Metropolitan Family Services

Audited Consolidated Financial Statements
June 30, 2022

metropolitan™
family services

Contents

Independent Auditor's Report

Board of Directors
Metropolitan Family Services

Opinion
We have audited the consolidated financial statements of Metropolitan Family Services (the Agency), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Chicago, Illinois
January 26, 2023

Metropolitan Family Services

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash	$ 6,210,383	$ 13,511,480
Restricted cash	6,009,582	-
Receivables (net of allowance):		
Government grants	17,216,035	12,442,523
Fund raising pledges	530,605	1,004,418
Other	798,712	43,087
Prepaid expenses	1,071,288	1,067,146
Investments	42,253,290	50,732,098
Leveraged loan receivable	2,212,849	-
Property and equipment, net	25,970,811	20,683,069
Other assets (I Grow Chicago)	2,988,376	-
Beneficial interest in irrevocable perpetual trusts	16,656,165	19,872,919
Total assets	$ 121,918,096	$ 119,356,740
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 11,218,353	$ 11,081,393
Deferred revenue	4,493,687	3,495,103
Unsecured investment bond	2,500,000	2,500,000
Paycheck Protection Program forgivable loan	-	9,670,157
Funds held in custody for others	13,992	5,881
Interest rate swap	1,723,407	3,253,410
Bonds payable	12,700,000	12,700,000
NMTC notes payable, net	10,317,128	-
Accrued pension expense	544,319	2,749,241
Total liabilities	43,510,886	45,455,185
Net assets:		
Without donor restrictions	35,242,394	24,349,640
With donor restrictions	43,164,816	49,551,915
Total net assets	78,407,210	73,901,555
Total liabilities and net assets	$ 121,918,096	$ 119,356,740

See notes to financial statements.

Metropolitan Family Services

Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Agency
Operating:			
Public support:			
MFS Annual Campaign and the Campaign to M-Power Families	$ 13,970,494	$ 849,732	$ 14,820,226
United Way of Metropolitan Chicago	1,403,104	501,766	1,904,870
Government grants	79,320,820	-	79,320,820
In-kind contributions	3,245,671	-	3,245,671
Total public support	97,940,089	1,351,498	99,291,587
Revenue:			
Program service fees	8,273,379	-	8,273,379
Investment payout for operations	850,680	817,320	1,668,000
Income allocations from trusts	983,748	-	983,748
Rent and other income	1,591,880	-	1,591,880
Net assets released from restrictions	2,965,809	(2,965,809)	-
Total revenue	14,665,496	(2,148,489)	12,517,007
Total public support and revenue	112,605,585	(796,991)	111,808,594
Expenses:			
Program	94,554,353	-	94,554,353
Management and general	10,460,855	-	10,460,855
Fund raising	2,397,734	-	2,397,734
In-kind contributions	3,245,671	-	3,245,671
Total expenses before depreciation and amortization and net periodic benefit income	110,658,613	-	110,658,613
Operating surplus (deficit)	1,946,972	(796,991)	1,149,981
Other changes from operating activities:			
Depreciation and amortization	(1,057,387)	-	(1,057,387)
Net periodic benefit (cost) income	(4,365,656)	-	(4,365,656)
Change in net assets from operating activities	(3,476,071)	(796,991)	(4,273,062)
Nonoperating activities:			
Gain on disposal of property	-	-	-
Forgiveness of Paycheck Protection Program loan	9,670,157	-	9,670,157
Net investment (losses) gains	(3,236,281)	(6,326,124)	(9,562,405)
Pension related changes other than net periodic pension (cost) income	4,152,586	-	4,152,586
Increase in market value of interest rate swap	1,530,003	-	1,530,003
Inherent contribution of I Grow Chicago net assets and other	2,252,360	736,016	2,988,376
Change in net assets from nonoperating activities	14,368,825	(5,590,108)	8,778,717
Increase (decrease) in net assets	10,892,754	(6,387,099)	4,505,655
Net assets:			
Beginning of year	24,349,640	49,551,915	73,901,555
End of year	$ 35,242,394	$ 43,164,816	$ 78,407,210

See notes to financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total Agency
$ 12,416,420	$ 1,047,713	$ 13,464,133
1,558,839	430,817	1,989,656
65,526,220	-	65,526,220
3,387,746	-	3,387,746
82,889,225	1,478,530	84,367,755
9,234,613	-	9,234,613
850,680	817,320	1,668,000
854,644	-	854,644
661,483	-	661,483
7,557,947	(7,557,947)	-
19,159,367	(6,740,627)	12,418,740
102,048,592	(5,262,097)	96,786,495
83,091,261	-	83,091,261
9,691,356	-	9,691,356
2,532,407	-	2,532,407
3,387,746	-	3,387,746
98,702,770	-	98,702,770
3,345,822	(5,262,097)	(1,916,275)
(861,647)	-	(861,647)
77,569	-	77,569
2,561,744	(5,262,097)	(2,700,353)
588,267	-	588,267
-	-	-
4,571,981	7,422,767	11,994,748
4,276,490	-	4,276,490
1,010,570	-	1,010,570
-	-	-
10,447,308	7,422,767	17,870,075
13,009,052	2,160,670	15,169,722
11,340,588	47,391,245	58,731,833
$ 24,349,640	$ 49,551,915	$ 73,901,555

Metropolitan Family Services

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Programs				
	Emotional Wellness	Empowerment	Education	Economic Stability	Total Program
Salaries	$ 15,835,874	$ 6,118,381	$ 13,430,563	$ 5,574,108	$ 40,958,926
Payroll taxes and benefits	3,773,101	1,374,373	3,098,670	1,281,920	9,528,064
Professional fees and subcontractor payments	4,088,330	17,315,313	1,850,947	2,861,588	26,116,178
Financial assistance	2,395,638	179,129	79,360	997,355	3,651,482
Occupancy	1,209,206	712,793	1,165,317	544,668	3,631,984
Equipment rental and maintenance	1,056,036	487,313	627,225	462,987	2,633,561
Other program expenses	1,638,048	853,848	3,318,553	781,573	6,592,022
Telephone and communication	603,144	260,067	338,942	239,983	1,442,136
	30,599,377	27,301,217	23,909,577	12,744,182	94,554,353
Depreciation and amortization allocation	260,649	288,465	274,263	107,320	930,697
Net periodic benefit cost	1,266,040	1,091,414	960,444	523,879	3,841,777
	$ 32,126,066	$ 28,681,096	$ 25,144,284	$ 13,375,381	$ 99,326,827

See notes to financial statements.

Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2022 Total Agency
Support Services				
$ 5,472,190	$ 1,394,972	$ 6,867,162	$ -	$ 47,826,088
1,325,220	331,721	1,656,941	-	11,185,005
1,929,266	75,259	2,004,525	3,245,671	31,366,374
23,665	-	23,665	-	3,675,147
554,126	326,947	881,073	-	4,513,057
72,139	23,372	95,511	-	2,729,072
558,265	121,987	680,252	-	7,272,274
525,984	123,476	649,460	-	2,091,596
10,460,855	2,397,734	12,858,589	3,245,671	110,658,613
106,999	19,691	126,690	-	1,057,387
436,566	87,313	523,879	-	4,365,656
$ 11,004,420	$ 2,504,738	$ 13,509,158	$ 3,245,671	$ 116,081,656

Metropolitan Family Services

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Programs				
	Emotional Wellness	Empowerment	Education	Economic Stability	Total Program
Salaries	$ 15,268,580	$ 4,519,632	$ 13,324,875	$ 5,005,783	$ 38,118,870
Payroll taxes and benefits	3,419,089	916,831	2,975,601	1,093,682	8,405,203
Professional fees and subcontractor payments	1,370,322	15,815,872	1,723,769	3,868,149	22,778,112
Financial assistance	1,955,284	117,582	581,055	1,377,983	4,031,904
Occupancy	1,715,634	389,777	1,277,408	471,160	3,853,979
Equipment rental and maintenance	145,348	72,722	145,233	139,437	502,740
Other program expenses	955,950	338,489	1,436,779	416,173	3,147,391
Telephone and communication	1,091,318	195,291	692,076	274,377	2,253,062
	25,921,525	22,366,196	22,156,796	12,646,744	83,091,261
Depreciation and amortization allocation	213,286	213,676	238,532	87,164	752,658
Net periodic benefit income	(24,279)	(17,531)	(17,531)	(9,231)	(68,572)
	$ 26,110,532	$ 22,562,341	$ 22,377,797	$ 12,724,677	$ 83,775,347

See notes to financial statements.

Support Services				
Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2021 Total Agency
$ 5,234,353	$ 1,381,008	$ 6,615,361	$ -	$ 44,734,231
1,189,414	311,124	1,500,538	-	9,905,741
1,589,051	284,126	1,873,177	3,385,648	28,036,937
5,170	5,995	11,165	-	4,043,069
680,991	366,199	1,047,190	-	4,901,169
242,603	9,894	252,497	-	755,237
346,305	64,031	410,336	2,098	3,559,825
403,469	110,030	513,499	-	2,766,561
9,691,356	2,532,407	12,223,763	3,387,746	98,702,770
87,155	21,834	108,989	-	861,647
(7,136)	(1,861)	(8,997)	-	(77,569)
$ 9,771,375	$ 2,552,380	$ 12,323,755	$ 3,387,746	$ 99,486,848

Metropolitan Family Services

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	$ 4,505,655	$ 15,169,722
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Inherent contribution of I Grow Chicago net assets and other, net of cash acquired	(2,988,376)	-
Change in market value of interest rate swap	(1,530,003)	(1,010,570)
Change in market value beneficial interest in perpetual trusts	3,216,754	(3,518,382)
Net realized and unrealized loss (gain) on investments	6,369,532	(9,035,828)
Gain on disposal of property	-	(588,267)
Depreciation and amortization	1,057,387	861,647
Forgiveness of Paycheck Protection Program loan	(9,670,157)	-
Proceeds from Paycheck Protection Program loan	-	9,670,157
Changes in operating assets and liabilities:		
Receivables	(5,055,324)	(170,099)
Prepaid expenses	(12,821)	(58,599)
Accounts payable and accrued expenses	136,960	4,281,280
Deferred revenue	998,584	1,758,177
Funds held in custody for others	8,111	(14,944)
Accrued pension expense	(2,204,922)	(5,222,427)
Net cash (used in) provided by operating activities	(5,168,620)	12,121,867
Cash flows from investing activities:		
Proceeds from the sale of investments	3,099,930	1,685,168
Proceeds from sale of property	-	835,072
Purchases of investments	(990,654)	(2,485,404)
Cash paid in exchange for leveraged loan receivable	(2,212,849)	-
Purchases of property and equipment	(6,297,953)	(1,141,405)
Net cash used in investing activities	(6,401,526)	(1,106,569)
Cash flows from financing activities:		
Repayments of line of credit	-	(875,894)
Proceeds from issuance of NMTC notes payable	11,000,000	-
Payment of debt issuance costs	(721,369)	-
Repayments of notes payable	-	(323,236)
Proceeds from closed beneficial interest in perpetual trust	-	249,034
Net cash provided by (used in) financing activities	10,278,631	(950,096)
(Decrease) increase in cash and restricted cash	(1,291,515)	10,065,202
Cash and restricted cash:		
Beginning of year	13,511,480	3,446,278
End of year	$ 12,219,965	$ 13,511,480
Cash and restricted cash:		
Cash	$ 6,210,383	$ 13,511,480
Restricted cash	6,009,582	-
Total cash and restricted cash	$ 12,219,965	$ 13,511,480
Supplemental disclosure of operating activity:		
Interest paid	$ 852,720	$ 723,000

See notes to financial statements.

Note 1. Nature of Activities

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

In April 2019, Family Shelter Services (FSS) transferred its assets and liabilities, and board governance, to the Agency. In October 2021, I Grow Chicago (I GROW) transferred its board governance to the Agency. FSS and I GROW are nonprofit corporations exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Agency utilized the FSS corporate entity to facilitate a New Markets Tax Credit (NMTC) transaction for the Midway and Jones Centers project. The Agency is a transitional party effectuating the continuation of the mission and services of I GROW.

Note 2. Summary of Significant Accounting Policies

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

Basis of presentation: The Agency's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to nonprofit organizations.

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

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

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

Revenue recognition: The majority of funding for the Agency's activities is provided by governmental agencies. The Agency recognizes program revenues in the fiscal year that the services are rendered. Unconditional contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized as qualifying expenditures are incurred and other grant requirements are met. The Agency has elected the simultaneous release policy for government grants, which allows the Agency to recognize restricted conditional contributions directly in net assets without donor restrictions when the condition is met, which is generally when qualifying expenditures have been incurred. Deferred revenue is recorded when cash has been received but qualifying expenditures have not yet been incurred. Those amounts will be subject to recognition as the Agency incurs qualifying expenditures and performs its duties under the terms of the grant agreements.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Cash in restricted construction account: Unspent cash from the NMTC transaction is reflected as restricted cash on the consolidated statement of financial position. Its use is restricted to the Midway and Jones Centers Project and the disbursements are subject to a blocked account agreement. The Agency maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Government grant receivables: The Agency has outstanding receivables from various government grants. Management recorded an allowance for doubtful accounts totaling approximately $776,000 and $173,000 at June 30, 2022 and 2021, respectively, based on specific identification of uncollectible accounts and historical collection experience.

Investments: Investments, including the invested assets of irrevocable perpetual trusts, are recorded at fair value. Realized gains and losses are determined based on the average cost method. Changes in fair value are recorded as unrealized gains (losses). Investment fees are netted against investment gains.

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

Property and equipment: Property and equipment are carried at cost, except donated assets which are recorded at fair value at date of donation. All purchases in excess of $5,000 are capitalized, while lesser amounts are charged to expense. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or terms of the related leases (40 years for buildings, five years for furniture and equipment and two to seven years for leasehold improvements).

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

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred revenue: The Agency recognizes grants as revenue when qualifying expenses are incurred. Amounts received in advance are recorded as deferred revenue when qualifying expenditures are not yet incurred.

Paycheck Protection Program forgivable loan: The Agency applied for and received a loan from the Paycheck Protection Program, a loan program administered through the Small Business Administration, in conjunction with the Coronavirus Aid, Relief and Economy Security Act (CARES Act) in fiscal year 2021. The loan was in the amount of $9,670,157. The loan bears interest at a rate of 1% and is repayable in five years, but may be forgiven if certain conditions are met. Proceeds from this loan have been accounted for as a conditional contribution (liability) at June 30, 2021 and are recorded as a refundable advance until the conditions for forgiveness have been substantially met or explicitly waived. In March 2022, the Agency received full forgiveness of the $9,670,157 loan. The statement of activities reflects nonoperating revenue of $9,670,157 for the year ended June 30, 2022.

Derivative financial instruments: The Agency has an interest rate swap agreement with the objective of minimizing the variability of cash flows. This derivative financial instrument is recognized as either an asset or liability at fair value in the statement of financial position (interest rate swap) with the changes in the fair value reported on the statement of activities (change in market value of interest rate swap). For the years ended June 30, 2022 and 2021, the Agency recognized a gain of $1,530,003 and $1,010,570, respectively, for changes in the fair value of the instrument.

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

In-kind contributions: For the years ended June 30, 2022 and 2021, contributed nonfinancial assets include various professional services. These contributed services are valued and reported at the estimated fair value in the financial statements based on discounted current market rates for similar services. The contributed professional services were utilized to support the Agency's legal aid and Head Start programs.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

The Agency files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Accounting pronouncement adopted: In fiscal year 2022, the Agency adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU addresses presentation and disclosure requirements for nonprofit entities for contributed nonfinancial assets. The adoption of the standard did not have a significant impact on the financial statements.

In fiscal year 2021, the Agency adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The adoption of this guidance did not have a significant impact on the financial statements.

Recent accounting pronouncements: The FASB has issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This new standard is effective for the Agency's fiscal year 2023 financial statements. The Agency expects the adoption of Topic 842 to increase total assets and total liabilities on its statement of financial position.

Subsequent events: The Agency has evaluated all other subsequent events for potential recognition and/or disclosure through January 26, 2023, the date the financial statements were available to be issued.

Note 3. Fund Raising Pledges Receivable

Pledges receivable at June 30, 2022 and 2021, amount to $530,605 and $1,004,418, respectively, and are anticipated to be collected in the subsequent year. Management recorded an allowance for doubtful accounts totaling approximately $100,000 and $200,000 at June 30, 2022 and 2021, respectively, based on specific identification of uncollectible accounts and historical collection experience.

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts

The Agency's investments at June 30, 2022 and 2021 are as follows:

	2022	2021
Cash and other	$ 318,457	$ 458,020
Equity securities	20,079,458	26,618,883
Fixed income securities	6,235,576	7,937,907
Alternative investments	15,619,799	15,717,288
	$ 42,253,290	$ 50,732,098

The Agency is also a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that the Agency, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions, principally in marketable equity securities and bonds and notes.

Total return (loss) on investments and beneficial interests during 2022 and 2021 is summarized as follows:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	$ 1,078,817	$ 1,036,510	$ 2,115,327
Investment expense	(215,958)	(207,489)	(423,447)
Net realized and unrealized loss	(3,248,460)	(6,337,825)	(9,586,285)
Net loss on investments	$ (2,385,601)	$ (5,508,804)	$ (7,894,405)
As reflected on statement of activities:			
Investment return (loss) designated for:			
Payout for operations	$ 850,680	$ 817,320	$ 1,668,000
Undesignated investment loss	(3,236,281)	(6,326,124)	(9,562,405)
Total	$ (2,385,601)	$ (5,508,804)	$ (7,894,405)
Income allocations from trusts	$ 983,748	$ -	$ 983,748

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts (Continued)

2021	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	$ 745,326	$ 716,097	$ 1,461,423
Investment expense	(179,971)	(172,914)	(352,885)
Net realized and unrealized gains	4,857,306	7,696,904	12,554,210
Net gain on investments	$ 5,422,661	$ 8,240,087	$ 13,662,748
As reflected on statement of activities:			
Investment gain designated for:			
Payout for operations	$ 850,680	$ 817,320	$ 1,668,000
Undesignated investment gain	4,571,981	7,422,767	11,994,748
Total	$ 5,422,661	$ 8,240,087	$ 13,662,748
Income allocations from trusts	$ 854,644	$ -	$ 854,644

Investment return, with donor restrictions, includes appreciation in the value of beneficial interests in irrevocable perpetual trusts.

Note 5. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various methods including market, income and cost approaches and sets out a fair value hierarchy. Based on these approaches, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Topic are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument.

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

Note 5. Fair Value Disclosures (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Agency considers factors specific to the investment.

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

For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. There were unfunded commitments in the amount of $1,803,085 and $1,203,744 at June 30, 2022 and 2021, respectively. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

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

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

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

Note 5. Fair Value Disclosures (Continued)

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	2022				
	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 10,150,961	$ 10,150,961	$ -	$ -	$ -
Non-U.S. equities	9,928,497	9,928,497	-	-	-
Fixed income securities:					
U.S. fixed income	6,235,576	6,235,576	-	-	-
Alternative investments:					
Hedge fund of funds (b)	10,866,898	-	-	-	10,866,898
Real estate fund (c)	4,752,901	-	-	-	4,752,901
	41,934,833	$ 26,315,034	$ -	$ -	$ 15,619,799
Cash and other	318,457				
Total investments	$ 42,253,290				
Beneficial interest in perpetual trusts (d)	$ 16,656,165	$ -	$ -	$ 16,656,165	$ -
Liability:					
Interest-rate swap	$ 1,723,407	$ -	$ 1,723,407	$ -	$ -

	2021				
	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 13,542,571	$ 13,542,571	$ -	$ -	$ -
Non-U.S. equities	13,076,312	13,076,312	-	-	-
Fixed income securities:					
U.S. fixed income	7,937,907	7,937,907	-	-	-
Alternative investments:					
Hedge fund of funds (b)	11,237,877	-	-	-	11,237,877
Real estate fund (c)	4,479,411	-	-	-	4,479,411
	50,274,078	$ 34,556,790	$ -	$ -	$ 15,717,288
Cash and other	458,020				
Total investments	$ 50,732,098				
Beneficial interest in perpetual trusts (d)	$ 19,872,919	$ -	$ -	$ 19,872,919	$ -
Liability:					
Interest-rate swap	$ 3,253,410	$ -	$ 3,253,410	$ -	$ -

Note 5. Fair Value Disclosures (Continued)

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

(b) This category includes investments in hedge funds that invest primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments to meet growth strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. There are no unfunded commitments related to these investments at June 30, 2022 or 2021. The redemption frequency for these funds is quarterly.

(c) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Agency's ownership interest. There are $1,803,085 and $1,203,744 of unfunded commitments related to these investments at June 30, 2022 and 2021, respectively. The redemption frequency for these funds is quarterly.

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

Note 6. Leveraged Loan Receivable

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

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

Notes receivable at June 30, 2022 are as follows:

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

After the Compliance Period, there are put and call agreements between the Agency and the investor in the QEI Fund. It is anticipated that the NMTC investor will put their option and the Agency will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. This action will essentially result in forgiveness of these loans as well as extinguishment of the Agency's related debt (Note 10). Interest income was $16,596 and $0 for the years ended June 30, 2022 and 2021, respectively.

The Agency funded the above loan by paying $841,828 in cash and contributing $1,371,021 in qualified reimbursable costs previously expended for the project.

Note 7. Property and Equipment

Property and equipment are as follows at June 30, 2022 and 2021:

	2022	2021
Land	$ 3,718,766	$ 3,718,766
Buildings and improvements	27,807,537	25,849,809
Leasehold improvements	2,327,872	2,679,516
Furniture and equipment	2,659,415	9,015,655
Construction in progress	3,493,517	-
	40,007,107	41,263,746
Less accumulated depreciation	14,036,296	20,580,677
	$ 25,970,811	$ 20,683,069

Construction in progress represents costs for renovation and construction of the Midway and Jones Centers. Remaining costs to complete construction are expected to be approximately $4,000,000.

Depreciation expense totaled $1,010,211 and $852,968 for 2022 and 2021, respectively.

Note 8. Lines of Credit and Unsecured Investment Bond

The Agency had two available revolving credit lines. The first was in the amount of $6,500,000 and was for operating working capital. An additional line was in the amount of $2,000,000 and was for capital projects. Both agreements expired September 22, 2021 and were not renewed. Interest on borrowings was accrued monthly on both facilities at either the prime rate or the LIBOR rate plus 115 basis points. The weighted average interest rate for fiscal years 2022 and 2021 was 2.76% and 1.37%, respectively. The covenants of the revolving credit lines were substantially the same as those of the Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Note 9). The total balance outstanding on the lines of credit was $0 as of both June 30, 2022 and 2021. On September 21, 2021, these agreements were replaced with a new revolving line of credit agreement in the amount of $10,000,000, with similar terms. This line matured on September 21, 2022, at which point the Agency renewed for another year.

In addition, the Agency had secured additional working capital in the amount of $2,500,000 under a long-term unsecured investment bond. This facility became effective on September 16, 2016 and expired on September 16, 2021. This agreement was renewed and extended through October 6, 2026 with similar terms. The five-year term and interest is charged at a rate of 1/10 of 1% per annum. The balance outstanding on this agreement was $2,500,000 at June 30, 2022 and 2021.

Subsequent to year-end, on November 30, 2022, the Agency secured working capital in the amount of $6,000,000 under a long-term unsecured investment bond issued to a bank. Interest is due semi-annually at a rate of 0.5% per annum and the bond is payable in full in November 2027. Occurrence of a mandatory redemption event would require earlier repayment.

Interest expense under short term debt arrangements totaled $14,131 and $51,671 for the years ended June 30, 2022 and 2021, respectively.

Note 9. Bonds Payable

Bonds payable is summarized as follows at June 30, 2022 and 2021:

	2022	2021
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds, Series 1999, maturing in the aggregate principal amount on January 1, 2029	$ 12,700,000	$ 12,700,000

In March 1999, the Illinois Development Finance Authority (Authority) on behalf of the Agency issued its Variable Rate Demand Revenue Bonds, Series 1999, in the principal amount of $12,700,000 pursuant to an Indenture of Trust dated as of March 1, 1999, between the Authority and the Trustee. The proceeds of the Series 1999 bonds were used to finance all or a portion of the cost of acquisition, construction, renovation, expansion, restoration, and equipping of certain facilities of the Agency and to reimburse the Agency for certain capital projects, provide a portion of the interest on the bonds, and pay certain expenses incurred in connection with the issuance of the bonds. All other proceeds will be invested by the Trustee as provided in the indenture.

The Series 1999 Bonds bear interest at a variable interest rate determined on a monthly basis. Interest rates ranged from 1.02 to 1.80% and from 1.02 to 1.09% during the years ended June 30, 2022 and 2021, respectively, and was determined on a monthly basis. The Series 1999 Bonds are convertible at the option of the Agency to another variable rate mechanism, as provided in the Indenture of Trust, dated March 1, 1999.

The terms of the long-term debt agreement require, among other things, the maintenance of specific financial ratios and place limitations on additional indebtedness and pledging of assets.

On June 1, 2012, the Agency entered into a refinancing arrangement with a bank in which the bank became the sole holder of the bonds for a period of seven years. This arrangement eliminated the need for a letter of credit. On June 3, 2019, the refinancing arrangement was renewed for a period of five years through June 3, 2024. All of the terms, conditions, and covenants previously in effect remain unchanged.

The Agency has an interest rate swap agreement (swap agreement) with a bank for a non-amortizing notional amount of $12,700,000 with an objective to minimize the variability of cash flows. Under the terms of the swap agreement, the Agency receives monthly payments based upon a variable rate of interest and makes monthly payments based upon a fixed rate of 4.295% through January 1, 2029. The variable rate of interest is based on the USD-LIBOR-BBA which ranged from 0.08% to 1.06% and from 0.09% to 0.17% during the years ended June 30, 2022 and 2021, respectively, and was determined on a monthly basis. Although the derivative is an interest rate hedge, the Agency has chosen not to account for the derivatives as “cash-flow” hedge instruments, as defined by U.S. GAAP, and therefore, the gain or loss on the derivative is recognized in the statement of activities as a component of nonoperating revenue (expense) in the period of change.

Net interest paid or received under the swap agreement is included in interest expense. The net differential paid by the Agency as a result of the swap agreement amounted to $520,742 and $533,155 for the years ended June 30, 2022 and 2021, respectively. The change in fair value of the swap agreement was an unrealized gain of $1,530,003 and $1,010,570 in 2022 and 2021, respectively.

Note 9. Bonds Payable (Continued)

Interest expense including amounts paid under the swap agreement totaled $673,144 and $671,392 for the years ended June 30, 2022 and 2021, respectively.

The fair value of the interest rate swap agreement, reflected as a liability on the statements of financial position, was $1,723,407 and $3,253,410 at June 30, 2022 and 2021, respectively.

Interest expense (income) and change in fair value of interest rate swap are reported within the financial statements as follows:

	2022	2021
Operating:		
Occupancy	$ 687,275	$ 723,063
Nonoperating:		
Change in fair value of interest rate swap	(1,530,003)	(1,010,570)
	$ (842,728)	$ (287,507)

Note 10. NMTC Notes Payable

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

Urban Development Fund QLICI Loan A-1	$ 2,457,464
Urban Development Fund QLICI Loan A-2	2,212,849
Urban Development Fund QLICI Loan B	1,912,500
Urban Development Fund QLICI Loan C	917,187
Chase New Markets Corporation QLICI Loan A	1,725,500
Chase New Markets Corporation QLICI Loan B	955,500
Chase New Markets Corporation QLICI Loan C	819,000
	11,000,000
Less unamortized debt issuance costs	(682,872)
	$ 10,317,128

FSS used some proceeds from the loans to purchase certain assets from the Agency and to begin construction of a project (Note 17).

All loans have a maturity date of December 31, 2055, with exception of the Urban Development Fund QLICI Loan A-1 and the Chase New Markets Corporation QLICI Loan A that both mature on November 30, 2028. Applicable Interest rates are 2.00% on all the loans. Quarterly interest payments commenced in December 2021. Interest expense of $165,445 is included in other program expenses for the year ended June 30, 2022.

Note 10. NMTC Notes Payable (Continued)

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

There are put and call agreements between FSS and the investor in the QEI funds (which has ownership interest in the CDEs making the loans above). If the investor does not exercise their put option, FSS has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investor will put their option and the Agency will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. By acquiring the ownership interests, FSS would be in a position whereby it can forgive the NMTC notes payable, resulting in a substantial reduction in outstanding debt at that point in time and realization of the benefits from the NMTC program (in turn, it is expected that FSS would forgive the NMTC notes receivable (Note 6)). The loans are collateralized by essentially all FSS property and equipment.

Note 11. Restricted Net Assets

Restricted net assets are as follows at June 30, 2022 and 2021:

	2022	2021
Purpose related restrictions:		
Accumulated investment return on endowments	$ 17,863,636	$ 20,973,006
Community services	2,309,364	3,103,898
Financial assistance	13,244	15,701
I Grow Chicago	736,016	-
	20,922,260	24,092,605
To be held in perpetuity:		
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Agency	16,656,165	19,872,919
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support any of the activities of the Agency	5,411,375	5,411,375
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support specific programs as restricted by the donor	175,016	175,016
	22,242,556	25,459,310
	$ 43,164,816	$ 49,551,915

Note 12. Endowment Funds

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

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

1) The duration and preservation of the fund

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

3) General economic conditions

4) The possible effect of inflation and deflation

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

6) Other resources of the Agency

7) The investment policies of the Agency

The Agency's endowment net asset composition by type of fund is as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Net assets with donor restrictions (temporary in nature)	$ 17,863,636	$ 20,973,006
Net assets with donor restrictions (to be held in perpetuity)	5,586,391	5,586,391
	$ 23,450,027	$ 26,559,397

Note 12. Endowment Funds (Continued)

The changes in endowment net assets for the Agency were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Endowment net assets, beginning of year	$ 26,559,397	$ 22,405,978
Investment return:		
Dividends and interest income	1,036,510	716,097
Investment expense	(207,489)	(172,914)
Net realized and unrealized (loss) gain	(3,121,071)	4,427,556
	(2,292,050)	4,970,739
Appropriation of endowment assets:		
Payout for operations	(817,320)	(817,320)
Investment (loss) return	(3,109,370)	4,153,419
Endowment net assets, end of year	$ 23,450,027	$ 26,559,397

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

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

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

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

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

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

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

Note 12. Endowment Funds (Continued)

Spending Policy
Endowment spending is set annually by the Agency's Board of Directors after considering the funding needs of current Agency operations and the desire to preserve the long-term purchasing power of the Endowment. Distributions are authorized by the Board based on recommendations of the Investment Committee and Finance Committee. Payout for operations as reflected on the statement of activities in 2022 of $1,668,000 (2021—$1,668,000) consists of amounts appropriated from the endowment of $817,320 and amounts funded by other investments without donor restrictions of $850,680 (2021—$817,320 and $850,680).

Note 13. Pension Plan

The Agency operates a trusted, noncontributory, defined-benefit pension plan (Plan). On December 31, 2012, the Agency implemented a full plan freeze for all employees.

During fiscal year 2022, a lump sum window was offered to vested terminated participants with payments occurring on June 30, 2022 to those electing payment. The plan also purchased an annuity contract in June 2022 to administer and pay all the future monthly benefits of retirees and beneficiaries who had commenced their benefit payments. These transactions triggered settlement accounting, with the settlement measured as of June 30, 2022.

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

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

Note 13. Pension Plan (Continued)

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the defined-benefit pension plan are as follows at June 30, 2022 and 2021:

	2022	2021
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 26,051,210	$ 27,357,039
Interest cost	640,454	635,810
Plan Charges	(57,825)	-
Actuarial gains	(3,448,553)	(520,305)
Benefits paid	(1,745,357)	(1,421,334)
Settlements	(16,107,878)	-
Projected benefit obligation at year-end	$ 5,332,051	$ 26,051,210
Accumulated benefit obligation	$ 5,332,051	$ 26,051,210
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 23,301,969	$ 19,385,371
Actual (loss) return on plan assets	(3,078,994)	4,469,564
Contributions	2,417,992	868,368
Benefits paid	(1,745,357)	(1,421,334)
Settlements	(16,107,878)	-
Fair value of plan assets at year-end	$ 4,787,732	$ 23,301,969
Fair value of plan assets	$ 4,787,732	$ 23,301,969
Benefit obligations	5,332,051	26,051,210
Funded status (plan assets less benefit obligations)	$ (544,319)	$ (2,749,241)
Amounts recognized on statement of financial position as accrued pension expense liability	$ 544,319	$ 2,749,241
Cumulative amounts not yet recognized in net periodic cost, but charged to net assets at June 30, 2022:		
Beginning cumulative amount	$ 5,688,360	$ 9,964,850
Current year increase to net assets	(4,152,586)	(4,276,490)
	$ 1,535,774	$ 5,688,360
Unrecognized actuarial loss not yet recognized in net periodic cost, but charged to net assets as of June 30, 2022	$ 1,535,774	$ 5,688,360
Components of net periodic pension cost (income):		
Interest cost	$ 640,454	$ 635,810
Expected return on plan assets	(1,162,520)	(996,986)
Net amortization and deferrals	125,182	283,607
Settlement charge	4,762,540	-
	$ 4,365,656	$ (77,569)

Note 13. Pension Plan (Continued)

The 2022 net pension cost was calculated using the January 1, 2021, census data, asset information as of June 30, 2021, and a measurement date of June 30, 2022.

Assumptions

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

	2022	2021
Funded status:		
Discount rate	4.54%	2.55%
Future salary increases	N/A	N/A
Pension cost:		
Discount rate	2.55%	2.42%
Return on assets in plans	5.10%	5.30%
Future salary increases	N/A	N/A

Plan Assets

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

The fair values of the Agency's pension plan assets at June 30, 2022 and 2021 by asset category are as follows:

	2022	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 2,107,123	$ 2,107,123	$ -	$ -
Non-U.S. equities	646,958	646,958	-	-
Fixed income securities:				
U.S. fixed income	2,003,758	2,003,758	-	-
	4,757,839	$ 4,757,839	$ -	$ -
Cash and other	29,893			
	$ 4,787,732			

Note 13. Pension Plan (Continued)

	2021	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 11,599,647	$ 11,599,647	$ -	$ -
Non-U.S. equities	3,609,290	3,609,290	-	-
Fixed income securities:				
U.S. fixed income	7,902,504	7,902,504	-	-
	23,111,441	$ 23,111,441	$ -	$ -
Cash and other	190,528			
	$ 23,301,969			

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

	2022	2021
Equity securities	58 %	66 %
Debt securities	42	34
	100 %	100 %

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

Contributions
The Agency expects to contribute $0 to the pension plan during the year ending June 30, 2023.

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

Years ending June 30:	
2023	$ 658,472
2024	334,080
2025	262,437
2026	302,267
2027	333,984
2028-2031	1,479,973

Note 14. Operating Leases

The Agency occupies office space used in its activities under operating leases expiring through September 2031. A lease for new administrative office space was executed in May 2021. The initial term of the lease is ten years with a lease commencement date of September 15, 2021 and a lease expiration date of September 15, 2031. A prior lease for certain Chicago office space expired on June 30, 2021, and was not renewed.

In 2022 and 2021, total rental expense recognized under all operating leases amounted to $1,782,714 and $1,777,180, respectively. Future minimum annual lease commitments under non-cancelable operating leases at June 30, 2022, are as follows:

Years ending June 30:	
2023	$ 1,674,214
2024	1,444,979
2025	1,331,546
2026	1,313,107
2027	1,324,769
Thereafter	5,447,849
	$ 12,536,464

Note 15. Fiduciary Arrangements

Included in cash and in funds held in custody for others (a liability) at June 30, 2022 and 2021 are $13,992 and $5,881, respectively, of funds held by the Agency on behalf of certain clients to cover their third-party obligations.

Note 16. Supporting Agencies

The Agency received approximately $80,000,000 and $65,000,000 of its support and revenue from federal and state granting agencies during fiscal years 2022 and 2021, respectively. A significant reduction in this level of support, if it were to occur, could have a significant effect on the Agency's programs and activities. A portion of this support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

Note 17. Midway and Jones Centers Project

The Agency's Midway and Jones Centers project is an $11,000,000 project to expand and renovate the Midway Center and the Jones Center, both of which are located in Chicago. The expansion and renovations were not complete at June 30, 2022. As of June 30, 2022, the Agency had capitalized approximately $4,000,000 in costs related to the expansion, renovation and construction of the centers. The project is anticipated to be completed in March 2023.

The Agency was awarded approximately $4,500,000 from the Illinois Capital Board for the project. The Agency has recognized $450,000 of the Illinois Capital Board grant as a donor restricted contribution during the year ended June 30, 2022. On September 30, 2021, the Agency entered into state and federal New Market Tax Credits (NMTC) financings for the expansion and renovation of the Midway and Jones Centers. These two properties were transferred to FSS, consolidated affiliate of the Agency and recipient of the NMTC financing. The NMTC financing (Notes 6 and 10) completed the financing for the project.

Note 18. Contingencies

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

Note 19. I Grow Chicago

Effective October 1, 2021, I Grow Chicago (I GROW) transferred its board governance to the Agency under a mutual agreement. I GROW is an Illinois not-for-profit 501(c)(3) tax-exempt entity, based in the Englewood community of Chicago, Illinois, whose mission and services include community gardening, food pantry distribution, and workforce development. Activities were mostly suspended through the COVID-19 pandemic. The transaction was the result of the shared belief that the Agency could serve as a steward of the organization while a larger partnership of other Englewood nonprofit organizations (unrelated to the Agency) was being formed.

The Agency recorded the transaction in accordance with the Business Combinations Topic of the Codification, which requires the acquisition method to be used for this type of business combination.

There was no consideration transferred, therefore, the Agency recognized on its statement of activities an inherent contribution for the fair value of the transferred net assets. There were no identifiable intangible assets acquired in the transaction.

The following table summarizes the October 1, 2021 fair values of the assets acquired and liabilities assumed:

Cash	$ 677,228
Pledge receivable	93,123
Prepaid expenses	15,184
Investments	1,103,003
Property and equipment, net	708,032
Beneficial interest in remainder trust	669,930
Total assets acquired	3,266,500
Accounts payable	54,561
Inherent contribution received	$ 3,211,939

I GROW's activities for the period from October 1, 2021 to June 30, 2022 resulted in a decrease in I GROW net assets of $223,563. The Agency's consolidated statement of activities for year ended June 30, 2022 reports $2,988,376 as the I Grow inherent contribution received net of this decrease.

The larger partnership of other Englewood nonprofit organizations was established subsequent to year-end and named Imagine Englewood If. On July 31, 2022, the board governance of I GROW was transferred to Imagine Englewood If. The Agency's future financial reporting will reflect the change in board governance as a divestiture of I GROW, with a reduction to consolidated net assets in an amount equivalent to the I GROW net assets on the effective date.

Note 20. Availability and Liquidity

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

The Agency is in the final phase of a capital campaign. Spending on projects funded by the campaign are covered by payments on pledges. A separate line of credit in the amount of $2,500,000 is available to bridge any difference in timing between project spending and pledge collections.

The Agency had investments as of June 30, 2022 and 2021 in the amount of $42,253,290 and $50,732,098, respectively. Approximately 70% of these amounts are invested in mutual funds with one day liquidity. However, Board policy restricts the use of these assets to the long-term needs of the Agency. Therefore, investments are not included in the financial assets available for general expenditures.

Financial assets as of June 30, 2022 and 2021 available to meet general expenditures over their respective subsequent twelve-month periods consist of:

	2022	2021
Cash	$ 6,210,383	$ 13,511,480
Receivables:		
Government grants	17,216,035	12,442,523
Fundraising pledges (due in less than one year)	95	256,618
Other	798,712	43,087
	18,014,842	12,742,228
Expected endowment spending appropriation	1,668,000	1,668,000
Total	$ 25,893,225	$ 27,921,708

Note 21. Subsequent Events

In November 2022, the Howard Area Community Center (HACC) amended its bylaws to become a membership nonprofit corporation and made the Agency the sole member. As a result, the Agency has control and economic interest in HACC, requiring Agency to include HACC in its consolidate financial statements beginning in fiscal year ended June 30, 2023. An intercompany note payable in the amount of $769,519 due from HACC existed prior to the transaction with a variable rate of interest. HACC is an Illinois not-for-profit 501(c)(3) tax-exempt entity whose mission is to serve low-income individuals and families in the Rogers Park neighborhood of Chicago and surrounding community to stabilize their lives and to help develop the social skills necessary to become effective community members. HACC's programs include early childhood education, adult employment and education, and other health and emergency case management services. HACC has annual revenue of approximately $6,000,000.