

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
Noble Network of Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Noble Network of Charter Schools, Subsidiaries and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Noble Network of Charter Schools, Subsidiaries and Affiliate as of June 30, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Noble Network of Charter Schools, Subsidiaries and Affiliate 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Noble Network of Charter Schools, Subsidiaries and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Noble Network of Charter Schools, Subsidiaries and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Noble Network of Charter Schools, Subsidiaries and Affiliate'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of Noble Network of Charter Schools, Subsidiaries and Affiliate'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 solely 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 Noble Network of Charter Schools, Subsidiaries and Affiliate'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 Noble Network of Charter Schools, Subsidiaries and Affiliate's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

October 20, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,225,301	\$ 24,737,100
Investments	68,340,958	73,869,668
Accounts receivable	16,325,181	4,199,287
Current portion of contributions receivable	1,581,215	1,042,568
Prepaid expenses	4,543,947	3,417,827
Cash equivalents - restricted by bond indenture	1,236,998	1,215,150
Total current assets	102,253,600	108,481,600
Property and equipment, net	100,304,365	101,408,430
Other assets:		
Contributions receivable, net of current portion	603,928	1,015,928
Investments - restricted for student scholarships	748,360	2,254,478
Leverage loan notes receivable - NMTC	19,099,222	24,918,422
Operating lease right-of-use assets	35,153,754	39,145,643
Deposits	701,266	701,266
Total other assets	56,306,530	68,035,737
Total assets	\$ 258,864,495	\$ 277,925,767

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of bonds payable	\$ 984,139	\$ 939,139
Current maturities of notes payable		48,723
Accounts payable and accrued expenses	18,920,356	19,372,670
Current portion of operating lease liabilities	4,398,166	4,277,983
Deferred revenue	1,672,256	2,282,496
Total current liabilities	25,974,917	26,921,011
Long-term liabilities:		
Bonds payable, net of unamortized bond issuance costs and current maturities	32,265,216	33,245,609
Notes payable - NMTC, net of unamortized debt issuance costs and current maturities	26,602,510	34,395,653
Operating lease liabilities, net of current portion	34,218,053	38,616,218
Total long-term liabilities	93,085,779	106,257,480
Total liabilities	119,060,696	133,178,491
Net assets:		
Without donor restrictions:		
Board-designated	15,000,000	15,000,000
Undesignated	117,994,419	122,855,502
Total without donor restrictions	132,994,419	137,855,502
With donor restrictions	6,809,380	6,891,774
Total net assets	139,803,799	144,747,276
Total liabilities and net assets	\$ 258,864,495	\$ 277,925,767

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Per pupil funding	\$ 172,890,053		\$ 172,890,053	\$ 163,773,158		\$ 163,773,158
Other CPS funding	868,881		868,881	6,589,085		6,589,085
Federal Titles I, II, III, IV, NSLP, MCJROTC, and E-Rate	15,749,028		15,749,028	12,611,908		12,611,908
ESSER and ECF federal funding	24,981,543		24,981,543			
Campus revenues	3,651,088		3,651,088	46,901		46,901
Tuition - Noble Day Care	765,180		765,180	550,774		550,774
Private and government contributions and grants	1,252,100	\$ 4,009,448	5,261,548	801,532	\$ 6,167,500	6,969,032
Summer of a Lifetime	109,287	227,444	336,731	2,335	370,284	372,619
Contributed goods and services	4,853,517		4,853,517	4,640,400		4,640,400
Investment income (loss), net	(4,034,530)		(4,034,530)	3,603,870		3,603,870
Other revenues	544,969		544,969	314,086		314,086
Net assets released from restrictions	4,319,286	(4,319,286)		5,386,073	(5,386,073)	
Total revenue	225,950,402	(82,394)	225,868,008	198,320,122	1,151,711	199,471,833
Expenses:						
Program services	205,958,818		205,958,818	172,633,789		172,633,789
Supporting services:						
Management and general	26,419,245		26,419,245	23,266,560		23,266,560
Fundraising	538,270		538,270	507,200		507,200
Total expenses	232,916,333		232,916,333	196,407,549		196,407,549
Change in net assets before other income	(6,965,931)	(82,394)	(7,048,325)	1,912,573	1,151,711	3,064,284
Other income:						
Forgiveness of debt from NMTC unwind	2,104,848		2,104,848			
Change in net assets	(4,861,083)	(82,394)	(4,943,477)	1,912,573	1,151,711	3,064,284
Net assets:						
Beginning of year	137,855,502	6,891,774	144,747,276	135,942,929	5,740,063	141,682,992
End of year	\$ 132,994,419	\$ 6,809,380	\$ 139,803,799	\$ 137,855,502	\$ 6,891,774	\$ 144,747,276

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2022				2021			
	Program services	Supporting Services		Total	Program services	Supporting Services		Total
		Management and general	Fundraising			Management and general	Fundraising	
Contracted services and consulting	\$ 6,681,125	\$ 2,615,670	\$ 56,014	\$ 9,352,809	\$ 5,863,376	\$ 2,462,705	\$ 2,500	\$ 8,328,581
CPS administrative fee		4,489,891		4,489,891		4,235,454		4,235,454
Depreciation and amortization	6,099,923	37,498		6,137,421	5,933,047	27,829		5,960,876
Educational materials, technology and instruction equipment	16,924,403	566,533	5,952	17,496,888	7,569,405	315,686	10,767	7,895,858
Employee benefits and payroll taxes	28,816,385	2,549,620	75,302	31,441,307	26,665,801	2,281,573	88,650	29,036,024
Food	3,932,874	33		3,932,907	2,202,684			2,202,684
Interest	2,479,330	7,425		2,486,755	2,563,684			2,563,684
Occupancy	21,362,794	868,340	1,009	22,232,143	17,991,904	591,833		18,583,737
Office	782,033	828,261	22,830	1,633,124	1,137,215	248,312	12,635	1,398,162
Professional development and staff recruitment	3,243,955	1,013,369	50,383	4,307,707	2,533,020	740,116	2,669	3,275,805
Salaries	103,332,391	12,815,211	326,780	116,474,382	92,970,419	11,343,739	389,979	104,704,137
Scholarships	1,485,209			1,485,209	2,192,257			2,192,257
Student activities and related expenses	10,259,500	627,394		10,886,894	4,852,971	1,019,313		5,872,284
Summer of a Lifetime - student programs	558,896			558,896	158,006			158,006
Total expenses	\$ 205,958,818	\$ 26,419,245	\$ 538,270	\$ 232,916,333	\$ 172,633,789	\$ 23,266,560	\$ 507,200	\$ 196,407,549

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (4,943,477)	\$ 3,064,284
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,137,421	5,960,876
Bad debt	402,350	658,378
Amortization of debt issuance costs	105,777	111,668
Forgiveness of debt from NMTC unwind	(2,104,848)	
Net realized and unrealized (gain) loss on investments	6,179,239	(2,025,857)
Amortization of operating lease right-of-use assets	3,991,889	3,910,117
(Increase) decrease in operating assets:		
Accounts receivable	(12,528,244)	(1,149,816)
Contributions receivable	(126,647)	195,807
Prepaid expenses	(1,126,120)	(987,840)
Deposits		38,499
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	262,764	2,379,939
Operating lease liabilities	(4,277,982)	(4,454,840)
Deferred revenue	(610,240)	6,174
Net cash provided by (used in) operating activities	(8,638,118)	7,707,389
Cash flows from investing activities:		
Purchase of investments	(16,851,615)	(80,094,609)
Proceeds from sale of investments	17,715,216	8,255,992
Purchase of property and equipment	(5,750,434)	(3,305,685)
Net cash used in investing activities	(4,886,833)	(75,144,302)

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2022	2021
Cash flows from financing activity:		
Payments on bonds payable	\$ (965,000)	\$ (920,000)
Net cash used in financing activity	(965,000)	(920,000)
Net change in cash, cash equivalents and restricted cash equivalents	(14,489,951)	(68,356,913)
Cash, cash equivalents and restricted cash equivalents, beginning of year	25,952,250	94,309,163
Cash, cash equivalents and restricted cash equivalents, end of year	\$ 11,462,299	\$ 25,952,250
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,391,809	\$ 2,453,750
Supplemental disclosures of non-cash investing and financing activities:		
Forgiveness of debt from NMTC unwind	\$ 2,104,848	
Purchase of property and equipment included in accounts payable and accrued expenses	\$ 487,233	\$ 1,204,311
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	\$ 10,225,301	\$ 24,737,100
Cash equivalents - restricted by bond indenture	1,236,998	1,215,150
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	\$ 11,462,299	\$ 25,952,250

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, 2022 and 2021, the School served the following students:

Opened in August	Years ended June 30,	2022	2021
1999	Noble Street College Prep	668	688
2006	Rauner College Prep	645	660
2006	Pritzker College Prep	968	978
2007	Rowe Clark College Prep	378	402
2007	Golder College Prep	661	662
2008*	Gary Comer College Prep	1,081	1,183
2008	UIC College Prep	904	1,004
2009	Muchin College Prep	493	978
2009	Chicago Bulls College Prep	950	1,185
2010	Johnson College Prep	1,153	527
2012	Hansberry College Prep	486	501
2012	DRW College Prep	323	299
2013	Baker College Prep	251	245
2013	Butler College Prep	620	637
2014	ITW David Speer Academy	1,155	1,130
2014	The Noble Academy	566	532
2016	Mansueto High School	1,063	1,119
		12,362	12,730

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

The School is supported through per pupil funding from Chicago Public Schools, grants from state and federal agencies, various community and corporate foundations and the general public. The School received approximately 77% and 82% of its support from per pupil funding from Chicago Public Schools during the years ended June 30, 2022 and 2021, respectively.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

The School is subject to a Charter Agreement with the Board of Education of the City of Chicago (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 expires on 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 20 and no more than 25 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 the requirements and meets the expectations 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.

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).

Recent accounting pronouncement:

During the year ended June 30, 2022, the School adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the School's consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Principles of consolidation:

The 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 School’s Board of Directors have designated, from net assets without donor restrictions, net assets for specified purposes. The School’s Board-designated net assets as of June 30, 2022 and 2021 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 the resources be maintained in perpetuity. See Note 19 for a description of net assets with donor restrictions at June 30, 2022 and 2021.

Cash equivalents:

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 that the receivable will not be collected. An allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2022 and 2021.

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. The amount of discount was insignificant and was not recorded as of June 30, 2022 and 2021.

June 30,	2022	2021
Receivable due in less than one year	\$ 1,581,215	\$ 1,042,568
Receivable due in one to five years	603,928	1,015,928
Unconditional promises to give	\$ 2,185,143	\$ 2,058,496

Management believes that all amounts are collectible and no allowance for doubtful accounts has been recorded as of June 30, 2022 and 2021.

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,
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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, 2022 and 2021.

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.

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:

The School has the following types of revenue:

Per pupil funding, other CPS funding, federal revenue (including Title funding, National School Lunch Program, MCJROTC, and E-Rate), Elementary and Secondary School Emergency Relief (ESSER) Fund and Emergency Connectivity Fund (ECF) Program Funds

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 pupil tuition is calculated by CPS and determined by ISBE as defined by statute, and varies 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 pupil 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, supplemental state aid, and other CPS funding are allocated by CPS and recognized as revenue ratably over the school year. Federal entitlements such as Title and ESSER 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 and ECF revenue is recognized when eligible program expenses are incurred and approved. All of these revenue categories are accounted for as non-exchange 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.

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.

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)

Contributions and grants and Summer of a Lifetime

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. In addition, 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.

Contributed goods are not sold and goods and services are only utilized by the School. There were no donor restrictions for contributed goods and services during the years ended June 30, 2022 and 2021. The fair value of the contributed rent was based on recent comparable rental prices. Contributed food and office supplies are valued at estimated fair value using estimates of wholesale value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition: (continued)

Contributed goods and services (continued)

During the year ended June 30, 2022 and 2021, contributed goods and services were allocated as follows:

Years ended June 30,	2022	2021
Program services:		
Food	\$ 359,963	\$ 244,390
Occupancy (rent)	4,386,220	4,386,220
Office (supplies)	107,334	9,790
Total	\$ 4,853,517	\$ 4,640,400

Leases:

The School determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. Operating lease right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the expected lease term. Only lease options that the School believes are reasonably certain to be exercised are included in the measurement of operating lease right-of-use assets and operating lease liabilities. The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. The School has elected to use a risk-free discount rate. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as rent expense. Rent expense from operating leases is recognized on a straight-line basis over the term of the lease.

The School did not recognize any right-of-use assets or lease liabilities from finance leases at June 30, 2022 and 2021.

The School elected to treat the lease and non-lease components of a lease as a single lease component for all classes of underlying assets.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Leases: (continued)

The School elected to apply the short-term lease recognition and measurement exemption for all leases with a term of one year or less. Lease payments for short-term leases are recognized in the consolidated statements of activities on a straight-line basis over the term of the lease.

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 88% of total expenses for each of the years ended June 30, 2022 and 2021.

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.

Reclassifications:

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform with the current year's presentation including moving \$6,171,167 of CPS reopening funds from private and government contributions and grants to other CPS funding on the consolidated statements of activities for the year ended June 30, 2021.

Subsequent events:

Management has evaluated subsequent events through October 20, 2022, the date that the consolidated financial statements were available to be issued.

The School received a \$16,000,000 contribution in October 2022. This contribution includes time restrictions in how the funds can be used for general operating support for the years ending June 30, 2023, 2024, and 2025.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability

The following represents the School's financial assets available to meet general expenditures within one year at June 30, 2022 and 2021:

June 30,	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 10,225,301	\$ 24,737,100
Investments	68,340,958	73,869,668
Accounts receivable	16,325,181	4,199,287
Contributions receivable	2,185,143	2,058,496
Cash equivalents - restricted by bond indenture	1,236,998	1,215,150
Investments - restricted for student scholarships	748,360	2,254,478
Leverage loan notes receivable - NMTC	19,099,222	24,918,422
Total financial assets	118,161,163	133,252,601
Less amounts not available to be used within one year:		
Cash equivalents - restricted by bond indenture	1,236,998	1,215,150
Investments - restricted for student scholarships	748,360	2,254,478
Funds related to a conditional grant for which conditions have not been met	500,000	2,000,000
Leverage loan notes receivable - NMTC (less principal and accrued interest expected to be received within one year)	19,004,200	24,823,400
Net assets without donor restrictions -		
Board-designated	15,000,000	15,000,000
Net assets with donor restrictions	6,809,380	6,891,774
Total amounts not available to be used within one year	43,298,938	52,184,802
Financial assets available to meet general expenditures within one year	\$ 74,862,225	\$ 81,067,799

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability (continued)

The School's goal is generally to maintain financial assets to meet debt requirements and to pay expenditures and liabilities when due. The School's cash flows have seasonal variations during the fiscal year primarily attributable to the quarterly cash advances of per pupil and supplemental aid funding from CPS. As part of its liquidity plan, excess cash that is not required to meet payable, payroll, debt and other obligations within the month is invested in various instruments, including money market accounts, mutual funds and corporate bonds. The School monitors cash balances on a daily basis and transfers funds between investments and checking accounts based on expenditures and liabilities due. The School has quarterly meetings with its investment advisor to review investment performance and overall plan. The sources of liquidity available to the School are cash, investments and receivables.

4. 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, 2022 and 2021.

5. Cash

The School maintains its cash in bank accounts which, at times, exceed federally-insured limits. At June 30, 2022 and 2021, cash in excess of these limits totaled approximately \$9,000,000 and \$16,500,000, 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)

6. 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.
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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.
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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.
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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)

6. Fair value measurements (continued)

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

Mutual funds and corporate and foreign bonds 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 consolidated financial statements. The carrying value of the loans approximates fair value based on current borrowing rates.

The bonds payable fair value was estimated based on the present value of expected future cash flow model and option adjusted discounted cash flow model.

The notes payable – NMTC fair value approximates the carrying amount in the 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)

6. 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, 2022:

June 30, 2022	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Investments:			
Fixed income mutual funds	\$ 25,549,151	\$ 25,549,151	
Equity mutual funds	11,522,893	11,522,893	
Foreign bonds	1,510,246	1,510,246	
Corporate bonds	30,507,028	30,507,028	
Total investments	69,089,318	69,089,318	
Total recurring fair value measurements	\$ 69,089,318	\$ 69,089,318	
Nonrecurring fair value measurements:			
Asset:			
Leverage loan notes receivable - NMTC	\$ 19,099,222		\$ 19,099,222
Liabilities:			
Bonds payable	(35,191,637)		(35,191,637)
Notes payable - NMTC	(26,602,510)		(26,602,510)
Total nonrecurring fair value measurements	\$ (42,694,925)		\$ (42,694,925)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. 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, 2021:

June 30, 2021	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Investments:			
Fixed income mutual funds	\$ 27,858,182	\$ 27,858,182	
Equity mutual funds	14,798,408	14,798,408	
Corporate bonds	33,467,556	33,467,556	
Total investments	76,124,146	76,124,146	
Total recurring fair value measurements	\$ 76,124,146	\$ 76,124,146	
Nonrecurring fair value measurements:			
Asset:			
Leverage loan notes receivable - NMTC	\$ 24,918,422		\$ 24,918,422
Liabilities:			
Bonds payable	(38,257,347)		(38,257,347)
Notes payable - NMTC	(34,444,376)		(34,444,376)
Total nonrecurring fair value measurements	\$ (47,783,301)		\$ (47,783,301)

Risks and uncertainties:

The School invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Property and equipment

Property and equipment are as follows:

June 30,	2022	2021
Leasehold improvements	\$ 79,664,539	\$ 76,993,369
Buildings	51,521,078	51,250,179
Land	6,423,651	6,423,651
Equipment	14,912,180	13,693,207
Furniture	2,095,485	2,063,021
Software	1,188,315	1,086,668
Automobiles	872,175	666,989
	156,677,423	152,177,084
Less accumulated depreciation and amortization	(57,953,103)	(51,815,682)
	98,724,320	100,361,402
Construction in progress	1,580,045	1,047,028
Property and equipment, net	\$ 100,304,365	\$ 101,408,430

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

2015 New Market Tax Credits:

The School entered into a NMTC transaction in April 2015 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)

**8. 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.

The NMTC compliance period ended on April 19, 2022. Effective on that date, the NMTC unwind began when Chase Community Equity, LLC (the NMTC investor) exercised its put option and gave the notes payable – 2015 NMTC to the School for \$1,000. As a result of the NMTC unwind, the School was able to gain control of and cancel the \$7,920,000 notes payable – 2015 NMTC, which was offset by its forgiveness of the \$5,819,200 note receivable – 2015 NMTC. The School realized a net gain of \$2,104,848 on the forgiveness of debt from the NMTC unwind.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2017 New Market Tax Credits:

The School entered into a NMTC transaction in March 2017 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**8. 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 tax credit investment period ending in March 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 loan notes receivable – NMTC:

Leverage loan notes receivable – NMTC outstanding at June 30, 2022 are summarized below:

	Original note	Accrued interest	Total
2017 NMTC	\$ 19,004,200	\$ 95,022	\$ 19,099,222

Leverage loan notes receivable – NMTC outstanding at June 30, 2021 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 loan 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)

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

Notes payable – NMTC:

Notes payable – NMTC are summarized below:

June 30,	2022	2021
Notes payable – 2015 NMTC		\$ 7,920,000
Notes payable – 2017 NMTC	\$ 26,700,000	26,700,000
Total notes payable – NMTC	26,700,000	34,620,000
Unamortized NMTC – notes payable issuance costs	(97,490)	(175,624)
Notes payable – NMTC, net	\$ 26,602,510	\$ 34,444,376

The applicable Loan Agreements for the NMTC transactions contain various financial covenants. At June 30, 2022 and 2021, the School is in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2023	\$ -
2024	141,890
2025	785,055
2026	1,005,549
2027	1,019,290
Thereafter	23,748,216
	26,700,000
Less unamortized NMTC – notes payable issuance costs	(97,490)
Notes payable, net	\$ 26,602,510

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Bonds payable

Bonds payable are summarized as follows:

June 30,	2022	2021
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 \$1,090,012 at June 30, 2022 and \$1,201,211 at June 30, 2021) are payable annually on September 1 through maturity in 2032. The bonds are collateralized by various campus facilities.	\$ 14,785,012	\$ 15,861,211
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 \$63,557 at June 30, 2022 and \$67,301 at June 30, 2021) are payable annually beginning September 1, 2023 through maturity in 2039. The bonds are collateralized by various campus facilities.	19,936,443	19,932,699
Total bonds payable	34,721,455	35,793,910
Unamortized bond issuance costs	(1,472,100)	(1,609,162)
Bonds payable, net	33,249,355	34,184,748
Less current portion	(984,139)	(939,139)
Long-term portion, net	\$ 32,265,216	\$ 33,245,609

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 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, 2022 and 2021, the School was in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2023	\$ 1,010,000
2024	1,150,000
2025	1,285,000
2026	1,380,000
2027	1,455,000
Thereafter	27,415,000
<hr/>	
Total principal payments	33,695,000
Discount	(63,557)
Reoffering premium	1,090,012
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Bonds payable	\$ 34,721,455

10. Line of credit

In August 2020, the School entered into a line of credit agreement for \$20,000,000 which was set to mature on September 30, 2022. Interest on any draws from the line of credit were 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 included a non-usage fee of .45% and the line of credit was collateralized by an investment account held at the same financial institution. There were no outstanding draws on the line of credit at June 30, 2021. The line of credit was cancelled effective September 21, 2021.

In March 2022, the School entered into a line of credit agreement for \$20,000,000 which matures on February 29, 2024. Interest on any draws from the line of credit are at one month SOFR, plus 1.15%. 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. There were no outstanding draws on the line of credit at June 30, 2022.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. 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, 2022 and 2021, 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, 2022 and 2021 relating to school activities.

Uniforms 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)

11. Revenue from contracts with customers (continued)

Disaggregation of revenue from contracts with customers:

Revenue from contracts with customers disaggregated by category for the years ended June 30, 2022 and 2021 is as follows:

Years ended June 30,	2022	2021
Revenue recognized over time:		
School fees	\$ 2,710,557	\$ 16,782
Tuition - Noble Day Care	765,180	550,774
Total revenue recognized over time	3,475,737	567,556
Revenue recognized at a point in time:		
School activities	437,928	29,140
Uniforms and meals	502,603	979
Total revenue recognized at a point in time	940,531	30,119
Total contract revenue	\$ 4,416,268	\$ 597,675

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, 2022, 2021 and 2020 were \$993,043, \$508,993 and \$1,228,851, respectively.

During the years ended June 30, 2022 and 2021, the School recognized bad debt expense on customer accounts of \$402,350 and \$658,378, respectively.

There were no contract assets or contract liabilities as of June 30, 2022, 2021 and 2020.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Revenue from contracts with customers (continued)

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.

For school fees, school activities, uniforms and meals 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 are 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.

12. 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, 2022, the School has approximately \$3,000,000 of conditional promises associated with expansion, student mental health services, food program, and student scholarships that have not yet been recognized as revenue, including \$500,000 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.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Commitments and contingencies

The School has received funds from state and federal granting agencies during the years ended June 30, 2022 and 2021 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, 2022, the School had entered into construction contracts totaling approximately \$3,690,000 to renovate certain campus facilities.

14. 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.

15. School lunch program

For the years ended June 30, 2022 and 2021, 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.

16. 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 \$10,350,000 (PPO) and \$3,170,000 (HMO) in aggregate for 2022 and up to approximately \$6,100,000 (PPO) and \$4,000,000 (HMO) in aggregate for 2021. 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 \$900,000 and \$571,000 as of June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. 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.

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, 2022 and 2021:

Years ended June 30,	2022	2021
Total pensionable salaries	\$ 58,882,237	\$ 56,906,903
Employees’ contribution expense picked up by employer	\$ 4,121,757	\$ 3,983,483
Employer’s contribution expense (11.16%)	\$ 6,571,258	\$ 6,350,810
Less: CPS deduction amount for employer’s pension expense	(3,534,147)	(6,186,589)
Pension true-up amount	\$ 3,037,111	\$ 164,221

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, 2022 and 2021 were \$1,297,420 and \$1,338,142, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Leases

The School rents various facilities under operating leases expiring through 2035. Most of the School's operating leases include one or more options to renew, with renewal terms that can extend the lease term from 5 to 15 years.

Lease costs are reported in the consolidated statements of activities as follows:

Year ended June 30, 2022	Program services	Management and general	Total
Operating lease cost	\$ 4,187,534	\$ 214,164	\$ 4,401,698
Short-term lease cost	479,596	569,442	1,049,038
Total lease costs	\$ 4,667,130	\$ 783,606	\$ 5,450,736
<hr/>			
Year ended June 30, 2021	Program services	Management and general	Total
Operating lease cost	\$ 3,698,106	\$ 516,268	\$ 4,214,374
Short-term lease cost	234,965		234,965
Total lease costs	\$ 3,933,071	\$ 516,268	\$ 4,449,339

Total short-term lease costs for the years ended June 30, 2022 and 2021 do not reasonably reflect the School's short-term lease commitments as of June 30, 2022 and 2021, which total approximately \$666,000 and \$931,000, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Leases (continued)

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2023	\$ 4,670,660
2024	4,682,366
2025	4,748,758
2026	4,709,230
2027	4,802,624
Thereafter	16,476,550
Total lease payments	40,090,188
Less imputed interest	(1,473,969)
Present value of lease liabilities	\$ 38,616,219

The weighted-average remaining lease term and discount rate for operating leases are as follows:

Years ended June 30,	2022	2021
Weighted-average:		
Discount rate - operating leases	0.7%	0.6%
Remaining lease term (years) - operating leases	9.3	9.7

Supplemental cash flows information related to leases is as follows:

Years ended June 30,	2022	2021
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,578,534	\$ 4,326,227
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases		\$ 3,922,792

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Net assets with donor restrictions

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

June 30,	2022	2021
Restricted for purpose:		
College and career support	\$ 870,496	\$ 1,238,272
COVID-19 relief	22,815	273,600
Extracurricular activities	850,427	801,533
Other programs	963,068	793,176
Scholarships	1,738,000	1,761,528
Social and emotional student support	977,116	1,000,062
Summer of a Lifetime program	227,445	348,603
 Total restricted for purpose	 5,649,367	 6,216,774
 Restricted for time	 1,160,013	 675,000
 Total net assets with donor restrictions	 \$ 6,809,380	 \$ 6,891,774

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	2022	2021
Restricted for purpose:		
College and career support	\$ 367,776	\$ 773,158
COVID-19 relief	250,784	589,524
Extracurricular activities	169,106	125,913
Other programs	624,498	727,555
Scholarships	1,347,595	2,357,875
Social and emotional student support	410,924	202,867
Summer of a Lifetime program	348,603	114,181
 Total restricted for purpose	 3,519,286	 4,891,073
 Restricted for time	 800,000	 495,000
 Total net assets released from restrictions	 \$ 4,319,286	 \$ 5,386,073



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, which comprise the consolidated statement of financial position as of June 30, 2022, 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 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Noble Network of Charter Schools, Subsidiaries and Affiliate's internal control over financial reporting (internal control) as a basis for designing 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 Noble Network of Charter Schools, Subsidiaries and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Noble Network of Charter Schools, Subsidiaries and Affiliate'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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noble Network of Charter Schools, Subsidiaries and Affiliate'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 consolidated financial statements. 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 Noble Network of Charter Schools, Subsidiaries and Affiliate's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noble Network of Charter Schools, Subsidiaries and Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
October 20, 2022