Metropolitan Family Services

Audited Consolidated Financial Statements
June 30, 2024

metropolitan™
family services

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Metropolitan Family Services

Opinion
We have audited the consolidated financial statements of Metropolitan Family Services (the Agency), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits 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 the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Agency'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 the Agency'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 the Agency'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.

RSM US LLP

Chicago, Illinois
January 27, 2025

Metropolitan Family Services

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash	**$ 3,064,780**	$ 8,599,942
Restricted cash	**5,857,744**	6,724,144
Receivables (net of allowance):		
Government grants	**28,355,986**	23,849,221
Fundraising contributions	**103,434**	531,778
Other	**471,738**	1,351,677
Prepaid expenses	**1,684,744**	1,448,294
Investments	**35,942,029**	44,259,013
Leveraged loan receivable	**2,212,849**	2,212,849
Operating lease right-of-use assets, net	**11,245,067**	8,783,328
Property and equipment, net	**33,420,201**	31,690,228
Accrued pension asset	**816,989**	49,258
Beneficial interest in irrevocable perpetual trusts	**18,560,289**	17,231,042
Total assets	**$ 141,735,850**	$ 146,730,774
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 14,545,352**	$ 13,085,600
Refundable advances	**4,937,066**	6,336,353
Unsecured investment bond	**8,500,000**	8,500,000
Funds held in custody for others	**30,313**	14,927
Interest rate swap	**-**	945,488
Bonds payable	**-**	12,700,000
NMTC notes payable, net	**10,419,786**	10,368,457
Operating lease liabilities	**11,734,434**	9,248,037
Total liabilities	**50,166,951**	61,198,862
Net assets:		
Without donor restrictions	**46,005,023**	40,136,834
With donor restrictions	**45,563,876**	45,395,078
Total net assets	**91,568,899**	85,531,912
Total liabilities and net assets	**$ 141,735,850**	$ 146,730,774

See notes to consolidated financial statements.

Metropolitan Family Services

Consolidated Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total Agency
Operating:			
Public support:			
MFS Annual Campaign and the Campaign to M-Power Families	$ 12,925,581	$ 666,408	$ 13,591,989
United Way of Metropolitan Chicago	1,266,277	834,139	2,100,416
Government grants	120,918,372	-	120,918,372
In-kind contributions	4,301,965	-	4,301,965
Total public support	139,412,195	1,500,547	140,912,742
Revenue:			
Program service fees	12,774,517	-	12,774,517
Investment payout for operations	850,680	817,320	1,668,000
Income allocations from trusts	1,214,767	-	1,214,767
Rent and other income	1,836,425	-	1,836,425
Net assets released from restrictions	3,897,988	(3,897,988)	-
Total revenue	20,574,377	(3,080,668)	17,493,709
Total public support and revenue	159,986,572	(1,580,121)	158,406,451
Expenses:			
Program	138,987,352	-	138,987,352
Management and general	16,493,286	-	16,493,286
Fund raising	2,230,894	-	2,230,894
Total expenses before depreciation and amortization and net periodic benefit expense	157,711,532	-	157,711,532
Operating surplus (deficit)	2,275,040	(1,580,121)	694,919
Other changes from operating activities:			
Depreciation and amortization	(1,739,696)	-	(1,739,696)
Net periodic benefit expense	(50,007)	-	(50,007)
Change in net assets from operating activities	485,337	(1,580,121)	(1,094,784)
Nonoperating activities:			
Employee Retention Tax Credit	4,545,375	-	4,545,375
Net investment gains	436,802	1,748,919	2,185,721
Pension related changes other than net periodic pension income	119,287	-	119,287
Interest rate swap activity	281,388	-	281,388
Howard Area Community Center net assets acquired	-	-	-
I GROW Chicago net assets (transferred) acquired	-	-	-
Change in net assets from nonoperating activities	5,382,852	1,748,919	7,131,771
Increase in net assets	5,868,189	168,798	6,036,987
Net assets:			
Beginning of year	40,136,834	45,395,078	85,531,912
End of year	$ 46,005,023	$ 45,563,876	$ 91,568,899

See notes to consolidated financial statements.

	2023	
Without Donor Restrictions	With Donor Restrictions	Total Agency
$ 14,543,253	$ 2,420,767	$ 16,964,020
1,381,689	622,723	2,004,412
99,243,588	-	99,243,588
4,235,792	-	4,235,792
119,404,322	3,043,490	122,447,812
11,146,288	-	11,146,288
850,680	817,320	1,668,000
534,651	-	534,651
1,624,025	-	1,624,025
2,617,623	(2,617,623)	-
16,773,267	(1,800,303)	14,972,964
136,177,589	1,243,187	137,420,776
117,623,930	-	117,623,930
13,859,880	-	13,859,880
2,158,813	-	2,158,813
133,642,623	-	133,642,623
2,534,966	1,243,187	3,778,153
(1,218,280)	-	(1,218,280)
(54,313)	-	(54,313)
1,262,373	1,243,187	2,505,560
-	-	-
1,064,911	1,598,026	2,662,937
647,890	-	647,890
777,918	-	777,918
3,153,772	125,065	3,278,837
(2,012,424)	(736,016)	(2,748,440)
3,632,067	987,075	4,619,142
4,894,440	2,230,262	7,124,702
35,242,394	43,164,816	78,407,210
$ 40,136,834	$ 45,395,078	$ 85,531,912

Metropolitan Family Services

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Programs				
	Empowerment	Education	Emotional Wellness	Economic Stability	Total Program
Salaries	$ 18,746,972	$ 17,353,680	$ 15,925,580	$ 5,921,130	$ 57,947,362
Payroll taxes and benefits	4,272,200	3,928,107	3,542,565	1,333,363	13,076,235
Professional fees and subcontractor payments	38,348,619	4,128,022	1,218,419	619,459	44,314,519
Financial assistance	3,070,599	124,750	2,479,330	852,282	6,526,961
Occupancy	2,139,865	1,267,834	1,329,169	413,849	5,150,717
Equipment rental and maintenance	1,233,647	306,073	532,356	300,476	2,372,552
Other program expenses	2,523,843	2,842,301	1,237,799	1,097,625	7,701,568
Telephone and communication	858,086	291,543	506,523	241,286	1,897,438
	71,193,831	30,242,310	26,771,741	10,779,470	138,987,352
Depreciation and amortization allocation	630,172	284,107	568,718	95,669	1,578,666
Net periodic benefit expense	22,503	9,001	8,501	3,501	43,506
	$ 71,846,506	$ 30,535,418	$ 27,348,960	$ 10,878,640	$ 140,609,524

See notes to consolidated financial statements.

Support Services			
Management and General	Fund Raising	Total Support Services	2024 Total Agency
$ 8,920,664	$ 1,354,550	$ 10,275,214	$ 68,222,576
2,036,619	312,142	2,348,761	15,424,996
3,143,773	104,807	3,248,580	47,563,099
25,670	-	25,670	6,552,631
798,622	311,044	1,109,666	6,260,383
394,714	48,985	443,699	2,816,251
856,902	56,017	912,919	8,614,487
316,322	43,349	359,671	2,257,109
16,493,286	2,230,894	18,724,180	157,711,532
146,187	14,843	161,030	1,739,696
5,501	1,000	6,501	50,007
$ 16,644,974	$ 2,246,737	$ 18,891,711	$ 159,501,235

Metropolitan Family Services

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Programs				
	Empowerment	Education	Emotional Wellness	Economic Stability	Total Program
Salaries	$ 13,645,884	$ 15,399,060	$ 14,713,397	$ 5,329,479	$ 49,087,820
Payroll taxes and benefits	3,384,043	3,651,562	3,557,106	1,139,124	11,731,835
Professional fees and subcontractor payments	28,250,533	3,583,172	2,087,782	504,870	34,426,357
Financial assistance	3,346,704	46,644	2,417,889	697,622	6,508,859
Occupancy	1,724,518	1,385,592	1,241,665	406,475	4,758,250
Equipment rental and maintenance	1,032,536	463,231	471,951	170,168	2,137,886
Other program expenses	2,337,489	2,573,366	1,383,277	690,526	6,984,658
Telephone and communication	555,061	449,540	760,604	223,060	1,988,265
	54,276,768	27,552,167	26,633,671	9,161,324	117,623,930
Depreciation and amortization allocation	413,512	237,314	371,057	71,616	1,093,499
Net periodic benefit expense	21,725	10,863	10,863	3,802	47,253
	$ 54,712,005	$ 27,800,344	$ 27,015,591	$ 9,236,742	$ 118,764,682

See notes to consolidated financial statements.

Support Services			
Management and General	Fund Raising	Total Support Services	2023 Total Agency
$ 7,135,070	$ 1,260,561	$ 8,395,631	$ 57,483,451
1,761,508	299,940	2,061,448	13,793,283
2,918,194	128,688	3,046,882	37,473,239
6,431	40,984	47,415	6,556,274
687,547	277,473	965,020	5,723,270
271,326	45,165	316,491	2,454,377
681,648	52,579	734,227	7,718,885
398,156	53,423	451,579	2,439,844
13,859,880	2,158,813	16,018,693	133,642,623
112,042	12,739	124,781	1,218,280
5,974	1,086	7,060	54,313
$ 13,977,896	$ 2,172,638	$ 16,150,534	$ 134,915,216

Metropolitan Family Services

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets	$ 6,036,987	$ 7,124,702
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Howard Area Community Center net assets acquired	-	(3,278,837)
I GROW Chicago net assets transferred (acquired)	-	2,988,376
Change in market value of interest rate swap	-	(777,918)
Realized gain on termination of interest rate swap	(281,388)	-
Change in market value of beneficial interest in perpetual trusts	(1,329,247)	(574,877)
Net realized and unrealized gains on investments	(856,474)	(2,088,060)
Reduction in carrying amount of operating lease right-of-use assets	825,411	733,766
Cash paid for operating leases	(800,753)	(698,772)
Depreciation and amortization	1,791,025	1,166,951
Changes in operating assets and liabilities:		
Receivables	(3,198,482)	(6,998,565)
Prepaid expenses	(236,450)	(385,686)
Accrued pension asset	(767,731)	(593,577)
Accounts payable and accrued expenses	1,459,752	(2,287)
Refundable advances	(1,399,287)	1,749,895
Funds held in custody for others	15,386	935
Net cash provided by (used in) operating activities	1,258,749	(1,633,954)
Cash flows from investing activities:		
Proceeds from sale of investments	14,069,539	1,929,492
Purchases of investments	(4,996,789)	(1,847,155)
Purchases of property and equipment	(3,368,961)	(4,297,689)
Net cash provided by (used in) investing activities	5,703,789	(4,215,352)
Cash flows from financing activities:		
Proceeds from issuance of unsecured investment bond	-	6,000,000
Cash paid for repayment of bond	(12,700,000)	-
Cash paid for termination of interest rate swap	(664,100)	-
Cash acquired from Howard Area Community Center	-	2,953,427
Net cash (used in) provided by financing activities	(13,364,100)	8,953,427
(Decrease) increase in cash and restricted cash	(6,401,562)	3,104,121
Cash and restricted cash:		
Beginning of year	15,324,086	12,219,965
End of year	$ 8,922,524	$ 15,324,086
Cash and restricted cash:		
Cash	$ 3,064,780	$ 8,599,942
Restricted cash	5,857,744	6,724,144
Total cash and restricted cash	$ 8,922,524	$ 15,324,086
Supplemental disclosure of cash flow information:		
Interest paid	$ 448,801	$ 953,456
Noncash operating activity: Operating lease right-of-use asset acquired	$ 3,287,150	$ -
Howard Area Community Center transaction:		
Assets acquired	$ -	$ 6,491,705
Liabilities assumed	-	(2,443,349)
	-	4,048,356
Less cash acquired	-	(2,953,427)
Noncash net assets acquired	$ -	$ 1,094,929
Noncash consideration exchanged (effective settlement of intercompany note payable)	$ -	$ (769,519)

See notes to consolidated financial statements.

Note 1. Nature of Activities

Metropolitan Family Services (the Agency), a not-for-profit Illinois corporation, is a nonsectarian human services agency located in metropolitan Chicago, Illinois. The Agency was organized to provide a wide range of programs and services to strengthen low and moderate-income individuals, families and communities. The Agency is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Agency's affiliates include the following entities:

Family Shelter Services (FSS): In April 2019, FSS transferred its assets and liabilities, and board governance to the Agency. In September 2021, the Agency utilized the FSS corporate entity to facilitate a New Markets Tax Credit (NMTC) transaction for the Midway and Jones Centers projects.

I GROW Chicago (I GROW): The Agency's board governance responsibilities for I-GROW for the 10-month period from October 1, 2021 through July 31, 2022, represent control and economic interest and therefore the Agency's comparative consolidated financial statements for fiscal year 2023 include the balances and activities of I GROW for one month (July 2022). The comparative consolidated statements of activities for fiscal year 2023 also reflect a decrease to net assets, equal to the amount of I GROW net assets transferred to an unrelated nonprofit organization on July 31, 2022.

Howard Area Community Center (HACC): In November 2022, HACC amended its bylaws to become a membership nonprofit corporation and made the Agency the sole member. As a result, the Agency has included HACC in its consolidated financial statements, beginning on November 1, 2022. The comparative consolidated statement of activities for fiscal year 2023 reflects an increase to net assets for an inherent contribution, equal to the amount of HACC net assets. HACC's mission is to serve low-income individuals and families in the Rogers Park neighborhood of Chicago and surrounding community to stabilize their lives and to help develop the social skills necessary to become effective community members. HACC's programs include early childhood education, adult employment and education, and other health and emergency case management services.

FSS, I GROW and HACC are all nonprofit corporations exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of the Agency and its affiliates, FSS, I GROW (through July 2022) and HACC. Any significant intercompany balances and transactions have been eliminated in consolidation. The Agency as used in these financial statements refers to Metropolitan Family Services individually, or collectively with consolidated affiliates, as the context may require.

Basis of presentation: The Agency's 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.

Note 2. Summary of Significant Accounting Policies (Continued)

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Agency's program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The majority of funding for the Agency's activities is provided by governmental agencies. The Agency recognizes program revenues in the fiscal year that the services are rendered. Unconditional contribution revenues and other support are recognized in the fiscal year that the promises to give are received. Grant revenue is recognized as qualifying expenditures are incurred and other grant requirements are met. The Agency has elected the simultaneous release policy for government grants, which allows the Agency 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. The Agency recognizes grants as revenue when qualifying expenses are incurred. Amounts received in advance are recorded as refundable advances (liability) when qualifying expenditures are not yet incurred. Those amounts will be subject to recognition as the Agency incurs qualifying expenditures and performs its duties under the terms of the grant agreements.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and are presented by natural and functional classification in the statement of functional expenses. The Agency tracks expenses, including salaries and benefits, by department. Departments are allocated to the expense categories listed on the statements of activities. Those departments linked to a program are further analyzed to determine if some aspects of an expense have an administrative or fundraising component. If an expense can be identified with either a fundraising or administrative function, it will be charged directly to that category. Accordingly, management has developed and uses estimates to allocate certain costs among the programs and supporting activities benefited. The expenses that are allocated include salaries, payroll taxes and benefits, pension related activity, occupancy, other program expenses, depreciation, and amortization, which are allocated by department headcounts.

Cash: It is usual and customary for the Agency to have cash on deposit in multiple financial institutions exceeding the federally insured limits. The Agency has not experienced any losses in such accounts and management does not believe there is a credit risk of loss associated with these accounts.

Restricted cash: Cash in restricted construction accounts represent unspent cash from the NMTC transaction and is reflected as restricted cash on the consolidated statement of financial position. Its use is restricted to the Midway and Jones Centers Project and the disbursements are subject to a blocked account agreement.

Note 2. Summary of Significant Accounting Policies (Continued)

Government grant receivables: The Agency has outstanding receivables from various government grants. Management recorded an allowance for doubtful accounts totaling approximately $30,000 and $243,000 at June 30, 2024 and 2023, respectively, based on specific identification of uncollectible accounts and historical collection experience.

Investments: Investments, including the invested assets of irrevocable perpetual trusts, are recorded at fair value. Realized gains and losses are determined based on the average cost method. Changes in fair value are recorded as unrealized gains (losses). Investment fees are netted against investment gains. Interest and dividend income from investments is accrued as earned and included within net investment gains on the consolidated statement of activities.

The Agency invests in a professionally managed portfolio of mutual funds and alternative investments. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Property and equipment: Property and equipment is carried at cost, except donated assets which are recorded at fair value at date of donation. All purchases in excess of $5,000 are capitalized, while lesser amounts are charged to expense. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or terms of the related leases (forty years for buildings and related improvements, five years for furniture and equipment and two to seven years for leasehold improvements).

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

Leases: The Agency follows the lease accounting guidance in FASB ASC Topic 842. The Agency determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Agency's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Agency has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or finance. The Agency currently has only operating leases. For operating leases, the Agency recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use (ROU) asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents and other lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise such option. When the rate implicit in the lease is not readily determinable, the Agency has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

Note 2. Summary of Significant Accounting Policies (Continued)

The Agency defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. The Agency has made a policy election to not recognize ROU assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred.

For lease arrangements with lease and non-lease components, the Agency has made a policy election to account for lease and non-lease components, as a single lease component, for all classes of assets.

Certain of the Agency’s leases also include variable lease costs. These variable payments typically represent additional services transferred to the Agency, such as overage charges for related services and these are recorded as an expense in the period incurred. The Agency’s lease agreements do not contain any residual value guarantees or restrictive covenants.

Derivative financial instruments: The Agency had an interest rate swap agreement with the objective of minimizing the variability of cash flows. This derivative financial instrument was recognized as either an asset or liability at fair value in the consolidated statement of financial position (interest rate swap) with the changes in the fair value reported on the consolidated statement of activities (change in market value of interest rate swap). The interest rate swap was terminated in October 2023 in connection with the repayment of the related debt.

Debt issuance costs: Debt issuance costs include various incremental fees and commissions paid to third parties in connection with the issuance of notes payable, related to the NMTC transaction and are deferred and amortized over the term of the notes. Notes payable are presented on the consolidated statement of financial position net of the unamortized debt issuance costs.

Net assets: Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources whose use has no limitations imposed by outside donors.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions that may or will be met by the Agency or the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose for which the contributions were restricted is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Agency reports the support as net assets without donor restrictions. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in net assets without donor restrictions. The Agency has beneficial interests in certain irrevocable perpetual trusts, for which the principal must remain intact per donor request and related income allocations are classified as without donor restrictions.

Contributions: Unconditional promises of others to give cash and other assets to the Agency are recorded at fair value at the date the promise is made and reported as increases in either net assets without donor restrictions or net assets with donor restrictions, if they are received with donor stipulations that limit the use of the contributions. Conditional contributions are not recognized as revenue until conditions are satisfied, which occurs when performance barriers are met.

Note 2. Summary of Significant Accounting Policies (Continued)

In-kind contributions: For the fiscal years ended June 30, 2024 and 2023, contributed nonfinancial assets include various professional services. These contributed services are valued and reported at the estimated fair value in the financial statements based on discounted current market rates for similar services. The contributed professional services were utilized to support the Agency's legal aid and Head Start programs.

Employee Retention Tax Credit: The Agency determined their eligibility for the Employee Retention Credit (ERC) in fiscal year 2023. This tax credit was established as part of the Coronavirus Aid, Relief and Economy Security Act (CARES Act) for businesses, including nonprofit organizations, meeting certain criteria. The revenue generated from this tax credit in fiscal year 2024 totaled $4,545,375, including interest of approximately $325,000, and is included as revenue in the nonoperating activities section of the fiscal year 2024 consolidated statement of activities. The credits represent refunds for payroll taxes paid for various quarters in fiscal years 2020 and 2021. The Agency filed the relevant Forms 941 for applicable quarters in fiscal years 2020 and 2021.The Agency considered guidance under ASC 958-605, Not-for-Profit Entities—Revenue Recognition, regarding conditional contributions and is satisfied that the conditions to earn this credit have been met as of June 30, 2024.

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, the Agency may recognize the tax benefit from an uncertain tax position only if it is more than 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 the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). 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 periods presented in the financial statements.

The Agency, FSS and HACC file Form 990s in the U.S. federal jurisdiction and the State of Illinois.

Reclassifications: In 2024, the Agency reorganized certain programs which make up the larger program categories of Empowerment, Education, Emotional Wellness, and Economic Stability, for updated programmatic alignment. Certain program expense groupings in the fiscal year 2023 consolidated statement of functional expenses were reclassified to conform to the current year presentation without any effect on previously reported total net assets or total changes in net assets.

Subsequent events: The Agency has evaluated all other subsequent events for potential recognition and/or disclosure through January 27, 2025, the date the financial statements were available to be issued.

Note 3. Availability and Liquidity

The Agency's financial assets (cash and receivables) typically are sufficient to cover three months of general expenditures. In addition, the Agency has a revolving line of credit with a local bank in the amount of $10,000,000 that is available when expenditures are uneven or receivables are slow in collection.

The Agency had investments of $35,942,029 and $44,259,013, as of June 30, 2024 and 2023, respectively. Approximately 60-70% of these amounts are invested in mutual funds with one day liquidity. However, Board policy restricts the use of these assets to the long-term needs of the Agency. Therefore, investments are not included in the financial assets available for general expenditures.

Note 3. Availability and Liquidity (Continued)

Financial assets as of June 30, 2024 and 2023, available to meet general expenditures over their respective subsequent 12-month periods consist of:

	2024	2023
Cash	$ 3,064,780	$ 8,599,942
Receivables:		
Government grants	28,355,986	23,849,221
Fundraising contributions	103,434	128,583
Other	471,738	1,351,677
	28,931,158	25,329,481
Expected endowment spending appropriation	1,668,000	1,668,000
Total	$ 33,663,938	$ 35,597,423

Note 4. Fundraising Contributions Receivable

Fundraising contributions receivable at June 30, 2024 and 2023, amount to $103,434 and $531,778, respectively, and are expected to be collected in the subsequent year. Management determined there was no need for an allowance for doubtful accounts at June 30, 2024. Management recorded an allowance for doubtful accounts totaling approximately $75,000 at June 30, 2023, based on specific identification of uncollectible accounts and historical collection experience.

Note 5. Investments and Beneficial Interest in Irrevocable Perpetual Trusts

The Agency's investments at June 30, 2024 and 2023, are as follows:

	2024	2023
Cash	$ 139,554	$ 8,192
Equity securities	17,482,585	22,306,049
Fixed income securities	6,404,862	5,619,042
Alternative investments	11,915,028	16,325,730
	$ 35,942,029	$ 44,259,013

The Agency is also a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that the Agency, 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, principally in marketable equity securities and bonds and notes.

Note 5. Investments and Beneficial Interest in Irrevocable Perpetual Trusts (Continued)

Total return (loss) on investments and beneficial interests during 2024 and 2023 is summarized as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	$ 252,618	$ 242,712	$ 495,330
Net realized and unrealized gains	1,141,699	2,426,173	3,567,872
Investment expense	(106,835)	(102,646)	(209,481)
Net gain on investments	$ 1,287,482	$ 2,566,239	$ 3,853,721
As reflected on statement of activities:			
Investment return designated for:			
Payout for operations	$ 850,680	$ 817,320	$ 1,668,000
Undesignated investment gain	436,802	1,748,919	2,185,721
Total	$ 1,287,482	$ 2,566,239	$ 3,853,721
Income allocations from trusts	$ 1,214,767	$ -	$ 1,214,767

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	$ 543,907	$ 522,577	$ 1,066,484
Net realized and unrealized gains	1,561,977	2,075,600	3,637,577
Investment expense	(190,293)	(182,831)	(373,124)
Net gain on investments	$ 1,915,591	$ 2,415,346	$ 4,330,937
As reflected on statement of activities:			
Investment return designated for:			
Payout for operations	$ 850,680	$ 817,320	$ 1,668,000
Undesignated investment gain	1,064,911	1,598,026	2,662,937
Total	$ 1,915,591	$ 2,415,346	$ 4,330,937
Income allocations from trusts	$ 534,651	$ -	$ 534,651

Investment return, with donor restrictions, includes appreciation in the value of beneficial interests in irrevocable perpetual trusts of $1,329,247 and $574,877 for fiscal year 2024 and 2023, respectively.

Note 6. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various methods including market, income and cost approaches and sets out a fair value hierarchy. Based on these approaches, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the 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 the Topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Topic 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, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument.

Level 3: Valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management’s own assumptions about the assumptions a market participant would use in pricing the financial instrument.

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. The Agency’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Agency considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

For the fiscal years ended June 30, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. There were unfunded commitments in the amount of $1,728,371 and $2,227,450 at June 30, 2024 and 2023, respectively. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment securities: The fair value of publicly traded equity and fixed income securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Note 6. Fair Value Disclosures (Continued)

Alternative investments: Investments in certain hedge funds and real estate funds are valued at fair value based on the applicable percentage ownership of the underlying companies' net assets as of the measurement date, as determined by the fund manager. In determining fair value, the fund manager utilizes valuations provided by the underlying investment companies. The underlying investment companies value securities and other financial instruments on a fair value basis of accounting. The fair value of the Agency's investments in these funds generally represent the amount the Agency would expect to receive if it were to liquidate its investment in the companies excluding any redemption charges that may apply. These investments are measured using the net asset value as the practical expedient.

Beneficial interest in perpetual trusts: The fair value of the Agency's beneficial interest in perpetual trusts are provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. The valuations include certain unobservable inputs and are, therefore, classified as Level 3 in the fair value hierarchy.

Interest rate swap: The valuation of this instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and used observable market-based inputs, including the SIFMA index. The fair value estimate is classified as Level 2. The interest rate swap was terminated in October 2023.

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	2024				
	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 9,173,361	$ 9,173,361	$ -	$ -	$ -
Non-U.S. equities	8,309,224	8,309,224	-	-	-
Fixed income securities:					
U.S. fixed income	5,032,109	5,032,109	-	-	-
Non-U.S. fixed income	1,372,753	1,372,753	-	-	-
Alternative investments:					
Hedge fund of funds (b)	5,383,884	-	-	-	5,383,884
Real estate fund (c)	6,531,144	-	-	-	6,531,144
	35,802,475	$ 23,887,447	$ -	$ -	$ 11,915,028
Cash and other	139,554				
Total investments	$ 35,942,029				
Beneficial interest in perpetual trusts (d)	$ 18,560,289	$ -	$ -	$ 18,560,289	$ -

Note 6. Fair Value Disclosures (Continued)

	2023				
	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 11,653,369	$ 11,653,369	$ -	$ -	$ -
Non-U.S. equities	10,652,680	10,652,680	-	-	-
Fixed income securities:					
U.S. fixed income	4,032,312	4,032,312	-	-	-
Non-U.S. fixed income	1,586,730	1,586,730	-	-	-
Alternative investments:					
Hedge fund of funds (b)	11,394,265	-	-	-	11,394,265
Real estate fund (c)	4,931,465	-	-	-	4,931,465
	44,250,821	$ 27,925,091	$ -	$ -	$ 16,325,730
Cash	8,192				
Total investments	$ 44,259,013				
Beneficial interest in perpetual trusts (d)	$ 17,231,042	$ -	$ -	$ 17,231,042	$ -
Liability:					
Interest-rate swap	$ 945,488	$ -	$ 945,488	$ -	$ -

(a) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

(b) This category includes investments in hedge funds that invest primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments to meet growth strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. There are no unfunded commitments related to these investments at June 30, 2024 or 2023. The redemption frequency for these funds is quarterly.

(c) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Agency’s ownership interest. There are $1,728,371 and $2,227,450 of unfunded commitments related to these investments at June 30, 2024 and 2023, respectively. The redemption frequency for these funds is quarterly.

(d) This category includes underlying investments in equities, fixed income securities, real estate funds and hedge funds. The fair value of these investments is based on quoted market prices provided by recognized broker-dealers.

Note 7. Leveraged Loan Receivable

In September 2021, the Agency made a leveraged loan to a qualified equity investment fund (QEI) linked to the Agency's financing obtained through the NMTC program.

The loan accrues interest at a fixed rate, with interest-only payable quarterly at a rate of 1% over the first seven years (Compliance Period); quarterly principal and interest payments are then required through 2036.

The leveraged loan receivable outstanding balance at both June 30, 2024 and 2023, was as follows:

Chase NMTC MFS Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through September 2028, and then principal and interest payments of $76,654 are due quarterly through maturity in June 2036.	$ 2,212,849

After the Compliance Period, there are put and call agreements between the Agency and the investor in the QEI Fund. It is anticipated that the NMTC investor will put their option and the Agency will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. This action will essentially result in forgiveness of these loans as well as extinguishment of the Agency's related debt (Note 11). Interest income was $22,128 and $22,436 for the fiscal years ended June 30, 2024 and 2023, respectively.

Note 8. Property and Equipment

Property and equipment are as follows at June 30, 2024 and 2023:

	2024	2023
Land	$ 6,147,927	$ 6,147,926
Buildings and improvements	36,879,992	34,617,236
Leasehold improvements	2,965,248	2,327,872
Furniture and equipment	4,260,590	3,791,762
	50,253,757	46,884,796
Less accumulated depreciation	(16,833,556)	(15,194,568)
	$ 33,420,201	$ 31,690,228

Property and equipment related to HACC were also recognized in fiscal year 2023. Depreciation expense totaled $1,638,987 and $1,158,272 for 2024 and 2023, respectively.

Note 9. Unsecured Investment Bonds and Lines of Credit

The Agency finances its working capital under a long-term unsecured investment bond. A $2,500,000 bond has a five-year term, maturing in October 2026, with interest charged at a rate of 1/10 of 1% per annum. This full amount ($2,500,000) was outstanding at both June 30, 2024 and 2023.

The Agency also obtained another long-term unsecured investment bond, issued to a bank ,in the amount of $6,000,000. Interest is due semi-annually, at a rate of 0.5% per annum, and the bond is payable in full in November 2027. Occurrence of a mandatory redemption event would require earlier repayment. The full amount ($6,000,000) was outstanding at both June 30, 2024 and 2023.

These unsecured investment bonds include certain covenants, primarily reporting requirements.

The Agency has an available revolving line of credit agreement in the amount of $10,000,000. Interest on borrowings is accrued monthly at the Secured Overnight Financing Rate (SOFR) plus 115 basis points. The weighted average interest rate for fiscal years 2024 and 2023 was 3.75% and 3.78%, respectively. There was no balance outstanding on the line at either June 30, 2024 or 2023. The line of credit is automatically renewed on an annual basis.

Interest expense under these financing arrangements totaled $265 and $5,562 for the fiscal years ended June 30, 2024 and 2023, respectively.

Note 10. Bonds Payable

Bonds payable are summarized as follows at June 30, 2024 and 2023:

	2024	2023
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds, Series 1999, maturing in the aggregate principal amount on January 1, 2029	$ -	$ 12,700,000

In March 1999, the Illinois Development Finance Authority (Authority) on behalf of the Agency issued its Variable Rate Demand Revenue Bonds, Series 1999, in the principal amount of $12,700,000 pursuant to an Indenture of Trust dated as of March 1, 1999, between the Authority and the Trustee. The proceeds of the Series 1999 bonds were used to finance all or a portion of the cost of acquisition, construction, renovation, expansion, restoration, and equipping of certain facilities of the Agency and to reimburse the Agency for certain capital projects, provide a portion of the interest on the bonds, and pay certain expenses incurred in connection with the issuance of the bonds. The Agency's refinancing arrangement with a bank made the bank the sole holder of the bonds through June 3, 2024.

On October 2, 2023, the Agency repaid the Series 2012 bond obligation, in its entirety. This payment was made in the amount of $12,700,000. A related interest rate swap was also terminated.

The Series 1999 Bonds bore interest at a variable interest rate determined on a monthly basis. Monthly interest rates ranged from 5.13% to 5.30% and from 2.32% to 5.17% during the fiscal years ended June 30, 2024 and 2023, respectively.

Note 10. Bonds Payable (Continued)

The interest rate swap agreement with a bank provided for a non-amortizing notional amount of $12,700,000 with an objective to minimize the variability of cash flows. The Agency received monthly payments based upon a variable rate of interest and made monthly payments based upon a fixed rate of 4.295%. The variable rate of interest was based on the USD-LIBOR-BBA which ranged from 3.64% to 3.80% and from 1.53% to 5.07% during the fiscal years ended June 30, 2024 and 2023, respectively, and was determined on a monthly basis. Although the derivative was an interest rate hedge, the Agency elected not to account for the derivatives as “cash-flow” hedge instruments, as defined by U.S. GAAP, and therefore, the gain or loss on the derivative was recognized in the consolidated statement of activities as a component of nonoperating activities in the period of change.

The interest rate swap was terminated in October 2023 at the same time the related bond obligation was repaid in full. The Agency paid termination fees of $664,100 at the time of termination and a realized gain was recorded in the amount of $281,388, which is recorded in nonoperating activities on the consolidated statement of activities for fiscal year 2024.

The fair value of the interest rate swap agreement, reflected as a liability on the consolidated statement of financial position, was $945,488 at June 30, 2023.

Net interest paid or received under the swap agreement was historically included in interest expense. The net differential paid by the Agency, as a result of the swap agreement, amounted to $199,305 for fiscal year 2023. The change in fair value of the swap agreement, in fiscal year 2023, was an unrealized gain of $777,918.

Interest expense, including amounts paid under the swap agreement, totaled $228,755 and $728,114 for fiscal years 2024 and 2023, respectively.

Note 11. NMTC Notes Payable

In September 2021, FSS obtained financing in an arrangement structured under the NMTC program. This program, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, permits individual and corporate taxpayers to receive a credit against federal income taxes for making a quality equity investment (QEI) in qualified community development entities (CDEs). The CDEs used substantially all of each QEI to make qualified low-income community investment (QLICI) loans on favorable terms to FSS as a qualified active low-income community business (QALICB). These loans were made to FSS by the CDEs on September 30, 2022. Related outstanding NMTC notes payable include the following as of June 30, 2024 and 2023, respectively:

	2024	2023
Urban Development Fund QLICI Loan A-1	$ 2,457,464	$ 2,457,464
Urban Development Fund QLICI Loan A-2	2,212,849	2,212,849
Urban Development Fund QLICI Loan B	1,912,500	1,912,500
Urban Development Fund QLICI Loan C	917,187	917,187
Chase New Markets Corporation QLICI Loan A	1,725,500	1,725,500
Chase New Markets Corporation QLICI Loan B	955,500	955,500
Chase New Markets Corporation QLICI Loan C	819,000	819,000
	11,000,000	11,000,000
Less unamortized debt issuance costs	(580,214)	(631,543)
	$ 10,419,786	$ 10,368,457

Note 11. NMTC Notes Payable (Continued)

FSS used certain proceeds from the loans to purchase certain assets from the Agency and to begin construction of the Midway and Jones Centers projects (Note 18) which were substantially completed during fiscal year 2023.

All loans have a maturity date of December 31, 2055, with exception of the Urban Development Fund QLICI Loan A-1 and the Chase New Markets Corporation QLICI Loan A that both mature on November 30, 2028. Applicable interest rates are 2.00% on all the loans. Quarterly interest payments commenced in December 2021. Interest expense of $219,780 and $219,780 are included in other program expenses for fiscal years 2024 and 2023, respectively.

The first seven years of the notes are defined as the “Compliance Period.” Only interest is paid during the Compliance Period. Thereafter, the loans are amortized with principal and interest payments required through the maturity date in fiscal year 2055. The loans can be repaid any time after the Compliance Period.

There are put and call agreements between FSS and the investor in the QEI funds (which has ownership interest in the CDEs making the loans above). If the investor does not exercise their put option, FSS has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investor will put their option and the Agency will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. By acquiring the ownership interests, FSS would be in a position whereby it can forgive the NMTC notes payable, resulting in a substantial reduction in outstanding debt at that point in time and realization of the benefits from the NMTC program (in turn, it is expected that FSS would forgive the NMTC loan receivable (Note 7). The loans are collateralized by essentially all FSS property and equipment.

Note 12. Restricted Net Assets

Restricted net assets are as follows at June 30, 2024 and 2023:

	2024	2023
Purpose related restrictions:		
General purpose related restrictions:		
Community services	$ 651,885	$ 3,562,896
Financial assistance	2,139	2,899
Howard Area Community Center	127,467	125,065
Subject to appropriation:		
Accumulated investment return on endowments	20,635,705	18,886,785
	21,417,196	22,577,645
To be held in perpetuity:		
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Agency	18,560,289	17,231,042
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support any of the activities of the Agency	5,411,375	5,411,375
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support specific programs as restricted by the donor	175,016	175,016
	24,146,680	22,817,433
	$ 45,563,876	$ 45,395,078

Note 13. Endowment Funds

The Agency's endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classified as net assets with donor restrictions: (a) the original value of gifts donated to the endowment to be held in perpetuity, (b) the original value of subsequent gifts to the endowment to be held in perpetuity and (c) accumulations to the endowment to be held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (to be held in perpetuity) is classified as net assets with donor restrictions (temporary in nature) until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund

2. The purpose of the Agency and the donor-restricted endowment fund

Note 13. Endowment Funds (Continued)

3. General economic conditions

4. The possible effect of inflation and deflation

5. The expected total return from income and the appreciation of investments

6. Other resources of the Agency

7. The investment policies of the Agency

The Agency's endowment net asset composition by type of fund is as follows for fiscal years 2024 and 2023:

	2024	2023
Net assets with donor restrictions (temporary in nature)	$ 20,635,705	$ 18,886,785
Net assets with donor restrictions (to be held in perpetuity)	5,586,391	5,586,391
	$ 26,222,096	$ 24,473,176

The changes in endowment net assets for the Agency were as follows for fiscal years 2024 and 2023:

	2024	2023
Endowment net assets, beginning of year	$ 24,473,176	$ 23,450,027
Investment return:		
Dividends and interest income	242,712	522,577
Net realized and unrealized gain	2,426,174	1,500,723
Investment expense	(102,646)	(182,831)
	2,566,240	1,840,469
Appropriation of endowment assets:		
Payout for operations	(817,320)	(817,320)
Endowment net assets, end of year	$ 26,222,096	$ 24,473,176

The Agency's beneficial interest in irrevocable perpetual trusts is externally managed and is therefore not included in the endowment tables above.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024 and 2023.

The Agency has adopted investment and spending policies for endowment assets as follows:

Investment policy: The Agency's endowment fund investments and other investments without donor restrictions continue to be professionally managed in a single investment pool under the oversight of the Agency's Board of Directors and Investment Committee.

Note 13. Endowment Funds (Continued)

The Agency's investment policy is to achieve the highest rate of return possible within an acceptable range of risk and volatility. Based on that objective, the current assumptions are that long-term returns net of expenses will average 7% and long-term inflation will average 3%.

The Agency's Investment Committee has the responsibility to establish the policies that guide the specific investments of the endowment assets. The policies describe the degree of investment risk and diversification that the committee deems appropriate.

The committee, in consultation with its investment consultant, monitors the performance of investment managers and adds, replaces or eliminates managers as needed.

Spending policy: Endowment spending is set annually by the Agency's Board of Directors after considering the funding needs of current Agency operations and the desire to preserve the long-term purchasing power of the Endowment. Distributions are authorized by the Board based on recommendations of the Investment Committee and Finance Committee. Payout for operations as reflected on the statement of activities in both fiscal years 2024 and 2023 of $1,668,000 consists of amounts appropriated from the endowment of $817,320 and amounts funded by other investments without donor restrictions of $850,680.

Note 14. Pension Plan

The Agency operates a trusted, noncontributory, defined-benefit pension plan (Plan). On December 31, 2012, the Agency implemented a full plan freeze for all employees. In June 2022, the Plan made lump sum payments to certain related terminated participants and purchased an annuity contract for retirees and beneficiaries receiving benefit payments.

The Projected Benefit Obligation is the actuarial present value of benefits under the plan formula, based on employee service to date and expected future compensation levels.

The Accumulated Benefit Obligation is the actuarial present value of benefits earned to date, based on current and past compensation levels.

Note 14. Pension Plan (Continued)

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the defined-benefit pension plan are as follows at June 30, 2024 and 2023:

	2024	2023
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 4,940,148	$ 5,332,051
Interest cost	237,520	227,128
Actuarial gains	(179,793)	(384,839)
Benefits paid	(158,281)	(234,192)
Projected benefit obligation at year-end	$ 4,839,594	$ 4,940,148
Accumulated benefit obligation	$ 4,839,594	$ 4,940,148
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 4,989,406	$ 4,787,732
Actual return on plan assets	127,007	435,866
Contributions	698,451	-
Benefits paid	(158,281)	(234,192)
Fair value of plan assets at year-end	$ 5,656,583	$ 4,989,406
Fair value of plan assets	$ 5,656,583	$ 4,989,406
Benefit obligations	4,839,594	4,940,148
Funded status (plan assets less benefit obligations)	$ 816,989	$ 49,258
Amounts recognized on statement of financial position as accrued pension asset	$ 816,989	$ 49,258
Cumulative amounts not yet recognized in net periodic cost, but charged to net assets at June 30, 2024 and 2023:		
Beginning cumulative amount	$ 887,884	$ 1,535,774
Less current year increase to net assets	(119,287)	(647,890)
	$ 768,597	$ 887,884
Unrecognized actuarial loss not yet recognized in net periodic cost, but charged to net assets as of June 30, 2024 and 2023	$ 768,597	$ 887,884
Components of net periodic pension expense:		
Interest cost	$ 237,520	$ 227,128
Expected return on plan assets	(199,220)	(202,416)
Net amortization and deferrals	11,707	29,601
	$ 50,007	$ 54,313

The 2024 net pension cost was calculated using the January 1, 2023, census data, asset information as of June 30, 2023, and a measurement date of June 30, 2024.

Note 14. Pension Plan (Continued)

Assumptions: Pension costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plan is determined using appropriate assumptions as of each year-end. A summary of the major assumptions follows:

	2024	2023
Funded status:		
Discount rate	5.39%	5.06%
Future salary increases	N/A	N/A
Pension cost:		
Discount rate	5.06%	4.54%
Return on assets in plans	4.20%	4.54%
Future salary increases	N/A	N/A

Plan assets: The Agency invests the defined benefit plan assets in a professionally managed portfolio of equity and debt securities. The Agency's target asset allocation is approximately 40% fixed income and 60% equity securities. Each year this asset allocation strategy is reviewed to determine the percentage of the fund that is allocated to equity and debt securities. The expected rate of return is based on both historical returns as well as the outlook for future returns given the current economic conditions.

The fair values of the Agency's pension plan assets at June 30, 2024 and 2023, by asset category are as follows:

	2024	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 1,026,825	$ 1,026,825	$ -	$ -
Non-U.S. equities	356,787	356,787	-	-
Fixed income securities:				
U.S. fixed income	4,260,067	4,260,067	-	-
	5,643,679	$ 5,643,679	$ -	$ -
Cash	12,904			
	$ 5,656,583			

	2023	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 828,937	$ 828,937	$ -	$ -
Non-U.S. equities	282,366	282,366	-	-
Fixed income securities:				
U.S. fixed income	3,867,897	3,867,897	-	-
	4,979,200	$ 4,979,200	$ -	$ -
Cash	10,206			
	$ 4,989,406			

Note 14. Pension Plan (Continued)

The asset allocation for the Agency's pension plan by asset category is as follows:

	2024	2023
Equity securities	22 %	22 %
Debt securities	78	78
	100 %	100 %

From time-to-time fluctuations in the market can cause the plan assets to fall outside of the required allocation range. Periodic re-balancing of the portfolio will take place to adjust for any differences.

Contributions: The Agency expects to contribute $0 to the pension plan during the year ending June 30, 2025.

Estimated future benefit payments: Estimated future benefit payments are as follows:

Years ending June 30:	
2025	$ 548,949
2026	344,446
2027	375,704
2028	342,123
2029	296,341
2030-2034	1,608,277

Note 15. Leases

The Agency enters into contracts to lease real estate and various equipment throughout its normal course of operations. The Agency's most significant lease is for office space in downtown Chicago with an initial lease term expiring in October 2031. The Agency entered into a new significant lease in fiscal year 2024, for program space on the west side of Chicago with an initial lease term expiring in July 2031. Certain leases include renewal or termination options. Under FASB ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Agency has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Agency is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Agency is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Agency considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

FASB ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Agency reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during fiscal years 2024 or 2023, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during fiscal years 2024 or 2023 that required an impairment test for the Agency's ROU assets or other long-lived assets in accordance with ASC 360-10.

Note 15. Leases (Continued)

The Agency's real estate leases contain annual escalation clauses, periods of rent abatement and tenant construction allowances. Payments made to, or on behalf of, the lessee represent tenant incentives or allowances that should be considered reductions of rental expense and amortized over the initial term of the lease within the new operating lease, right-of-use asset.

The components of lease expense and supplemental cash flow information related to leases for fiscal years 2024 and 2023, are as follows:

	2024	2023
Operating lease costs	$ 2,402,869	$ 2,274,219
Variable lease costs	3,684,993	2,715,376
	$ 6,087,862	$ 4,989,595

Other lease-related information as of and for the fiscal year ended June 30, 2024, is as follows:

	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows from operating leases	$ 800,753	$ 698,772
Weighted-average remaining lease term on operating leases	7 years	8 years
Weighted-average discount rate for operating leases	3.25%	3.25%

As of June 30, 2024, maturities of the Agency's lease liabilities are as follows:

Years ending June 30:	
2025	$ 1,936,576
2026	1,928,484
2027	1,891,783
2028	1,767,257
2029	1,740,332
Thereafter	3,823,534
Total lease payments	13,087,966
Less present value discount	(1,353,532)
Total lease obligations	$ 11,734,434

Note 16. Fiduciary Arrangements

Included in cash and in funds held in custody for others (a liability) at June 30, 2024 and 2023, are $30,313 and $14,927, respectively, of funds held by the Agency on behalf of certain clients to cover their third-party obligations.

Note 17. Supporting Agencies

The Agency received approximately $121,000,000 and $99,000,0000 of its support and revenue from federal and state granting agencies during fiscal years 2024 and 2023, respectively. A significant reduction in this level of support, if it were to occur, could have a significant effect on the Agency's programs and activities. A portion of this support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

Note 18. Midway and Jones Centers Project

The Agency's Midway and Jones Centers project was an $11,000,000 project to expand and renovate the Midway Center and the Jones Center, both of which are located in Chicago. As of June 30, 2023, the Agency had capitalized approximately $9,600,000 in costs related to the expansion, renovation and construction of the centers. The expansion and renovations for these projects were substantially complete as of June 30, 2023.

The Agency was awarded approximately $4,500,000 from the Illinois Capital Board for the project during fiscal year 2020. The Agency recognized approximately $2,700,000 of the Illinois Capital Board grant as a donor restricted contribution during fiscal year 2023.

On September 30, 2021, the Agency entered into state and federal New Market Tax Credits (NMTC) financings for the expansion and renovation of the Midway and Jones Centers. These two properties were transferred to FSS, consolidated affiliate of the Agency and recipient of the NMTC financing. The NMTC financing completed the financing for the project.

Note 19. Contingencies

From time to time, the Agency is subject to claims that arise in the ordinary course of conducting its activities. In management's opinion, the resolution of these matters would not have a material effect on the financial position of the Agency.

Note 20. Howard Area Community Center (HACC)

On November 1, 2022, HACC amended its bylaws to become a membership nonprofit corporation and made the Agency the sole member. The Agency recorded the transaction in accordance with the Business Combinations Topic in U.S. GAAP, in fiscal year 2023, which requires the acquisition method to be used for this type of business combination. HACC has its own Board of Directors that carries out certain fiduciary responsibilities for grants and contracts administered in the name of HACC.

The Agency recognized on its consolidated statement of activities the fair value of the HACC net assets in fiscal year 2023, less any consideration exchanged (an inherent contribution). An intercompany note payable in the amount of $769,519 due from HACC to the Agency existed prior to the combination date with a variable rate of interest. This note payable was forgiven by the Agency after the combination date and represents consideration exchanged by the Agency for the fair value of HACC's net assets. There were no identifiable intangible assets acquired in the transaction.

Note 20. Howard Area Community Center (HACC) (Continued)

The following table summarizes the November 1, 2022, fair values of the assets recognized and liabilities assumed:

Cash	$ 2,953,427
Grant receivable	958,278
Property and equipment	2,580,000
Total assets recognized	6,491,705
Accounts payable	2,350,578
Deferred revenue	92,771
Total liabilities assumed	2,443,349
Net assets before consideration exchanged	4,048,356
Less consideration exchanged (intercompany note payable)	(769,519)
Net assets recognized	$ 3,278,837

The above represents the Howard Area Community Center net assets and revenue recognized within the nonoperating activities section of the fiscal year 2023 consolidated statement of activities.

Note 21. I GROW Chicago (I GROW)

I GROW is an Illinois not-for-profit 501(c)(3) tax-exempt entity, based in the Englewood community of Chicago, Illinois. Effective October 1, 2021, I GROW transferred its board governance to the Agency, under a mutual agreement. The board governance of I GROW was subsequently transferred to Imagine Englewood If (a larger partnership of other Englewood nonprofit organizations unrelated to the Agency) on July 31, 2022.

The Agency's consolidated financial statements for fiscal year 2023 reflect the change in board governance as a divestiture of I GROW, with a reduction to consolidated net assets in an amount equivalent to the I GROW net assets ($2,748,440) as of July 31, 2022. This transfer is recorded within the nonoperating activities section of the fiscal year 2023 consolidated statement of activities. The Agency retained a property previously held by I GROW in the amount of approximately $120,000 which is included within the Agency's property and equipment at June 30, 2023 and 2024.