026	328,935	66,180	395,115
2027	81,039	66,180	147,219
2028	-	44,120	44,120
2029	-	-	-
Thereafter	-	-	-
Total lease payments	999,762	242,660	1,242,422
Less imputed interest	(11,485)	(22,197)	(33,682)
Total present value of lease liabilities	<u>\$ 988,277</u>	<u>\$ 220,463</u>	<u>\$ 1,208,740</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 83% 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.