

**NOBLE NETWORK OF CHARTER
SCHOOLS, SUBSIDIARIES AND
AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
Noble Network of Charter Schools

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noble Network of Charter Schools, Subsidiaries and Affiliate (collectively referred to as the School), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Noble Network of Charter Schools, Subsidiaries and Affiliate as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

October 22, 2020

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| June 30, | 2020 | 2019 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 78,113,359 | \$ 41,799,216 |
| Cash and cash equivalents designated by Board | 15,000,000 | 15,000,000 |
| Investments | | 30,589,599 |
| Accounts receivable | 3,707,849 | 5,068,400 |
| Contributions receivable | 1,298,875 | 740,364 |
| Prepaid expenses | 2,429,987 | 2,494,490 |
| Cash equivalents - restricted by bond indenture | 1,195,804 | 1,177,765 |
| Total current assets | 101,745,874 | 96,869,834 |
| Property and equipment, net | 103,208,980 | 106,132,703 |
| Other assets: | | |
| Contributions receivable, net of current portion | 955,428 | 50,000 |
| Investments - restricted for student scholarships | 2,259,672 | 2,155,856 |
| Leverage loan notes receivable - NMTC | 24,918,422 | 24,918,422 |
| Deposits | 739,765 | 775,076 |
| Total other assets | 28,873,287 | 27,899,354 |
| Total assets | \$ 233,828,141 | \$ 230,901,891 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

| June 30, | 2020 | 2019 |
|---|-----------------------|----------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 16,129,298 | \$ 16,050,703 |
| Bonds payable | 894,139 | 849,139 |
| Notes payable | | 1,625,000 |
| Deferred lease incentive | 199,046 | 199,046 |
| Deferred revenue | 2,276,322 | 2,599,120 |
| Total current liabilities | 19,498,805 | 21,323,008 |
| Long-term liabilities: | | |
| Bonds payable, net of unamortized bond issuance costs and current maturities | 34,181,004 | 35,071,398 |
| Notes payable, net of unamortized debt issuance costs and current maturities | 34,362,313 | 34,280,251 |
| Deferred lease incentive, net of current portion | 1,526,017 | 1,725,062 |
| Deferred rent | 2,577,010 | 2,631,924 |
| Total long-term liabilities | 72,646,344 | 73,708,635 |
| Total liabilities | 92,145,149 | 95,031,643 |
| Net assets: | | |
| Without donor restrictions: | | |
| Board-designated | 15,000,000 | 15,000,000 |
| Undesignated | 120,942,929 | 117,915,523 |
| Total net assets without donor restrictions | 135,942,929 | 132,915,523 |
| With donor restrictions | 5,740,063 | 2,954,725 |
| Total net assets | 141,682,992 | 135,870,248 |
| Total liabilities and net assets | \$ 233,828,141 | \$ 230,901,891 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF ACTIVITIES

| Years ended June 30, | 2020 | | | 2019 | | |
|---|----------------------------|-------------------------|--------------------|----------------------------|-------------------------|--------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenue: | | | | | | |
| Per pupil funding | \$ 155,279,260 | | \$ 155,279,260 | \$ 143,167,877 | | \$ 143,167,877 |
| Other CPS funding | 419,820 | | 419,820 | 336,551 | | 336,551 |
| Federal Titles I, II, III, IV, NSLP, MCJROTC, and E-Rate | 15,089,890 | | 15,089,890 | 16,248,329 | | 16,248,329 |
| Federal DOE Charter Schools Program grant | | \$ 285,176 | 285,176 | | \$ 1,093,292 | 1,093,292 |
| Campus revenues | 2,656,192 | | 2,656,192 | 4,006,784 | | 4,006,784 |
| Tuition - Noble Day Care | 649,391 | | 649,391 | 748,069 | | 748,069 |
| Contributed goods and services | 5,000,293 | | 5,000,293 | 4,646,319 | | 4,646,319 |
| Contributions and grants | 1,572,590 | 7,847,573 | 9,420,163 | 1,743,031 | 3,913,517 | 5,656,548 |
| Summer of a Lifetime, a Noble Network Program | 443,394 | 92,500 | 535,894 | 528,588 | 435,083 | 963,671 |
| Investment income, net | 1,689,144 | | 1,689,144 | 2,072,323 | | 2,072,323 |
| Other revenues | 506,222 | | 506,222 | 888,867 | | 888,867 |
| Net assets released from restrictions | 5,439,911 | (5,439,911) | | 6,466,083 | (6,466,083) | |
| Total revenue | 188,746,107 | 2,785,338 | 191,531,445 | 180,852,821 | (1,024,191) | 179,828,630 |
| Expenses: | | | | | | |
| Program services | 164,818,161 | | 164,818,161 | 153,818,756 | | 153,818,756 |
| Supporting services: | | | | | | |
| Management and general | 20,403,429 | | 20,403,429 | 17,542,763 | | 17,542,763 |
| Fundraising | 497,111 | | 497,111 | 1,729,407 | | 1,729,407 |
| Total expenses | 185,718,701 | | 185,718,701 | 173,090,926 | | 173,090,926 |
| Change in net assets | 3,027,406 | 2,785,338 | 5,812,744 | 7,761,895 | (1,024,191) | 6,737,704 |
| Net assets: | | | | | | |
| Beginning of year | 132,915,523 | 2,954,725 | 135,870,248 | 125,153,628 | 3,978,916 | 129,132,544 |
| End of year | \$ 135,942,929 | \$ 5,740,063 | \$ 141,682,992 | \$ 132,915,523 | \$ 2,954,725 | \$ 135,870,248 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

| Years ended June 30, | 2020 | | | | 2019 | | | |
|---|-----------------------|------------------------|-------------------|-----------------------|-----------------------|------------------------|---------------------|-----------------------|
| | Program services | Supporting Services | | Total | Program services | Supporting Services | | Total |
| | | Management and general | Fundraising | | | Management and general | Fundraising | |
| Contracted services and consulting | \$ 4,129,504 | \$ 2,358,180 | \$ 112,254 | \$ 6,599,938 | \$ 2,861,252 | \$ 2,775,246 | \$ 1,004,989 | \$ 6,641,487 |
| CPS administrative fee | | 4,057,228 | | 4,057,228 | | 3,634,113 | | 3,634,113 |
| Depreciation and amortization | 6,021,558 | 44,397 | | 6,065,955 | 5,967,765 | 68,739 | | 6,036,504 |
| Educational materials, technology and instruction equipment | 10,102,168 | 534,735 | 14,062 | 10,650,965 | 7,703,429 | 160,001 | 14,006 | 7,877,436 |
| Employee benefits and payroll taxes | 21,713,690 | 1,721,849 | 46,693 | 23,482,232 | 20,529,022 | 1,430,967 | 95,180 | 22,055,169 |
| Food | 4,696,588 | | | 4,696,588 | 5,573,750 | | | 5,573,750 |
| Interest | 2,632,779 | | | 2,632,779 | 2,635,651 | 16,563 | | 2,652,214 |
| Occupancy | 16,049,015 | 507,846 | 103 | 16,556,964 | 15,698,789 | 500,519 | 4,944 | 16,204,252 |
| Office | 1,190,497 | 339,245 | 105,996 | 1,635,738 | 680,619 | 439,399 | 116,453 | 1,236,471 |
| Professional development and staff recruitment | 1,503,207 | 799,937 | 16,182 | 2,319,326 | 1,305,837 | 610,017 | 25,083 | 1,940,937 |
| Salaries | 86,980,040 | 9,902,874 | 201,821 | 97,084,735 | 79,217,914 | 7,783,705 | 468,752 | 87,470,371 |
| Scholarships | 2,931,271 | | | 2,931,271 | 3,091,622 | | | 3,091,622 |
| Student activities and related expenses | 5,754,700 | 137,138 | | 5,891,838 | 7,227,719 | 123,494 | | 7,351,213 |
| Summer of a Lifetime, a Noble Network Program | 1,113,144 | | | 1,113,144 | 1,325,387 | | | 1,325,387 |
| Total expenses | \$ 164,818,161 | \$ 20,403,429 | \$ 497,111 | \$ 185,718,701 | \$ 153,818,756 | \$ 17,542,763 | \$ 1,729,407 | \$ 173,090,926 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Years ended June 30, | 2020 | 2019 |
|--|-------------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 5,812,744 | \$ 6,737,704 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,065,955 | 6,036,504 |
| Amortization of lease incentive | (199,045) | (199,046) |
| Deferred rent | (54,914) | (33,704) |
| Amortization of debt issuance costs | 111,668 | 111,668 |
| Debt forgiveness | (541,520) | (250,000) |
| Net realized and unrealized gain on investments | (524,215) | (783,387) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 1,360,551 | (884,116) |
| Contributions receivable | (1,463,939) | 141,493 |
| Prepaid expenses | 64,503 | 166,235 |
| Deposits | 35,311 | |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 551,198 | (623,517) |
| Deferred revenue | (322,798) | 404,362 |
| Net cash provided by operating activities | 10,895,499 | 10,824,196 |
| Cash flows from investing activities: | | |
| Purchase of investments | (61,572,374) | (29,999,485) |
| Proceeds from sale of investments | 92,582,372 | 30,000,000 |
| Purchase of investments - restricted for student scholarships | | (56,167) |
| Sales of investments - restricted for student scholarships | | 520,448 |
| Purchase of property and equipment | (3,573,315) | (3,220,961) |
| Net cash provided by (used in) investing activities | 27,436,683 | (2,756,165) |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| Years ended June 30, | 2020 | 2019 |
|--|---------------|---------------|
| Cash flows from financing activities: | | |
| Payments on bonds payable | \$ (875,000) | \$ (845,000) |
| Payments on notes payable | (1,125,000) | |
| Net cash used in financing activities | (2,000,000) | (845,000) |
| Net change in cash, cash equivalents and restricted cash equivalents | | |
| | 36,332,182 | 7,223,031 |
| Cash, cash equivalents and restricted cash equivalents, beginning of year | 57,976,981 | 50,753,950 |
| Cash, cash equivalents and restricted cash equivalents, end of year | \$ 94,309,163 | \$ 57,976,981 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | \$ 2,605,562 | \$ 2,554,878 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Forgiveness of notes payable (including accrued interest of \$41,520 in 2020) included in contributions and grants revenue | \$ 541,520 | \$ 250,000 |
| Purchase of property and equipment included in accounts payable and accrued expenses | \$ 349,670 | \$ 780,753 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| Years ended June 30, | 2020 | 2019 |
|--|---------------|---------------|
| Reconciliation of cash, cash equivalents and restricted cash equivalents reported within the consolidated statements of financial position that sum to the total of the same such accounts shown in the consolidated statements of cash flows: | | |
| Cash and cash equivalents | \$ 78,113,359 | \$ 41,799,216 |
| Cash and cash equivalents designated by Board | 15,000,000 | 15,000,000 |
| Cash equivalents - restricted by bond indenture | 1,195,804 | 1,177,765 |
| <hr/> | | |
| Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows | \$ 94,309,163 | \$ 57,976,981 |

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and purpose

Noble Network of Charter Schools (the School) was formed to provide educational and community opportunities for youths. During the years ended June 30, 2020 and 2019, the School served the following students:

| Opened in August | Years ended June 30, | 2020 | 2019 |
|---------------------|----------------------------|---------------|---------------|
| 1999 | Noble Street College Prep | 682 | 664 |
| 2006 | Rauner College Prep | 623 | 620 |
| 2006 | Pritzker College Prep | 972 | 969 |
| 2007 | Rowe Clark College Prep | 405 | 405 |
| 2007 | Golder College Prep | 639 | 658 |
| 2008* | Gary Comer College Prep | 1,145 | 1,176 |
| 2008 | UIC College Prep | 952 | 922 |
| 2009 | Muchin College Prep | 964 | 965 |
| 2009 | Chicago Bulls College Prep | 1,143 | 1,121 |
| 2010 | Johnson College Prep | 617 | 750 |
| 2012 | Hansberry College Prep | 491 | 557 |
| 2012 | DRW College Prep | 289 | 349 |
| 2013 | Baker College Prep | 199 | 232 |
| 2013 | Butler College Prep | 625 | 667 |
| 2014 | ITW David Speer Academy | 1,011 | 1,059 |
| 2014 | The Noble Academy | 479 | 439 |
| 2016 | Mansueto High School | 1,018 | 786 |
| | | 12,254 | 12,339 |

*Includes Gary Comer Middle School which opened in August 2011.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

The School is supported through per pupil tuition payments from Chicago Public Schools, grants from state and federal agencies, various community and corporate foundations and the general public. The School received approximately 81% and 80% of its support from per pupil funding from Chicago Public Schools during the years ended June 30, 2020 and 2019, respectively.

The School is subject to a Charter Agreement with the Chicago School Reform Board of Trustees (Chicago Public Schools or CPS). The agreement was for an original term of five years which has been routinely renewed for the same term since the School's inception. The most recent agreement expired on June 30, 2019 and Chicago Public Schools has agreed to renew it through June 30, 2024. In addition, the School has been certified as a charter school by the Illinois State Board of Education (ISBE).

The School is governed by a Board of Directors that is comprised of at least five and no more than twenty-five members, who serve one-year terms until their successors shall have been selected and qualified. Directors are elected annually.

Under state law, Chicago Public Schools has oversight responsibility to verify that the School complies with and meets the expectation of a public educational system. The School is expected to satisfy regulations and compliance requirements defined by Chicago Public Schools.

Through the Summer of a Lifetime Program, low-income, minority scholars of the School are provided funding and support to participate in summer academic enrichment programs on college campuses nationwide. The program is funded by philanthropic support.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies

Basis of accounting:

The School's consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Noble Day Care, L3C (Noble Day Care) and Mansueto High School, LLC, of which the Noble Network of Charter Schools (the Network) is the sole member and manager, and the Noble Network Education Foundation (the Foundation) collectively referred to as "the School." The Network and the Foundation have common control since the Network appoints two of the five Foundation Directors (Appointed Directors) with the remaining three elected Directors selected from a slate of nominees approved by the Appointed Directors. All significant inter-organization transactions and balances have been eliminated in the consolidation.

Net assets:

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for specified purposes. The School's Board-designated net assets as of June 30, 2020 and 2019 consist of funds designated for instructional and educational expenses to be used at the discretion of campus administration, upon approval of the CEO, as well as amounts to be used for future maintenance and repair costs of campus buildings.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 20 for a description of net assets with donor restrictions at June 30, 2020 and 2019.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Cash equivalents:

The School considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Accounts receivable:

Accounts receivable consist of grants and other amounts due from Chicago Public Schools and other governmental agencies as well as student fees net of an allowance for doubtful accounts. The School estimates the allowance based on an analysis of specific account history and experience. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. An allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2020 and 2019.

Contributions receivable:

Contributions receivable include unconditional promises to give net of an allowance for doubtful accounts. The School estimates the allowance based on an analysis of specific donor history and experience. Pledges due in more than one year are discounted using a risk-adjusted rate of return to reflect the present value of the receivables.

| June 30, | 2020 | 2019 |
|--------------------------------------|--------------|------------|
| Receivable due in less than one year | \$ 1,298,875 | \$ 740,364 |
| Receivable due in one to five years | 955,428 | 50,000 |
| Unconditional promises to give | \$ 2,254,303 | \$ 790,364 |

Management believes that all amounts are collectible and no allowance for doubtful accounts has been recorded as of June 30, 2020 and 2019.

Bond and NMTC issuance costs:

Debt issuance costs are recorded on the consolidated statements of financial position as a direct deduction from the face amount of debt. Amortization of the debt issuance costs is reflected as interest expense on the consolidated statements of functional expenses.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment:

Property and equipment are stated at cost or, if donated, at the approximate fair value at date of donation. Amortization of leasehold improvements is provided ratably over the lesser of the term of the lease or the estimated life of the improvements. Depreciation is provided over the estimated useful life of the assets using the straight-line method ranging from three to thirty-nine years. Major additions over \$5,000 are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Deferred lease incentive:

The School amortizes lease incentives against rent expense over the lease term.

Deferred revenue:

Deferred revenue results from the School receiving cash for conditional contributions and grants of which the conditions have not yet been met. Accordingly, revenue for contributions and grants received are deferred until the conditions are met.

Deferred rent:

The School records rent expense on a straight-line basis over the life of the related leases. The difference between rent expense recorded and the amount paid is charged to deferred rent in the consolidated statements of financial position.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition:

Revenue is recognized when earned. The School has the following types of revenue.

Per pupil funding and federal revenue (including Title funding, National School Lunch Program, MCJROTC, and E-Rate)

The School receives a student allocation from Chicago Public Schools as well as other state and local and federal entitlement funding to cover the cost of educational expenses. Per-capita tuition is calculated by CPS and determined by ISBE as defined by statute, and vary year-to-year as the following fluctuate: CPS' expenditures, expenditure composition, categorical revenue including appropriations authorized by the Illinois General Assembly and subsequent approval by CPS of its budget on an annual basis, and student attendance. Per-capita tuition includes an allotment for instruction and operations, facility costs (for schools operating in independent facilities), and special education. This revenue is recognized ratably over the school year. Other state and local entitlements, special education, supplemental general state aid, and other CPS funding are allocated by CPS and recognized as revenue ratably over the school year. Federal entitlements such as Title funding are also allocated by CPS and are recognized as revenue as allowable costs are incurred. National School Lunch Program revenue is recognized as revenue when meals are served to qualifying students. MCJROTC revenue is recognized as allowable costs are incurred. E-Rate revenue is recognized when eligible program expenses are incurred and approved. All of these revenue categories are accounted for as nonexchange transactions as the benefit to the resource provider is incidental to the public benefit received by the students served by the School.

Federal DOE Charter Schools Program grant

The School recognizes government grant revenue when qualifying expenditures are incurred. These amounts are accounted for as nonexchange transactions as the benefit to the resource provider is incidental to the public benefit received by the students served by the School.

Campus revenues

Campus revenues include school fees, such as annual school fees, sports fees, graduation and prom fees, lunch, and textbook fees, as well as summer school fees, night school fees, and uniform fees. Campus revenues are considered to be exchange transactions and accounted for as revenue from contracts with customers.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition: (continued)

Tuition – Noble Day Care

Tuition revenue for Noble Day Care is considered to be an exchange transaction and accounted for as revenue from contracts with customers.

Contributions and grants and Summer of a Lifetime, a Noble Network Program

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

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), 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.

Contributed goods and services

Contributed goods are reflected as contributions at their fair value at date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The School recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The School receives services from a large number of volunteers who give significant amounts of their time to the School but these services do not meet the criteria for financial statement recognition.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition: (continued)

Contributed goods and services (continued)

The School was the recipient of the following contributed goods and services:

| Year ended June 30, 2020 | Program services | Management and general | Total |
|----------------------------|---------------------|---------------------------|---------------------|
| Contracted services | | \$ 197,198 | \$ 197,198 |
| Food service | \$ 224,035 | | 224,035 |
| Rent | 4,386,220 | | 4,386,220 |
| Supplies | 192,840 | | 192,840 |
| Total | \$ 4,803,095 | \$ 197,198 | \$ 5,000,293 |

| Year ended June 30, 2019 | Program services | Management and general | Total |
|--------------------------|---------------------|---------------------------|---------------------|
| Food service | \$ 369,041 | | \$ 369,041 |
| Rent | 4,099,271 | | 4,099,271 |
| Supplies | 178,007 | | 178,007 |
| Total | \$ 4,646,319 | | \$ 4,646,319 |

Expense allocation:

The costs of programs and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, employee benefits and payroll taxes, occupancy and depreciation and amortization. Salaries and employee benefits and payroll taxes are allocated on the basis of estimates of time and effort. Occupancy and depreciation and amortization are allocated based on square footage utilized for program and supporting services. All other expenses are reported using the direct allocation method. Expenses for program services represented approximately 89% of total expenses for each of the years ended June 30, 2020 and 2019.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Use of estimates:

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

Subsequent events:

Management has evaluated subsequent events through October 22, 2020, the date that the consolidated financial statements were available to be issued.

In August 2020, the School entered into a line of credit agreement for \$20,000,000 which matures on September 30, 2022. Interest on any draws from the line of credit are at one month LIBOR, subject to a 1.00% floor, plus 1.15%; or, in the event that the LIBOR rate is no longer available or representative, an alternate rate as determined by the lender. The agreement includes a non-usage fee of .45% and the line of credit is collateralized by an investment account held at the same financial institution.

3. COVID-19 impact

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. During the COVID-19 pandemic, the School's services have generally been considered essential in nature and although the teaching has changed from in-person to a remote learning model, the functions of the School have not been materially interrupted. As the situation continues to evolve, the School is closely monitoring the impact of the COVID-19 pandemic on all aspects of the School's operations, including how it impacts the School's students, employees, funders, suppliers, and vendors, in addition to how the COVID-19 pandemic impacts the School's ability to provide educational services to students. The School believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the School's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact the School.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

The following represents the School's financial assets available to meet general expenditures within one year at June 30, 2020 and 2019:

| June 30, | 2020 | 2019 |
|---|----------------------|----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 78,113,359 | \$ 41,799,216 |
| Cash and cash equivalents designated by Board | 15,000,000 | 15,000,000 |
| Investments | | 30,589,599 |
| Accounts receivable | 3,707,849 | 5,068,400 |
| Contributions receivable | 2,254,303 | 790,364 |
| Cash equivalents - restricted by bond indenture | 1,195,804 | 1,177,765 |
| Investments - restricted for student scholarships | 2,259,672 | 2,155,856 |
| Leverage loan notes receivable - NMTC | 24,918,422 | 24,918,422 |
| Total financial assets | 127,449,409 | 121,499,622 |
| Less amounts not available to be used within one year: | | |
| Cash equivalents - restricted by bond indenture | 1,195,804 | 1,177,765 |
| Investments - restricted for student scholarships | 2,259,672 | 2,155,856 |
| Funds related to a conditional grant for which conditions have not been met | 2,000,000 | 2,000,000 |
| Leverage loan notes receivable - NMTC (less accrued interest expected to be received within one year) | 24,823,400 | 24,823,400 |
| Net assets without donor restrictions - Board-designated | 15,000,000 | 15,000,000 |
| Net assets with donor restrictions | 5,740,063 | 2,954,725 |
| Total amounts not available to be used within one year | 51,018,939 | 48,111,746 |
| Financial assets available to meet general expenditures within one year | \$ 76,430,470 | \$ 73,387,876 |

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability (continued)

The School's goal is generally to maintain financial assets to meet debt covenant requirements and to pay expenditures and liabilities when due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, fixed income mutual funds and United States Treasury securities. The sources of liquidity available to the School are cash, investments and receivables.

5. Tax status

The School is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the School was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

6. Cash

The School maintains its cash in bank accounts which, at times, exceed federally-insured limits. At June 30, 2020 and 2019, cash in excess of these limits totaled approximately \$15,100,000 and \$56,700,000, respectively. Management believes that the School is not exposed to any significant credit risk on cash.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Fair value measurements

The three levels of the fair value hierarchy are described as follows:

| | |
|---------|---|
| Level 1 | Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access. |
|---------|---|

| | |
|---------|---|
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
|---------|---|

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Fair value measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and United States Government treasury bills are stated at fair value based on quoted prices in active markets.

The leverage loan notes receivable – NMTC fair value approximates the carrying amount in the accompanying consolidated financial statements. The carrying value of the loans approximates fair value based on current borrowing rates.

Long-term obligations, including bonds payable and notes payable, fair value approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the School's financial instruments at fair value as of June 30, 2020:

| June 30, 2020 | Total | Level 1 | Level 2 |
|---|------------------------|---------------------|------------------------|
| Recurring fair value measurements: | | | |
| Assets: | | | |
| Investments: | | | |
| Fixed income mutual funds | \$ 2,259,672 | \$ 2,259,672 | |
| Total investments | 2,259,672 | 2,259,672 | |
| Total recurring fair value measurements | \$ 2,259,672 | \$ 2,259,672 | |
| Nonrecurring fair value measurements: | | | |
| Asset: | | | |
| Leverage loan notes receivable - NMTC | \$ 24,918,422 | | \$ 24,918,422 |
| Liabilities: | | | |
| Bonds payable | (35,075,143) | | (35,075,143) |
| Notes payable | (34,362,313) | | (34,362,313) |
| Total nonrecurring fair value measurements | \$ (44,519,034) | | \$ (44,519,034) |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the School's financial instruments at fair value as of June 30, 2019:

| June 30, 2019 | Total | Level 1 | Level 2 |
|--|-----------------|---------------|-----------------|
| Recurring fair value measurements: | | | |
| Assets: | | | |
| Investments: | | | |
| Fixed income mutual funds | \$ 2,155,856 | \$ 2,155,856 | |
| United States Government treasury bills | 30,589,599 | 30,589,599 | |
| Total investments | 32,745,455 | 32,745,455 | |
| Total recurring fair value measurements | \$ 32,745,455 | \$ 32,745,455 | |
| Nonrecurring fair value measurements: | | | |
| Asset: | | | |
| Leverage loan notes receivable - NMTC | \$ 24,918,422 | | \$ 24,918,422 |
| Liabilities: | | | |
| Bonds payable | (35,920,537) | | (35,920,537) |
| Notes payable | (35,905,251) | | (35,905,251) |
| Total nonrecurring fair value measurements | \$ (46,907,366) | | \$ (46,907,366) |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Property and equipment

Property and equipment are as follows:

| June 30, | 2020 | 2019 |
|--|-----------------------|----------------|
| Leasehold improvements | \$ 74,346,048 | \$ 72,550,498 |
| Buildings | 51,189,007 | 51,009,877 |
| Land | 6,423,651 | 6,423,651 |
| Equipment | 12,682,501 | 11,981,944 |
| Furniture | 2,063,020 | 2,063,020 |
| Software | 782,883 | 782,883 |
| Automobiles | 666,989 | 190,561 |
| | 148,154,099 | 145,002,434 |
| Less accumulated depreciation and amortization | (45,854,807) | (39,788,852) |
| | 102,299,292 | 105,213,582 |
| Construction in progress | 909,688 | 919,121 |
| Property and equipment, net | \$ 103,208,980 | \$ 106,132,703 |

9. Leverage loan notes receivable – NMTC and notes payable – NMTC

2015 New Market Tax Credits:

The School entered into a NMTC transaction to finance and reimburse the School in connection with the purchase and construction of a new school facility and to finance related equipment and furniture for its ITW David Speer Academy located in a Qualified Census Tract.

In conjunction with the NMTC transaction, the School then made a \$5,819,200 leverage loan (note receivable – 2015 NMTC) to Chase NMTC Noble ITW Investment Fund, LLC (the NMTC Investment Fund). The note receivable – 2015 NMTC is payable by the NMTC Investment Fund over 30 years and matures on April 30, 2045. The NMTC Investment Fund will pay interest only at a rate of 1.00% (\$58,192 per year) for the initial seven years after which time annual principal and interest payments due from the NMTC Investment Fund will be \$283,536.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Leverage loan notes receivable – NMTC and notes payable – NMTC (continued)

2015 New Market Tax Credits: (continued)

As collateral for the note, the NMTC Investment Fund has assigned its 99.99% interest in BH New Markets Sub-CDE III, LLC (the ITW NMTC Lender).

Simultaneous with the closing of the NMTC transaction, the School entered into a term loan for \$5,700,000 from BMO Harris Bank.

As part of the NMTC transaction, the School received a loan for \$7,920,000 from the ITW NMTC Lender. The loan was comprised of two tranches, \$5,819,200 QLICI Note A and \$2,100,800 QLICI Note B (collectively referred to as notes payable – 2015 NMTC). The notes payable include a simple interest rate of 1.40401% and interest payments are payable quarterly over the life of the notes. The notes shall mature on the earlier of April 30, 2045 or the date which the unpaid principal balance becomes due and payable by acceleration or otherwise pursuant to the loan documents or the exercise by the ITW NMTC Lender of any right or remedy. Under Note A, the School will pay interest only of \$81,702 annually for the initial seven years after which annual principal and interest payments will be \$296,496. Under Note B, the School will pay interest only of \$29,495 annually for the initial seven years after which annual principal and interest payments will be \$107,040. Note A and Note B are *pari passu* (equal rights) in rights of payment and principal, interest, escrow items, late charges and all other amounts payable. The loan agreement is subordinate to the note below and secured by a second priority mortgage of the ITW David Speer Academy building and assignments of rents. Under terms of the NMTC transaction, the School is also obligated to pay annual loan servicing fees of \$20,000.

It is anticipated that the School will be in compliance with all NMTC program requirements for the seven-year NMTC compliance period ending on September 30, 2021. At the end of the seven years, Chase Community Equity, LLC (the NMTC investor) has the right under a put/call option agreement to put 100% of its membership interest in the NMTC Investment Fund to the School for a purchase price of \$1,000. If the put right is not exercised by the NMTC investor, the School has the option to purchase 100% of the NMTC investor's membership interest in the NMTC Investment Fund for its then appraised fair value. At that time, it is anticipated that the School will gain control of the NMTC Investment Fund holding the note payable of \$7,920,000 and will forgive the loan, along with the note receivable of \$5,819,200, and realize a gain of approximately \$2,100,000.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. Leverage loan notes receivable – NMTC and notes payable – NMTC
(continued)**

2017 New Market Tax Credits:

The School entered into a NMTC transaction to finance and reimburse the School for the purchase and construction of a new school facility and to finance related equipment and furniture for its Mansueto High School located in a Qualified Census Tract.

In conjunction with the NMTC transaction, the School received a bridge loan of \$12,000,000 from JPMorgan Chase Bank, N.A. to fund a \$19,004,200 leverage loan (note receivable – 2017 NMTC) to Chase NMTC Mansueto Investment Fund, LLC (the NMTC Investment Fund). The note receivable – 2017 NMTC is payable by the NMTC Investment Fund over 30 years and matures on March 31, 2047. The NMTC Investment Fund will pay interest only at a rate of 1.00% (\$190,042 per year) for the initial seven years after which time annual principal and interest payments due from the NMTC Investment Fund will be \$929,036.

As collateral for the note, the NMTC Investment Fund has assigned its 99.99% interest in (i) BH New Markets Sub-CDE XIII, LLC (the BMO CDE); (ii) SCORE Sub-CDE 9, LLC, (the SCORE CDE), and (iii) CNI Subsidiary CDE 1, LLC (the CNI CDE), together with the BMO CDE and SCORE CDE, the “CDEs” (collectively, the “Mansueto NMTC Lender”).

As part of the NMTC transaction, the School received a loan for \$26,700,000 from the Mansueto NMTC Lender. The loan was comprised of two tranches, QLICI Note A and QLICI Note B from each of the CDEs (collectively referred to as notes payable – 2017 NMTC). The notes payable include a simple interest rate of 1.32599% with interest due annually over the life of the notes. The notes shall mature on the earlier of March 31, 2047 or the date which the unpaid principal balance becomes due and payable by acceleration or otherwise pursuant to the loan documents or the exercise by the Mansueto NMTC Lender of any right or remedy. Under Notes A and B, the School will pay interest only annually for the initial seven years of \$354,039 after which annual principal and interest payments will be \$1,347,296. The loan agreement is collateralized by a first priority mortgage of the Mansueto building and assignments of rents. Under the terms of the NMTC transaction, the School is also obligated to pay annual loan servicing fees of \$50,000.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. Leverage loan notes receivable – NMTC and notes payable – NMTC
(continued)**

2017 New Market Tax Credits: (continued)

It is anticipated that the School will be in compliance with all NMTC program requirements for the seven-year NMTC compliance period ending on March 16, 2024. At the end of the seven years, Chase Community Equity, LLC (the NMTC investor) has the right under a put/call option agreement to put 100% of its membership interest in the NMTC Investment Fund to the School for a purchase price of \$1,000. If the put right is not exercised by the NMTC investor, the School has the option to purchase 100% of the NMTC investor’s membership interest in the NMTC Investment Fund for its then appraised fair value. At that time, principal payments of \$141,890 will be due from the School and it is anticipated that the School will gain control of the NMTC Investment Fund holding the note payable of \$26,700,000 and will forgive the loan, along with the note receivable of \$19,004,200, and realize a gain of approximately \$7,700,000.

Leverage notes receivable – NMTC:

Leverage notes receivable – NMTC outstanding at June 30, 2020 and 2019 are summarized below:

| | Original note | Accrued interest | Total |
|---|----------------------|---------------------|----------------------|
| 2015 NMTC | \$ 5,819,200 | | \$ 5,819,200 |
| 2017 NMTC | 19,004,200 | \$ 95,022 | 19,099,222 |
| Total leverage notes receivable – NMTC | \$ 24,823,400 | \$ 95,022 | \$ 24,918,422 |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. Leverage loan notes receivable – NMTC and notes payable – NMTC
(continued)**

Notes payable – NMTC:

Notes payable – NMTC are summarized below:

| June 30, | 2020 | 2019 |
|---|---------------|---------------|
| Notes payable – 2015 NMTC | \$ 7,920,000 | \$ 7,920,000 |
| Notes payable – 2017 NMTC | 26,700,000 | 26,700,000 |
| Total notes payable – NMTC | 34,620,000 | 34,620,000 |
| Unamortized NMTC – notes payable issuance costs | (257,687) | (339,749) |
| Notes payable – NMTC, net | \$ 34,362,313 | \$ 34,280,251 |

See Note 11 for notes payable.

The applicable Loan Agreements for the NMTC transactions contain various covenants. The School is in compliance with all loan covenants as of June 30, 2020 and 2019.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable

Bonds payable are summarized as follows:

| June 30, | 2020 | 2019 |
|---|----------------------|---------------|
| Series 2015 bonds with interest only payable semi-annually on March 1 and September 1, at rates ranging from 1.5% to 5%. Principal payments (net of reoffering premiums of \$1,173,050 and \$1,272,180 for the years ended June 30, 2020 and 2019, respectively) are payable annually on September 1 through maturity in 2032. The bonds are collateralized by various campus facilities. | \$ 16,892,409 | \$ 17,878,607 |
| Series 2013 bonds with interest only payable semi-annually on March 1 and September 1, at rates ranging from 6% to 6.25%. Principal payments (net of discounts of \$71,046 and \$74,790 for the years ended June 30, 2020 and 2019, respectively) are payable annually beginning September 1, 2023 through maturity in 2039. The bonds are collateralized by various campus facilities. | 19,928,954 | 19,925,210 |
| Total bonds payable | 36,821,363 | 37,803,817 |
| Unamortized bond issuance costs | (1,746,220) | (1,883,280) |
| Bonds payable, net | 35,075,143 | 35,920,537 |
| Less current portion | (894,139) | (849,139) |
| Long-term portion, net | \$ 34,181,004 | \$ 35,071,398 |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable (continued)

The loan agreements relating to the bonds require the School to comply with certain financial covenants and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness. At June 30, 2020 and 2019, the School was in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

| <u>Year ending June 30:</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2021 | \$ 920,000 |
| 2022 | 965,000 |
| 2023 | 1,010,000 |
| 2024 | 1,150,000 |
| 2025 | 1,285,000 |
| Thereafter | 30,250,000 |
| <hr/> | |
| Total principal payments | 35,580,000 |
| Discount | (71,046) |
| Reoffering premium | 1,312,409 |
| <hr/> | |
| Bonds payable | \$ 36,821,363 |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Notes payable

Notes payable are summarized as follows:

| June 30, | 2020 | 2019 |
|---|----------------------|---------------|
| Charter School Growth Fund note payable with interest of 1% and matured on June 30, 2020. | | \$ 1,250,000 |
| Charter School Growth Fund note payable with interest of 1% and matured on June 30, 2020. | | 375,000 |
| Notes payable – NMTC, net (See Note 9) | \$ 34,362,313 | 34,280,251 |
| Total notes payable | 34,362,313 | 35,905,251 |
| Less current portion | | (1,625,000) |
| Long-term portion, net | \$ 34,362,313 | \$ 34,280,251 |

The above notes payable require the School to comply with certain financial covenants. At June 30, 2020 and 2019, the School is in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

| Year ending June 30: | Amount |
|--|----------------------|
| 2021 | \$ - |
| 2022 | 48,723 |
| 2023 | 294,570 |
| 2024 | 440,616 |
| 2025 | 1,087,998 |
| Thereafter | 32,748,093 |
| | 34,620,000 |
| Less unamortized NMTC – notes payable issuance costs | (257,687) |
| Notes payable, net | \$ 34,362,313 |

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Revenue from contracts with customers

School fees and tuition – Noble Day Care:

School fees are derived from education services provided to students served by the School. Revenue from school fees is earned from providing education services during the academic school year which runs from August through June. Students are charged a flat fee at the onset of the school year for education services to be provided for that particular school year. The fees are recognized ratably over the life of the school year using the output method as education services are provided.

Noble Day Care tuition fees are derived from day care services provided to families served by Noble Day Care. The tuition fees are charged at the beginning of each month and recognized using the output method as day care services are provided during that month. Payment for the tuition fees is due upon invoicing to the family, which generally occurs in advance of the day care service to be provided.

As of June 30, 2020 and 2019, all education and day care services have been completed, and thus, there are no remaining performance obligations outstanding.

School activities:

The School charges fees to students for optional educational activities. These fees are charged and due prior to the performance of the activity and recognized at a point in time upon registration. There is no deferred revenue at June 30, 2020 and 2019 relating to school activities.

Uniform and meals fees:

Fees for uniforms are recognized at a point in time when the good is transferred to the student. The student is required to pay for the uniform at the point in time when the good is transferred to the student. Fees for meals are recognized at a point in time when the food is consumed by the student. Payment is either received upon consumption of the meal or billed to the student on a monthly basis for the meals consumed during the prior month. If not paid at the point of purchase, the payment is due upon invoicing to the student.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Revenue from contracts with customers (continued)

Uniform and meals fees: (continued)

Revenue from contracts with customers disaggregated by category for the years ended June 30, 2020 and 2019 are as follows:

| Years ended June 30, | 2020 | 2019 |
|--|---------------------|--------------|
| Revenue recognized over time: | | |
| School fees | \$ 1,494,550 | \$ 1,877,556 |
| Tuition - Noble Day Care | 649,391 | 748,069 |
| Total revenue recognized over time | 2,143,941 | 2,625,625 |
| Revenue recognized at a point in time: | | |
| School activities | 333,150 | 1,117,345 |
| Uniforms and meals | 828,492 | 1,011,883 |
| Total revenue recognized at a point in time | 1,161,642 | 2,129,228 |
| Total contract revenue | \$ 3,305,583 | \$ 4,754,853 |

Receivables from contracts with customers:

Receivables from contracts with customers represent amounts billed to students of the School or families at Noble Day Care related to their education or day care experience and for which the School has an unconditional right to receive payment due to the absence of a right of refund.

Receivables from contract revenue at June 30, 2020, 2019 and 2018 were \$1,228,851, \$884,314 and \$1,111,192, respectively.

Significant judgments:

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While revenues from contracts with customers is generally applied to an individual contract with a customer, as a practical expedient, the School applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The School reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Revenue from contracts with customers (continued)

Significant judgments: (continued)

For school fees, school activities, meals and uniform fees, the School has determined that students can be grouped into a single portfolio for each of the performance obligations. Similarly, for Noble Day Care tuition, the School has determined that families can be grouped into a single portfolio for the performance obligations. Based on the School's experience, students at the School and families at Noble Day Care, have similar characteristics concerning the School's approach to revenue recognition. Agreements concerning enrollment and student or family financial responsibility each contain terms which clarify the performance obligations and are fundamentally the same. Refunds and fee adjustments issued by the School are treated on a case by case basis and is generally infrequent.

Significant judgment is also required to assess collectibility which is assessed at the onset of the contract using the portfolio approach and revenue is recognized at the amount management expects to collect from its customers when performance obligations have been satisfied.

13. Conditional promises to receive

The School records revenue associated with conditional promises to receive when the conditions have been substantially met. As of June 30, 2020, the School has approximately \$13,600,000 of conditional promises associated with expansion and student scholarships that have not yet been recognized as revenue, including \$2,000,000 of funds received from a donor in advance of the conditions being met. These advanced funds are recorded as deferred revenue and will be recognized as contribution revenue when the donor conditions are met.

14. Commitments and contingencies

The School has received funds from state and federal grants in the current year which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to the School's operations.

As of June 30, 2020, the School had entered into construction contracts totaling approximately \$233,000 to renovate certain campus facilities.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Scholarship funds

In recognition of a grant received, the School committed to fund a \$10,000 scholarship per year in perpetuity from its operating budget.

In addition, the School has received contributions restricted to fund scholarships. Scholarships are awarded through an application process and based on financial need and merit.

16. School lunch program

For the years ended June 30, 2020 and 2019, the School has contracted with a third party to administer the School's breakfast, lunch and summer food service program under an annual agreement with optional one-year renewals. Under this agreement, the School collects all fees related to this program and purchases the necessary quantity of meals through the third party.

17. Self-insurance program

The School maintains a self-insurance program for its employees' health care costs. The School is liable for losses on claims up to \$155,000 per covered person and up to approximately \$5,000,000 (PPO) and \$2,000,000 (HMO) in aggregate for 2020. The School has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the date of the consolidated financial statements as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was approximately \$571,000 and \$606,000 as of June 30, 2020 and 2019, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

18. Retirement fund commitments

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF or the Fund), a defined-benefit plan. Members of the Fund include all active nonannuitants who are employed by a Fund-covered employer and who hold an Illinois State Teacher Certification Board certification. The State of Illinois appropriates public contributions to Chicago Public Schools and remits those contributions to the Fund for the benefit of applicable Chicago schools.

Chicago Public Schools withholds the employer contribution related to pensionable salaries from the tuition that is paid to each school.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Retirement fund commitments (continued)

On a discretionary basis, the School has elected to pay a portion of its employees' required contributions to the Fund. The Fund does not maintain separate actuarial records for the School.

CTPF pension amounts are as follows for the years ended June 30, 2020 and 2019:

| Years ended June 30, | 2020 | 2019 |
|---|---------------|---------------|
| Total pensionable salaries | \$ 47,447,914 | \$ 44,236,326 |
| Employees' contribution expense picked up by employer | \$ 3,321,354 | \$ 3,096,543 |
| Employer's contribution expense (11.16%) | \$ 5,296,656 | \$ 4,936,774 |
| Less: CPS deduction amount for employer's pension expense | (5,586,781) | (4,057,710) |
| Pension true-up amount | \$ (290,125) | \$ 879,064 |

In addition, all employees were eligible to participate in the Noble Network of Charter Schools 401(k) P/S Plan (the Plan). Employees can elect to defer their compensation up to the maximum allowed. The School matches eligible employee deferral contributions up to a maximum of 5% of compensation or \$2,000 semiannually. Contributions made by the School to the Plan during the years ended June 30, 2020 and 2019 were \$890,864 and \$778,422, respectively.

19. Lease agreements

The School rents various facilities under leases expiring through 2035. Some of the leases contain renewal provisions ranging from 5 to 15 years. Annual rent under the leases ranges from \$1 to \$2,129,000. Security deposits totaling \$565,398 are held by the landlords. In addition, the use of certain facilities are donated to the School.

Total rent expense was \$4,039,573 excluding contributed rent of \$4,386,220 for the year ended June 30, 2020 and \$3,852,420 excluding contributed rent of \$4,099,271 for the year ended June 30, 2019.

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Lease agreements (continued)

Future minimum rental payments are as follows:

| Year ending June 30: | Amount |
|----------------------|----------------------|
| 2021 | \$ 4,259,132 |
| 2022 | 4,057,339 |
| 2023 | 4,131,554 |
| 2024 | 4,125,204 |
| 2025 | 4,176,381 |
| Thereafter | 22,488,571 |
| Total | \$ 43,238,181 |

20. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose or time restrictions:

| June 30, | 2020 | 2019 |
|---|---------------------|---------------------|
| Restricted for purpose: | | |
| College and career support | \$ 1,207,876 | \$ 167,800 |
| COVID relief | 497,814 | |
| Extracurricular activities | 226,083 | 36,507 |
| Other programs | 242,935 | 321,462 |
| Scholarships | 1,714,927 | 1,849,166 |
| Social and emotional student support | 1,202,928 | |
| Startup and growth activities and costs | | 100,000 |
| Summer of a Lifetime program | 92,500 | 404,790 |
| Total restricted for purpose | 5,185,063 | 2,879,725 |
| Restricted for time | 555,000 | 75,000 |
| Total net assets with donor restrictions | \$ 5,740,063 | \$ 2,954,725 |

**NOBLE NETWORK OF CHARTER SCHOOLS,
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Net assets with donor restrictions (continued)

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

| Years ended June 30, | 2020 | 2019 |
|---|---------------------|--------------|
| Restricted for purpose: | | |
| College and career support | \$ 248,424 | \$ 582,779 |
| COVID relief | 256,826 | |
| Extracurricular activities | 144,224 | 131,201 |
| Other programs | 356,578 | 191,265 |
| Scholarships | 3,093,893 | 3,212,186 |
| Startup and growth activities and costs | 385,176 | 1,093,292 |
| Summer of a Lifetime program | 404,790 | 464,469 |
| | | |
| Total restricted for purpose | 4,889,911 | 5,675,192 |
| | | |
| Restricted for time | 550,000 | 790,891 |
| | | |
| Total net assets released from restrictions | \$ 5,439,911 | \$ 6,466,083 |

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Noble Network of Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Noble Network of Charter Schools, Subsidiaries and Affiliate (collectively referred to as the School), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
October 22, 2020