

North Lawndale Employment Network and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements
June 30, 2022

AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Lawndale Employment Network And Subsidiaries

Opinion

We have audited the accompanying financial statements of North Lawndale Employment Network and Subsidiaries (nonprofit organizations, jointly referred to as "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year 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 North Lawndale Employment Network and Subsidiaries as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 generally accepted 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, 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Lopez & Co. CPAs Ltd

Chicago, IL

November 10, 2022

NORTH LAWDALE EMPLOYMENT NETWORK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS:

Cash and Cash Equivalents	\$ 2,994,828
Accounts Receivable	56,840
Contracts Receivable	66,690
Grants Receivable	831,422
ERC Receivable	1,440,515
Capital Campaign Pledges Receivable	235,000
Property and Equipment, Net of Accumulated Depreciation	8,820,301
Closing Costs	351,101
Net of Accumulated Amortization	
Notes Receivable	5,597,600
Total Assets	<u>20,394,297</u>

LIABILITIES AND NET ASSETS:

Liabilities

Accounts Payable	65,626
Accrued Expenses	76,000
Accrued Payroll	33,699
Accrued Interest	63,852
Deferred Revenue	314,914
Current Portion of Loans Payable	2,053,571
Long Term Portion of Loans Payable	11,186,429
Total Liabilities	<u>13,794,091</u>

Net Assets

Without Donor Restrictions	5,361,458
With Donor Restrictions	1,238,748
Total Net Assets	<u>6,600,206</u>

Total Liabilities and Net Assets	<u>\$ 20,394,297</u>
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NORTH LAWDALE EMPLOYMENT NETWORK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT:			
Grants and Contributions	\$ 793,570	\$ 3,018,120	\$ 3,811,690
Government and Corporate Contracts	1,265,131	-	1,265,131
Special Events	348,608	-	348,608
Membership Dues	500	-	500
In-Kind Contributions	299,406	-	299,406
	<hr/>	<hr/>	<hr/>
Total Public Support	2,707,215	3,018,120	5,725,335
REVENUE:			
Gain (Loss) on Disposal of Assets	9,500	-	9,500
Net Sales - Sweet Beginnings, LLC	185,208	-	185,208
Net Sales - beelove café	99,002	-	99,002
Investment Income	58,993	-	58,993
Other Income	941,292	-	941,292
Rental Income	47,199	-	47,199
Net Assets Released from Restrictions	2,090,459	(2,090,459)	-
	<hr/>	<hr/>	<hr/>
Total Revenue	3,431,653	(2,090,459)	1,341,194
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	6,138,868	927,661	7,066,529
EXPENSES:			
Program Services - NLEN	3,293,540	-	3,293,540
Program Services - Sweet Beginnings, LLC	477,377	-	477,377
Program Services - beelove café	235,684	-	235,684
Program Services - Support Corporation	422,783	-	422,783
Management and General	718,711	-	718,711
Fundraising	1,832,223	-	1,832,223
	<hr/>	<hr/>	<hr/>
Total Expenses	6,980,318	-	6,980,318
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS:	(841,450)	927,661	86,211
TOTAL NET ASSETS:			
Net Assets, Beginning of Year	6,202,908	311,087	6,513,995
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 5,361,458</u>	<u>\$ 1,238,748</u>	<u>\$ 6,600,206</u>

The accompanying notes are an integral part of these consolidated financial statements.

NORTH LAWDALE EMPLOYMENT NETWORK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	86,211
Adjustments to Reconcile Change in Net Assets to		
Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		343,581
(Increase) Decrease in Contract Receivable		4,814
(Increase) Decrease in Grants Receivable		13,241
(Increase) Decrease in ERC Receivable		(418,578)
(Increase) Decrease in Capital Campaign Pledges Receivable		239,999
(Increase) Decrease in Accounts Receivable		(27,232)
(Increase) Decrease in Inventory		21,668
(Increase) Decrease in Prepaid Expenses		100
(Increase) Decrease in Construction in Progress		1,261,094
Increase (Decrease) in Accounts Payable		(47,480)
Increase (Decrease) in Accrued Expenses		76,000
Increase (Decrease) in Accrued Payroll		(34,136)
Increase (Decrease) in Accrued Interest		(107,188)
Increase (Decrease) in Deferred Revenue		151,267
Net Cash Provided (Used) by Operating Activities		1,563,361

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment in Property and Equipment		(3,294,647)
Net Cash Provided (Used) by Investing Activities		(3,294,647)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Cash Provided (Used) by Financing Activities		-
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NET CHANGE IN CASH AND CASH EQUIVALENTS (1,731,286)

NONCASH FLOWS FROM FINANCING ACTIVITIES:

Forgiveness from Paycheck Protection Program Loan		(49,596)
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CASH AND CASH EQUIVALENTS - Beginning of Year 4,775,710

CASH AND CASH EQUIVALENTS - End of Year \$ 2,994,828

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$	253,464
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NORTH LAWDALE EMPLOYMENT NETWORK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Total Programs	Management and General	Fundraising	Total
	North Lawndale Employment Network	Sweet Beginnings, LLC	NLEN Support Corporation	beelove Café				
Salaries and Fringe Benefits	\$ 2,321,333	\$ 69,385	\$ -	\$ 52,644	\$ 2,443,362	\$ 336,760	\$ 692,397	\$ 3,472,519
Professional Fees	319,832	61,049	-	4,944	385,825	237,867	487,199	1,110,891
Cost of Goods Sold	-	288,565	-	155,176	443,741	-	-	443,741
Depreciation and Amortization	-	1,370	335,323	-	336,693	6,888	-	343,581
Payroll Taxes	206,228	4,912	-	4,821	215,961	24,486	54,469	294,916
Occupancy	99,484	-	-	890	100,374	10,635	153,060	264,069
Interest	-	15,000	84,829	-	99,829	-	153,635	253,464
Office Equipment Rental and Purchase	108,199	-	1,363	-	109,562	34,134	28,764	172,460
Special Events Expense	14,780	-	-	-	14,780	-	103,605	118,385
Printing, Publications, and Marketing	2,389	2,520	-	7,411	12,320	4,885	98,490	115,695
Telephone	70,693	-	-	-	70,693	27,287	15,709	113,689
Office Expense	40,070	30,301	1,268	5,956	77,595	14,116	16,817	108,528
Member and Community Reinvestment Costs	61,488	-	-	1,819	63,307	-	6,820	70,127
Meeting Expense	23,272	20	-	2,023	25,315	7,267	11,652	44,234
Insurance	21,826	4,255	-	-	26,081	-	5,507	31,588
Conference and Workshops	2,716	-	-	-	2,716	13,393	3,436	19,545
Postage and Delivery	810	-	-	-	810	993	663	2,466
Charitable Contributions	420	-	-	-	420	-	-	420
Total Expenses	\$ 3,293,540	\$ 477,377	\$ 422,783	\$ 235,684	\$ 4,429,384	\$ 718,711	\$ 1,832,223	\$ 6,980,318

The accompanying notes are an integral part of these consolidated financial statements.

**NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(1) History and Nature of Organization

North Lawndale Employment Network (“NLEN”) is an Illinois not-for-profit incorporated in June 1999. NLEN partners with other community-based organizations, economic development agencies, and businesses to work together to meet the workforce development needs of North Lawndale residents and employers.

During fiscal year 2007, NLEN spun off its Sweet Beginnings program as a separate entity organized as Sweet Beginnings, LLC (“SB”). SB is wholly-owned by NLEN and offers full time transitional jobs for formerly incarcerated individuals and others with significant barriers to employment in a green industry – the production and sales of all-natural skin care products featuring its own urban honey. SB is considered a disregarded entity for tax purposes, and its purpose is directly related to the tax-exempt purpose of NLEN, thus creating no unrelated business income for NLEN and no taxable income for itself.

During fiscal year 2021, NLEN embarked up on its most ambitious project to date by acquiring the property located at 1111 S. Homan which includes opening the beelove café, a community coffee shop, which utilizes SB products and furthers the mission of NLEN by providing jobs to local residents as baristas. The building and the café opened in fiscal year 2022.

(2) Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include assets, liabilities, revenues, and expenses of North Lawndale Employment, NLEN Support Corporation, Sweet Beginnings, LLC, and beelove café (collectively referred to as “the Organization”). In 2015, NLEN and SB boards were consolidated into one single board overseeing both entities and operations. As result, the financials have been prepared using the consolidation method. All material inter-company balances and transactions have been eliminated.

Basis of Presentation and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles, generally accepted in the United States of America. The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The Organization is required to report information regarding its financial position according to two classes of net assets:

Net Assets with Donor Restrictions: Net assets subject to donor-imposed conditions that may or will be met by overcoming necessary barriers or restrictions of time. The Organization held \$1,238,748 donor restricted net assets as of June 30, 2022.

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Expirations of restrictions on net assets are reported as reclassifications between applicable classes of assets.

Revenue Recognition and Accounts Receivable

The Organization accounts for contributions in accordance with FASB ASC 958-605, "Not-for-Profit Entities, Revenue Recognition" and "Accounting for Contributions Received and Contributions Made". Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

The Organization carries its contract, grant, capital campaign pledge receivables, and other receivables at the outstanding balance adjusted for the allowance for doubtful accounts. The allowance for the doubtful accounts is estimated based on the Organization's historical bad debt experience, the aging of receivables, and management's judgment. Accounts deemed uncollectible and charged to the allowance for doubtful accounts. As of June 30, 2022, all amounts were deemed fully collectible within the next twelve months and as such, no allowance for doubtful accounts was recorded.

Cash and Cash Equivalents

The Organization considers cash on deposit at bank(s) and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

Prepaid Expenses

Expenses incurred in the subsequent period but paid for in the current period are properly classified as prepaid expenses.

Deferred Revenue

Deferred revenue includes the portion of grant revenues that have not been earned or conditions not met as of the report date.

Liquidity and Availability of Financial Assets

The Organization has \$5,625,296 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$2,994,828, accounts receivable \$56,840, contracts receivable of \$66,690, grants receivable of \$831,422, employee retention credit receivable of \$1,440,515, and capital campaign pledges receivable of \$235,000. \$1,238,748 of the Organization's net assets are subject to donor restrictions. In the event of unanticipated liquidity need, the Organization will seek external financing sources.

NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Fixed Assets and Depreciation Expense

Property and equipment are recorded at historical cost. The Organization capitalizes fixed asset additions over \$2,500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Building	39 years
Building Improvements	15 years
Infrastructure	15 years
Signage	10 years
Vehicles	7 years
Furniture and Equipment	5 years
Leasehold Improvements	5 years
Capitalized Software	3 years
Computer Equipment	3 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Depreciation and amortization expense amounted to \$343,581 at June 30, 2022.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated to specific program services based on direct benefit obtained. All remaining costs are considered general support to all programs and the Organization in general and are allocated based on estimates of time and effort.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

NLEN is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income. It qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). NLEN is no longer subject to U.S. federal, state and local income tax examination by tax authorities for all years since fiscal year 2018.

SB is a limited liability company which operates under a section of the federal and state income tax laws which provide that, in lieu of company-level income taxes, the members separately account for their pro rata shares of SB's income, deductions, losses, and credits. SB is, however, subject to certain state and local taxes.

**NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

No provision has been made for amounts which may be advanced or paid as distributions to the members for income taxes. There were no distributions to member for taxes in 2022.

NLEN Support Corporation is organized and operated at all times exclusively for the benefit of, to perform the functions of, and/or to carry out the purposes of North Lawndale Employment Network (“NLEN”), an Illinois not-for-profit corporation that is an organization described in Section 501(c)(3) and Section 509(a)(1) of the Internal Revenue Code of 1986, as amended, including but not limited to: (1) isolating certain real estate activities and liabilities from NLEN’s overall charitable activities and assets, (2) separating certain financing and fundraising considerations from NLEN’s general operations, and (3) allowing for more financial and fundraising talent to participate in NLEN fundraising efforts.

(3) Capital Campaign Pledges Receivable

During 2019, NLEN launched “The Campaign that Works”, (“Capital Campaign”), to raise \$10,000,000 to assist in bringing together NLEN’s employment training programs, financial opportunity centers, and SB honey products operations into one new campus. NLEN believes the development of an all-encompassing campus will allow the Organization to increase its impact and create hope and opportunity for individuals seeking alternatives to unemployment and incarceration.

Capital campaign pledges receivable was \$235,000 for the years ended June 30, 2022.

The campus was put into productive use for fiscal year 2022.

(4) Contracts Receivable and Grants Receivable

Contracts receivable at June 30, 2022 is as follows:

	<u>2022</u>
City of Chicago	\$ 66,690
Total Contracts Receivable	<u><u>\$ 66,690</u></u>

**NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Grants receivable at June 30, 2022 are as follows:

Chicago Cook Workforce Partnership - CT	\$	255,968
Chicago Cook Workforce Partnership. WIOA		186,393
LISC/Crown		123,887
Paul M Angell Family Foundation		100,000
Fry Foundation		40,000
LISC/WalMart		34,671
Fifth Third Bank		25,000
United Way of Metropolitan Chicago		24,998
Chicago Connected		24,000
West Side Health Equity Collaborative		6,832
PNC Bank		5,000
Trice Construction Company		2,000
Other		1,554
CEDA		1,119
Total Grants Receivable	<u>\$</u>	<u>831,422</u>

(5) Notes Receivable

In connection with New Market Tax Credit financing, NLEN loaned a total of \$5,597,600 to Chase NMTC NLEN Investment Fund. The loan bears a 1% interest rate, due annually, and has a maturity date of December 31, 2049.

(6) Long Term Debt

In 2021, NLEN entered into a loan in the amount of \$4,900,000 with IFF, an Illinois not-for-profit corporation, for the primary purpose of purchasing a building to expand its operations in conjunction with the Capital Campaign launched by NLEN in 2019. The loan bears interest at 5.25% and has an outstanding balance of \$4,900,000 as of June 30, 2022. The loan is collateralized by the purchased building. On September 21, 2022 NLEN made a principal payment of \$2,000,000 reducing the loan balance to \$2,900,000.

In 2018, SB entered into a loan in the amount of \$500,000 with ARC Chicago, LLC for the primary purpose of expanding its business to hire low-income individuals with significantly high barriers to employment to help break the cycle of poverty; and further, to combat community deterioration in the economically depressed community of North Lawndale and other low-income communities in the City of Chicago at large. The loan bears interest at 4% and has a maturity date of July 2029. The loan is to be repaid in quarterly installments starting on October 1, 2022. As of June 30, 2022, \$500,000 of the loan was advanced to SB and remained outstanding.

In 2021, NLEN Support Corporation entered into a loan in the amount of \$5,597,600 and another for \$2,242,400, totaling \$7,840,000 with CDF Suballocatee XXXIX, LLC, under the New Market Tax Credit. The loans bear interest at 1.082% and have a maturity date of December 31, 2055. The loan is to be repaid in annual installments starting December 1, 2029. As of June 30, 2022, \$7,840,000 of the loans

**NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

remained outstanding. The Organization can exercise the Put and Call Option agreement, as later described in Note 13.

All covenants were met or waived for the year ended June 30, 2022.

Principal payments due on long term debt during each of the next five years are as follows:

Years ending June 30:	
2023	\$ 2,053,571
2024	2,971,429
2025	71,429
2026	71,429
2027	71,429
Thereafter	<u>8,000,713</u>
	<u>\$ 13,240,000</u>

(7) Lease Commitments

NLEN has operating leases for office space, warehouse storage space and copiers. In addition to base rent, NLEN is responsible for certain operating expenses. The various leases expire at varying dates through August 2023 with monthly rental payments ranging from \$2,650 to \$6,971. Rental expense was \$136,770 for the year ended June 30, 2022.

Additionally, NLEN has operating leases for the use of vehicles. The vehicle leases are for three-year terms and expire at varying dates through April 2022 with monthly rental payments ranging from \$748 and \$1,193. Vehicle rental expense was \$59,225 for the year ended June 30, 2022.

At June 30, 2022, the remaining annual minimum rental payments are as follows:

Years ending June 30:	
2022	54,984
2023	32,593
2024	<u>5,459</u>
	<u>\$ 93,036</u>

(8) Retirement Plan

Prior to November 2018, NLEN sponsored a voluntary contribution retirement plan under Section 403(b) of the Internal Revenue Code (IRC). Substantially all employees were eligible to participate in the plan except for employees working less than twenty hours per week and student employees. Voluntary reductions were made from the salaries of participating employees and remitted to the financial institution of their choice. During November 2018, NLEN terminated the 403(b) Plan and implemented a new NLEN sponsored voluntary contribution retirement plan under section 401(k) of the IRC. The 401(k) Plan carries the same eligibility requirements as the previous 403(b) Plan.

**NORTH LAWNDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NLEN offers an employer dollar-for-dollar match not to exceed \$500 under the 401(k) Plan. Total expenses recorded for NLEN's match was \$6,501 for the year ended June 30, 2022.

(9) Certain Vulnerabilities and Concentrations

The Organization maintained certain bank accounts insured by the Federal Deposit Insurance Corporation up to an aggregate amount of \$250,000 for each depositor in each depository institution. At June 30, 2022, one depository institution held \$1,765,800 on deposit, which exceeded the aggregate limit by \$1,515,008, leaving that amount at risk. Another depository institution held \$950,819 on deposit, which exceeded the aggregate limit by \$700,819, leaving that amount at risk. Another depository institution held \$157,108 on deposit, which exceeded the aggregate limit by \$0, leaving no amount at risk.

(10) Property and Equipment

Property and equipment at June 30, 2022 consist of the following:

	<u>2022</u>
Building	\$ 7,879,816
Infrastructure	403,370
Leasehold Improvement	157,362
Capitalized Software	52,765
Computer Equipment	109,677
Vehicles (SB, LLC)	39,728
Furniture and Equipment	582,150
Signage	180,853
Closing Costs	<u>351,101</u>
Total Cost	9,756,822
Accumulated Amortization	(5,637)
Accumulated Depreciation	<u>(579,783)</u>
	<u><u>\$ 9,171,402</u></u>

(11) Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820-10 "Fair Value Measurements and Disclosures" requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 are as follows:

	<u>2022</u>
Purpose Restricted for Program Services	\$ 560,582
Time and Purpose Restricted for the Capital Campaign	678,166
	<u><u>\$ 1,238,748</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of the passage of time, or other events specified by donors. Restrictions were released as follows:

	<u>2022</u>
Program Services	<u><u>\$ 2,090,459</u></u>

(13) Donations In-Kind and Contributed Services

Material gifts in-kind used in the Organization’s programs and donated goods are recorded as income when received and as expenses at the time the items are placed into service or distributed.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contributions, require specialized skills, and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when services qualify for cost reimbursement from third-party providers. Donated legal fees are recorded at estimated fair value. The Organization received \$91,408 of donated legal fees for the year ended June 30, 2022, and was reflected in the consolidated statements of activities as donated legal revenues. The Organization received \$108,804 of donated accounting fees for the year ended June 30, 2022.

During 2022, the Organization received donated goods and services related to the annual fundraising event held. The estimated fair value of the goods and services received was \$299,406 for the year ended June 30, 2022.

(14) New Markets Tax Credits Transaction

Background

New Markets Tax Credits are tax credits created by the federal government in 2000 and renewed each year thereafter to help encourage sustained investment in low-income communities. The purpose is to provide investors with a financial incentive (a tax credit) to invest in projects being built in low-income communities. Investors receive a 39% federal tax credit earned over a seven-year period (the compliance period). The NMTC transaction provided a mechanism for NLEN to receive funding towards the construction of a new building.

NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NLEN NMTC Structure and Partners

NLEN entered into a NMTC transaction with Chase Community Equity (“CCE”), part of JPMorgan Chase Bank, the “investor” of the tax credits, and Chicago Development Fund (“CDF”), an entity making community investment loans to NLEN. NLEN is the “Leverage Lender” in the NMTC transaction.

NMTC Note Receivable

NLEN made an initial investment in NLEN Support Corp with cash generated by NLEN’s capital campaign proceeds in the amount of \$1,737,000. NLEN borrowed \$4,300,000 from IFF using the Capital Campaign pledges as collateral. With these loan funds and a bridge loan from Chase in the amount of \$4,079,533. NLEN then made a \$5,597,600 loan to Chase NMTC NLEN Investment Fund. This fund was used to lend funds to NLEN Support Corp through CDF Suballocate XXXIX.

Building Fund

Chase Community Equity made a net investment of \$2,402,400 into the Chase NMTC NLEN Investment Fund by purchasing the seven-year tax credits made available through the CDF for NLEN Support Corp’s new building project. The combined investment amounts of both NLEN and Chase Community Equity, which total \$8,000,000, fund the notes from the CDF Suballocate XXXIX to NLEN Support Corp. NLEN Support Corp incurred \$339,771 in structuring fees associated with structuring the NMTC.

New Markets Tax Credits - Notes Payable

As a component of the NMTC transaction, NLEN Support Corp received two loans from the CDF Suballocate XXXIX totaling \$7,840,000 (Note A - \$5,597,600 and Note B - \$2,242,400) on December 30, 2020. NLEN Support Corp is obligated to make annual interest payments, at an interest rate of 1.082%, during the seven-year NMTC compliance period which is expected to end December 30, 2029.

Option Agreement

Simultaneous with the above transactions, NLEN Support Corp entered into a Put and Call Option Agreement with Chase Community Equity (the sole investor in the fund) to put the ownership interest in the Fund for \$1,000 commencing on December 31, 2029: the first day after the seven-year tax credit investment compliance period. Exercising of the Option will effectively extinguish NLEN Support Corp’s outstanding debt owed to the CDF Suballocate XXXIX. All entities related to the structure (including the CDF Suballocate XXXIX Investment Fund) will then be effectively dissolved, thus ending the structured financing deal. Should the structure not dissolve, NLEN Support Corp will make principal and interest payments until the loans mature on December 30, 2056. The probability of the loans extending past the seven-year compliance period is very low provided that NLEN Support Corp utilizes the new building in accordance with the original intent in the NMTC allocation as a qualified low- income community business.

NORTH LAWDALE EMPLOYMENT NETWORK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

(14) Employee Retention Credit

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through September 30, 2021.

The Organization filed for refunds of the employee retention credit in the amount of \$1,440,515. As of June 30, 2022 the organization has a \$1,440,515 receivable balance from the United States government related to the CARES Act, which is recorded in ERC Receivable on the Organization’s Consolidated Statement of Financial Position.

(15) COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experiences significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of the pandemic.

(16) Subsequent Events

The Organization has evaluated subsequent events through November 10, 2022, the date the consolidated financial statements were available to be issued.

On July 20, 2022, NLEN sold 3726 W. Flournoy St, Chicago, IL 60624. This building was donated to NLEN by the City of Chicago and therefore had a \$0 cost basis. The Gain on sale totaled \$144,816.52 which will be recognized in fiscal year 2023.

On September 21, 2022 NLEN made a principal payment of \$2,000,000 on the outstanding IFF loan, reducing the loan balance to \$2,900,000.

SUPPLEMENTARY INFORMATION

**NORTH LAWNDALE EMPLOYMENT NETWORK
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022**

	<u>North Lawndale Employment Network</u>	<u>Sweet Beginnings, LLC</u>	<u>NLEN Support Corp</u>	<u>beelove café</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:						
Cash and Cash Equivalents	\$ 2,720,078	\$ 70,127	\$ 191,064	\$ 13,559	\$ -	\$ 2,994,828
Accounts Receivable	-	56,840	-	-	-	56,840
Contracts Receivable	66,690	-	-	-	-	66,690
Grants Receivable	831,422	-	-	-	-	831,422
ERC Receivable	1,410,858	29,657	-	-	-	1,440,515
Capital Campaign Pledges Receivable	235,000	-	-	-	-	235,000
Investment in beelove café	162,128	-	-	-	(162,128)	-
Investment in NLEN Support Corp	46,739	-	-	-	(46,739)	-
Construction In Progress	-	-	-	-	-	-
Property and Equipment, Net of Accumulated Depreciation	5,401	39,728	8,775,172	-	-	8,820,301
Closing Costs, Net of Accumulated Amortization	111,244	-	239,857	-	-	351,101
Notes Receivable	5,597,600	-	-	-	-	5,597,600
Total Assets	<u>11,187,160</u>	<u>196,352</u>	<u>9,206,093</u>	<u>13,559</u>	<u>(208,867)</u>	<u>20,394,297</u>
LIABILITIES AND NET ASSETS:						
<u>Liabilities</u>						
Accounts Payable	54,498	10,050	-	1,078	-	65,626
Accrued Expenses	76,000	-	-	-	-	76,000
Accrued Payroll	32,036	1,397	-	266	-	33,699
Accrued Interest	21,438	-	42,414	-	-	63,852
Deferred Revenue	314,914	-	-	-	-	314,914
Investment in Sweet Beginnings	52,189	-	-	-	(52,189)	-
Current Portion of Loans Payable	2,000,000	53,571	-	-	-	2,053,571
Long Term Portion of Loans Payable	2,900,000	446,429	7,840,000	-	-	11,186,429
Total Liabilities	<u>5,451,075</u>	<u>511,447</u>	<u>7,882,414</u>	<u>1,344</u>	<u>(52,189)</u>	<u>13,794,091</u>
<u>Net Assets</u>						
Without Donor Restrictions	4,497,337	(1,287,548)	1,276,940	(149,913)	1,024,642	5,361,458
With Donor Restrictions	1,238,748	-	-	-	-	1,238,748
NLEN Member Investments	-	972,453	46,739	162,128	(1,181,320)	-
Total Net Assets	<u>5,736,085</u>	<u>(315,095)</u>	<u>1,323,679</u>	<u>12,215</u>	<u>(156,678)</u>	<u>6,600,206</u>
Total Liabilities and Net Assets	<u>\$11,187,160</u>	<u>\$ 196,352</u>	<u>\$9,206,093</u>	<u>\$ 13,559</u>	<u>\$ (208,867)</u>	<u>\$20,394,297</u>

**NORTH LAWNDALE EMPLOYMENT NETWORK
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022**

	<u>North Lawndale Employment Network</u>	<u>Sweet Beginnings, LLC</u>	<u>NLEN Support Corp</u>	<u>beelove café</u>	<u>Eliminations</u>	<u>Total</u>
PUBLIC SUPPORT:						
Grants and Contributions	\$ 3,809,488	\$ 2,202	\$ -	\$ -	\$ -	\$ 3,811,690
Government and Corporate Contracts	1,215,535	49,596	-	-	-	1,265,131
Special Events	348,608	-	-	-	-	348,608
Membership Dues	500	-	-	-	-	500
In-Kind Contributions	299,406	-	-	-	-	299,406
Total Public Support	<u>5,673,537</u>	<u>51,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,725,335</u>
REVENUE:						
Gain (Loss) on Disposal of Assets	-	9,500	-	-	-	9,500
Net Sales - beelove café	-	-	-	99,002	-	99,002
Net Sales - Sweet Beginnings, LLC	-	185,208	-	-	-	185,208
Investment Income	56,246	2,648	99	-	-	58,993
Other Income	809,956	130,698	-	638	-	941,292
Rental Income	47,199	-	77,000	-	(77,000)	47,199
Total Revenue	<u>913,401</u>	<u>328,054</u>	<u>77,099</u>	<u>99,640</u>	<u>(77,000)</u>	<u>1,341,194</u>
Total Public Support and Revenue	<u>6,586,938</u>	<u>379,852</u>	<u>77,099</u>	<u>99,640</u>	<u>(77,000)</u>	<u>7,066,529</u>
EXPENSES:						
Program Services	3,324,299	477,377	422,783	235,684	(30,759)	4,429,384
Management and General	751,950	-	-	-	(33,239)	718,711
Fundraising	1,845,225	-	-	-	(13,002)	1,832,223
Total Expenses	<u>5,921,474</u>	<u>477,377</u>	<u>422,783</u>	<u>235,684</u>	<u>(77,000)</u>	<u>6,980,318</u>
CHANGE IN NET ASSETS:	665,464	(97,525)	(345,684)	(136,044)	-	86,211
TOTAL NET ASSETS:						
Net Assets, Beginning of Year	5,070,621	(1,190,023)	1,622,624	(13,869)	1,024,642	6,513,995
NLEN Member Investments	-	972,453	46,739	162,128	(1,181,320)	-
Net Assets, End of Year	<u>\$ 5,736,085</u>	<u>\$ (315,095)</u>	<u>\$ 1,323,679</u>	<u>\$ 12,215</u>	<u>\$ (156,678)</u>	<u>\$ 6,600,206</u>

**NORTH LAWDALE EMPLOYMENT NETWORK
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services								
	North Lawndale Employment Network	Sweet Beginnings, LLC	NLEN Support Corporation	beelove café	Total Programs	Management and General	Fundraising	Eliminations	Total
Salaries and Fringe Benefits	\$ 2,321,333	\$ 69,385	\$ -	\$ 52,644	\$ 2,443,362	\$ 336,760	\$ 692,397	\$ -	\$ 3,472,519
Professional Fees	319,832	61,049	-	4,944	385,825	237,867	487,199	-	1,110,891
Cost of Goods Sold	-	288,565	-	155,176	443,741	-	-	-	443,741
Depreciation and Amortization	-	1,370	335,323	-	336,693	6,888	-	-	343,581
Payroll Taxes	206,228	4,912	-	4,821	215,961	24,486	54,469	-	294,916
Occupancy	128,567	-	-	890	129,457	41,335	165,277	(72,000)	264,069
Interest	-	15,000	84,829	-	99,829	-	153,635	-	253,464
Office Equipment Rental and Purchase	109,875	-	1,363	-	111,238	36,673	29,549	(5,000)	172,460
Special Events Expense	14,780	-	-	-	14,780	-	103,605	-	118,385
Printing, Publications, and Marketing	2,389	2,520	-	7,411	12,320	4,885	98,490	-	115,695
Telephone	70,693	-	-	-	70,693	27,287	15,709	-	113,689
Office Expense	40,070	30,301	1,268	5,956	77,595	14,116	16,817	-	108,528
Member and Community Reinvestment Costs	61,488	-	-	1,819	63,307	-	6,820	-	70,127
Meeting Expense	23,272	20	-	2,023	25,315	7,267	11,652	-	44,234
Insurance	21,826	4,255	-	-	26,081	-	5,507	-	31,588
Conference and Workshops	2,716	-	-	-	2,716	13,393	3,436	-	19,545
Postage and Delivery	810	-	-	-	810	993	663	-	2,466
Charitable Contributions	420	-	-	-	420	-	-	-	420
Total Expenses	\$ 3,324,299	\$ 477,377	\$ 422,783	\$ 235,684	\$ 4,460,143	\$ 751,950	\$ 1,845,225	\$ (77,000)	\$ 6,980,318