NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditors' Report

Board of Directors
Noble Network of Charter Schools

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noble Network of Charter Schools, Subsidiaries and Affiliate (collectively referred to as the School), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Noble Network of Charter Schools, Subsidiaries and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

October 9, 2018

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	**2018**	2017
ASSETS		
Current assets:		
Cash	**$ 47,091,376**	$ 51,647,306
Investments	**29,850,000**	
Accounts receivable	**4,184,284**	9,289,351
Contributions receivable	**781,857**	7,613,673
Prepaid expenses	**2,660,725**	1,996,940
Cash - restricted by NMTC	**2,504,804**	10,399,174
Cash and investments - restricted by bond indenture	**1,157,770**	12,403,186
Investments - restricted for lease security deposit		361,332
Leverage loan notes receivable - NMTC		9,187,788
Total current assets	**88,230,816**	102,898,750
Property and equipment, net	**108,200,133**	108,491,523
Other assets:		
Contributions receivable, net of current portion	**150,000**	1,010,000
Investments - restricted for student scholarships	**2,576,864**	2,589,641
Leverage loan notes receivable - NMTC, net of current portion	**24,918,422**	24,878,829
Deposits	**775,076**	800,076
Total other assets	**28,420,362**	29,278,546
Total assets	**$ 224,851,311**	$ 240,668,819

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ **15,926,107**	$ 15,770,403
Bonds payable, net	**819,139**	11,819,140
Notes payable, net	**417,938**	15,730,424
Deferred lease incentive	**199,046**	199,046
Deferred revenue	**2,194,758**	2,352,568
Total current liabilities	**19,556,988**	45,871,581
Long-term liabilities:		
Bonds payable, net, net of current portion	**35,916,792**	36,732,186
Notes payable, net, net of current portion	**35,655,251**	38,454,378
Obligation under interest rate swap agreement		37
Deferred lease incentive, net of current portion	**1,924,108**	2,123,154
Deferred rent	**2,665,628**	2,605,893
Total long-term liabilities	**76,161,779**	79,915,648
Total liabilities	**95,718,767**	125,787,229
Net assets:		
Unrestricted:		
Board-designated	**15,000,000**	15,000,000
Undesignated	**110,153,628**	87,768,656
Total unrestricted	**125,153,628**	102,768,656
Temporarily restricted	**3,978,916**	12,112,934
Total net assets	**129,132,544**	114,881,590
Total liabilities and net assets	$ **224,851,311**	$ 240,668,819

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,	**2018**			2017		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenue:						
PCTC tuition	**$ 133,630,574**		**$ 133,630,574**			
Per-capita tuition and related funding				$ 122,204,162		$ 122,204,162
Supplemental SPED	**5,255,054**		**5,255,054**			
Other CPS funding	**296,601**	**$ 358,717**	**655,318**	180,583	$ 407,016	587,599
Federal Titles I, II, III, IV, National School Lunch Program, MCJROTC, and E-Rate	**16,660,589**		**16,660,589**	17,551,390		17,551,390
Federal DOE Charter Schools Program grant		**1,283,295**	**1,283,295**		938,645	938,645
Campus revenues	**4,457,667**		**4,457,667**	4,228,555		4,228,555
Registration and tuition - Noble Day Care	**793,843**		**793,843**	762,152		762,152
Contributed goods and services	**4,208,446**		**4,208,446**	5,921,776		5,921,776
Contributions and grants	**2,203,912**	**4,475,313**	**6,679,225**	2,912,285	5,836,229	8,748,514
Summer of a Lifetime, a Noble Network Program	**475,060**	**484,287**	**959,347**	729,831	518,996	1,248,827
Investment income	**617,087**		**617,087**	575,304		575,304
Net realized and unrealized gain (loss) on investments and interest rate swap	**57,345**		**57,345**	(18,416)		(18,416)
Other revenues	**224,261**		**224,261**	231,724		231,724
Net assets released from restrictions: Satisfaction of purpose or time restrictions	**14,735,630**	**(14,735,630)**		12,238,672	(12,238,672)	
Total revenue	**183,616,069**	**(8,134,018)**	**175,482,051**	167,518,018	(4,537,786)	162,980,232

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended June 30,	2018			2017		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Expenses:						
Program services	**$ 150,505,505**		**$ 150,505,505**	$ 140,391,290		$ 140,391,290
Supporting services:						
Management and general	**13,017,134**		**13,017,134**	11,094,108		11,094,108
Fundraising	**1,276,916**		**1,276,916**	2,099,565		2,099,565
Total expenses	**164,799,555**		**164,799,555**	153,584,963		153,584,963
Change in net assets before other income	**18,816,514**	**$ (8,134,018)**	**10,682,496**	13,933,055	$ (4,537,786)	9,395,269
Other income:						
Forgiveness of debt from NMTC unwind	**3,568,458**		**3,568,458**			
Change in net assets	**22,384,972**	**(8,134,018)**	**14,250,954**	13,933,055	(4,537,786)	9,395,269
Net assets:						
Beginning of year	**102,768,656**	**12,112,934**	**114,881,590**	88,835,601	16,650,720	105,486,321
End of year	**$ 125,153,628**	**$ 3,978,916**	**$ 129,132,544**	$ 102,768,656	$ 12,112,934	$ 114,881,590

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2018				2017			
		Supporting Services				Supporting Services		
	Program services	**Management and general**	**Fundraising**	**Total**	Program services	Management and general	Fundraising	Total
Salaries	**$ 75,606,767**	**$ 7,122,256**	**$ 427,635**	**$ 83,156,658**	$ 69,446,504	$ 6,804,742	$ 392,668	$ 76,643,914
Employee benefits and payroll taxes	**19,173,429**	**1,279,778**	**75,149**	**20,528,356**	16,324,480	1,162,710	70,767	17,557,957
Contracted services and consulting	**3,099,275**	**1,701,406**	**586,887**	**5,387,568**	2,127,094	1,410,202	441,375	3,978,671
Professional development, staff recruitment	**1,194,020**	**573,653**	**28,253**	**1,795,926**	1,006,683	511,150	25,969	1,543,802
Food	**5,535,568**			**5,535,568**	6,013,014			6,013,014
Educational materials, technology and instruction equipment	**6,774,902**	**83,768**	**27,151**	**6,885,821**	7,399,506	58,831	22,428	7,480,765
Other direct student expenses	**6,715,189**	**194,292**		**6,909,481**	6,884,684	122,873		7,007,557
Scholarships	**2,525,234**			**2,525,234**	1,910,493			1,910,493
Summer of a Lifetime, a Noble Network Program	**1,305,366**			**1,305,366**	1,269,746			1,269,746
Office	**763,150**	**204,774**	**3,542**	**971,466**	720,788	179,110	2,685	902,583
Occupancy	**11,212,808**	**468,092**	**7,470**	**11,688,370**	11,125,161	456,694	5,665	11,587,520
Contributed food	**377,160**			**377,160**	392,306			392,306
Contributed pension					1,015,548			1,015,548
Contributed rents	**3,831,093**			**3,831,093**	3,496,081			3,496,081
Contributed services							1,015,300	1,015,300
CPS administrative fee	**3,567,593**			**3,567,593**	3,011,448			3,011,448
Interest	**2,893,578**	**247,427**		**3,141,005**	3,247,760	228,874		3,476,634
Depreciation and amortization	**5,905,745**	**79,838**		**5,985,583**	4,939,660	89,680		5,029,340
Other expenses	**24,628**	**51,850**	**120,829**	**197,307**	60,334	69,242	122,708	252,284
Write-off of uncollectible pledges		**1,010,000**		**1,010,000**				
Total expenses	**$ 150,505,505**	**$ 13,017,134**	**$ 1,276,916**	**$ 164,799,555**	$ 140,391,290	$ 11,094,108	$ 2,099,565	$ 153,584,963

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,	2018	2017 (As restated)
Cash flows from operating activities:		
Change in net assets	**$ 14,250,954**	$ 9,395,269
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**5,985,583**	5,029,340
Amortization of lease incentive	**(199,046)**	(199,045)
Amortization of deferred rent	**59,735**	191,064
Amortization of debt issuance costs	**177,156**	108,913
Debt forgiveness	**(3,818,458)**	(1,250,000)
Write-off of uncollectible pledges	**1,010,000**	
Net realized and unrealized (gain) loss on investments and interest rate swap	**(57,345)**	18,416
(Increase) decrease in operating assets:		
Accounts receivable	**5,105,067**	(445,106)
Contributions receivable	**6,681,816**	3,503,745
Prepaid expenses	**(663,785)**	268
Deposits	**25,000**	
Accrued interest on leverage loan note receivable - NMTC	**(206,351)**	(254,055)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**123,064**	244,345
Deferred revenue	**(157,810)**	395,254
Net cash provided by operating activities	**28,315,580**	16,738,408

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	**2018**	2017 (As restated)
Cash flows from investing activities:		
Purchase of investments	**$ (29,808,608)**	
Release of cash restricted by bond indenture	**42,790**	$ 242,089
Restriction of cash for NMTC		(7,794,612)
Release of cash restricted for NMTC	**7,894,370**	
Proceeds from sale of investments - restricted for bond indenture	**11,309,531**	10,216,000
Purchase of investments - restricted for bond indenture	**(57,125)**	
Purchase of investments - restricted for student scholarships	**(39,603)**	(23,640)
Proceeds from redemption of investments - restricted for lease security deposit	**362,145**	
Purchase of investments - restricted for lease security deposit	**(813)**	(1,064)
Purchase of property and equipment	**(5,661,553)**	(18,759,255)
Issuance of leverage loan notes receivable - NMTC		(19,004,200)
Net cash used in investing activities	**(15,958,866)**	(35,124,682)
Cash flows from financing activities:		
Proceeds from termination of interest rate swap	**42,101**	
Payments on bonds payable	**(11,841,256)**	(10,336,257)
Proceeds from notes payable		26,700,000
Payments on notes payable	**(5,113,489)**	(860,398)
Payments for bond and NMTC issuance costs		(409,460)
Net cash provided by (used in) financing activities	**(16,912,644)**	15,093,885
Net change in cash	**(4,555,930)**	(3,292,389)
Cash, beginning of year	**51,647,306**	54,939,695
Cash, end of year	**$ 47,091,376**	$ 51,647,306

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,		**2018**		2017 (As restated)
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**3,106,446**	$	3,470,513
Supplemental disclosures of non-cash financing activities:				
Forgiveness of notes payable included in contributions and grants revenue	**$**	**250,000**	$	1,250,000
Net gain on forgiveness of debt from NMTC unwind	**$**	**3,568,458**		
Capital purchases included in accounts payable and accrued expenses	**$**	**32,640**	$	4,786,168

See notes to consolidated financial statements.

1. Organization and purpose

Noble Network of Charter Schools (the School) was formed to provide educational and community opportunities for youths. During the years ended June 30, 2018 and 2017, the School served the following students:

Opened in August	Years ended June 30,	**2018**	2017
1999	Noble Street College Prep	**645**	632
2006	Rauner College Prep	**627**	634
2006	Pritzker College Prep	**972**	993
2007	Rowe Clark College Prep	**454**	538
2007	Golder College Prep	**653**	651
2008*	Gary Comer College Prep	**1,086**	1,130
2008	UIC College Prep	**920**	899
2009	Muchin College Prep	**950**	939
2009	Chicago Bulls College Prep	**1,121**	1,123
2010	Johnson College Prep	**805**	857
2012	Hansberry College Prep	**613**	703
2012	DRW College Prep	**497**	533
2013	Baker College Prep	**358**	389
2013	Butler College Prep	**639**	577
2014	ITW David Speer Academy	**1,007**	815
2014	The Noble Academy	**483**	346
2016	Mansueto High School	**515**	179
		12,345	11,938

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

1. Organization and purpose (continued)

The School is supported through per-capita tuition payments from Chicago Public Schools, grants from state and federal agencies, various community and corporate foundations and the general public. During the years ended June 30, 2018 and 2017, the School received approximately 76% and 75%, respectively, of its support from PCTC and per-capita tuition and related funding from Chicago Public Schools. PCTC tuition payments are calculated by the Illinois State Board of Education (ISBE) as defined by statute, and varies year-to-year as the following fluctuate: CPS' expenditures, expenditure composition, categorical revenue, and student attendance. Prior to July 1, 2017, per-capita tuition payments were determined annually by Chicago Public Schools and varied from year-to-year depending upon the amount of appropriations authorized by the Illinois General Assembly and subsequent approval by Chicago Public Schools of its budget on an annual basis.

The School is subject to a Charter Agreement with the Chicago School Reform Board of Trustees (Chicago Public Schools) or CPS. The agreement was for an original term of five years which has been routinely renewed for the same term since the School's inception. The current agreement expires on June 30, 2019. In addition, the School has been certified as a charter school by ISBE.

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

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

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

2. Summary of significant accounting policies

Basis of accounting:

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

Principles of consolidation:

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

Basis of presentation:

The School reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> **Unrestricted** - Unrestricted net assets are available to finance the general operations of the School. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the School, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the School's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "unrestricted net assets."
>
> The School's Board-designated unrestricted net assets as of June 30, 2018 and 2017 consist of instructional and educational expenses to be used at the discretion of campus administration, upon approval of the Superintendent and CEO, as well as amounts to be used for future maintenance and repair costs of campus buildings.

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Temporarily restricted - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the School pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the School pursuant to those stipulations. See Note 18 for a description of temporarily restricted net assets at June 30, 2018 and 2017.

Permanently restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the entity to utilize or expend part or all of the income or other economic benefits derived from the donated assets. The School has no permanently restricted net assets.

Unrestricted and restricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Expense allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses for program services represented approximately 91% of total expenses for the years ended June 30, 2018 and 2017.

2. Summary of significant accounting policies (continued)

Derivative instruments:

The School made limited use of derivative instruments for the purpose of managing interest rate risks. An interest rate swap agreement was used to convert variable rate debt to a fixed rate (see Note 10). The differentials paid or received on the interest rate swap agreement are accrued and recognized as adjustments to interest rate expense; gains and losses realized upon settlement of this agreement are deferred until the underlying hedge instrument is settled. The interest rate swap agreement was terminated in February 2018.

Accounts receivable:

Accounts receivable consist of grants and other amounts due from Chicago Public Schools and other governmental agencies as well as student fees net of an allowance for doubtful accounts. The School estimates the allowance based on an analysis of specific account history and experience. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. An allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2018 and 2017.

Contributions receivable:

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

June 30,	**2018**	2017
Receivable due in less than one year	**$ 781,857**	$ 7,613,673
Receivable due in one to five years	**150,000**	1,010,000
Unconditional promises to give	**$ 931,857**	$ 8,623,673

An allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2018 and 2017.

2. Summary of significant accounting policies (continued)

Bond and NMTC issuance costs:

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

Property and equipment:

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

Deferred lease incentive:

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

Deferred revenue:

Deferred revenue results from the School recognizing textbook, uniform, and other student fees collected as revenue in the period in which the related educational instruction is performed, as well as receiving cash for conditional contributions and grants of which the conditions have not yet been met. Accordingly, revenue for student fees received for the next school term is deferred until the instruction commences and contributions and grants received are deferred until the conditions are met.

Deferred rent:

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

2. Summary of significant accounting policies (continued)

Contributed goods and services:

Contributed goods are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The School recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The School receives services from a large number of volunteers who give significant amounts of their time to the School but these services do not meet the criteria for financial statement recognition.

For the years ended June 30, 2018 and 2017, the School was the beneficiary of donated rent for the use of Chicago Public Schools' buildings by various campuses. For the year ended June 30, 2017, the School was the beneficiary of employer pension expense paid on behalf of the School by Chicago Public Schools.

The School recognized $375,487 of contributed shares of stock during the year ended June 30, 2018, which is included in contributions and grants revenue in the consolidated statements of activities. The School recognized $5,430,408 of contributed shares of stock and $1,015,300 of specialized consulting services during the year ended June 30, 2017, which is included in contributions and grants revenue and contributed services revenue in the consolidated statements of activities.

Use of estimates:

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

Reclassification:

The consolidated statements of activities and consolidated statements of functional expenses have been reclassified in order to conform to the current year's presentation. In addition, the School updated its functional expense allocations, which resulted in a reclassification of approximately $3,200,000 from supporting services to program expenses in the consolidated statements of functional expenses for the year ended June 30, 2017. The reclassifications had no effect on net assets or change in net assets as previously reported.

2. Summary of significant accounting policies (continued)

Restatement:

The consolidated statements of cash flows for the year ended June 30, 2017 has been restated to reflect a correction of an error. The correction resulted in a decrease of $4,786,168 in the amounts previously reported as the change in accounts payable and accrued expenses and purchases of property and equipment. The restatement had no effect on the net change in cash as previously reported.

Subsequent events:

Management has evaluated subsequent events through October 9, 2018, the date that the consolidated financial statements were issued.

3. Tax status

The School is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a) of the Code. The School has adopted the requirements for accounting for uncertain tax positions and management has determined that the School was not required to record a liability related to uncertain tax positions as of June 30, 2018 and 2017.

4. Cash

The School maintains its cash in bank accounts which, at times, exceed federally-insured limits. At June 30, 2018 and 2017, cash in excess of these limits totaled approximately $48,900,000 and $61,600,000, respectively. Management believes that the School is not exposed to any significant credit risk on cash.

5. Fair value measurements

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

Level 1	Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

5. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the School's financial instruments at fair value as of June 30, 2018:

June 30, 2018	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Cash and investments:			
Fixed income mutual funds	$ 2,565,219	$ 2,565,219	
United States Government treasury bills	29,850,000	29,850,000	
Cash investments	1,169,415	1,169,415	
Total cash and investments	33,584,634	33,584,634	
Total recurring fair value measurements	$ 33,584,634	$ 33,584,634	
Nonrecurring fair value measurements:			
Asset:			
Leverage loan notes receivable - NMTC	$ 24,918,422		$ 24,918,422
Liabilities:			
Bonds payable	36,735,931		36,735,931
Notes payable	36,073,189		36,073,189
Total nonrecurring fair value measurements	$ 97,727,542		$ 97,727,542

5. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the School's financial instruments at fair value as of June 30, 2017:

June 30, 2017	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Cash and investments:			
Certificate of deposit	$ 361,332	$ 361,332	
Fixed income mutual funds	2,475,165	2,475,165	
United States Government treasury bonds	11,267,010	11,267,010	
Cash investments	1,250,652	1,250,652	
Total cash and investments	15,354,159	15,354,159	
Liability:			
Interest rate swap derivative	(37)		$ (37)
Total recurring fair value measurements	$ 15,354,122	$ 15,354,159	$ (37)
Nonrecurring fair value measurements:			
Asset:			
Leverage loan notes receivable - NMTC	$ 34,066,617		$ 34,066,617
Liabilities:			
Bonds payable	48,551,326		48,551,326
Notes payable	54,184,802		54,184,802
Total nonrecurring fair value measurements	$ 136,802,745		$ 136,802,745

5. Fair value measurements (continued)

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

Mutual funds are valued at the Net Asset Value (NAV) of shares held by the School at year-end.

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

Cash investments are stated at cost which approximates fair value.

The interest rate swap derivative was valued using pricing models that use observable outputs.

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

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

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

6. Property and equipment

Property and equipment are as follows:

June 30,		2018		2017
Leasehold improvements	$	**71,061,592**	$	70,010,386
Building		**50,696,910**		26,710,276
Land		**6,423,651**		6,423,651
Equipment		**9,917,710**		8,467,620
Furniture		**2,018,741**		1,077,275
Software		**700,462**		476,540
Automobiles		**190,561**		145,561
		141,009,627		113,311,309
Less accumulated depreciation and amortization		**(33,749,798)**		(27,764,215)
		107,259,829		85,547,094
Construction in progress		**940,304**		22,944,429
Property and equipment, net	**$**	**108,200,133**	$	108,491,523

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

2011 New Market Tax Credits:

The School entered into a New Markets Tax Credits (NMTC) transaction to finance and reimburse the School in connection with the renovation and construction of school facilities and to finance the acquisition of related equipment, furniture, textbooks and other items located in Qualified Census Tracts.

State NMTC Investors contributed $1,950,000 in State NMTC equity to Stonehenge Illinois NMTC Investment Fund II, LLC (State Investment Fund). In conjunction with this equity investment, the School then made an $8,050,000 leverage loan (note receivable – 2011 NMTC) to the State Investment Fund.

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

2011 New Market Tax Credits: (continued)

In conjunction with the NMTC transaction, the School received a loan in the amount of $13,000,000 from PNBI Subsidiary CDE 3, LLC (NMTC Lender), a Federal Sub-Community Development Entity, financed through equity provided by both state and federal new markets tax credit investors and the leveraging of the Foundation. The loan was comprised of two tranches, $10,000,000 QLICI Note A and $3,000,000 QLICI Note B (collectively referred to as notes payable – 2011 NMTC).

The initial NMTC compliance period ended on May 30, 2018. Effective June 1, 2018, the NMTC unwind began when the state tax credit investors exercised its put option and gave the notes payable – 2011 NMTC to the School for $1,000. In conjunction with this event, the School paid an exit fee of $100,581. As a result of the NMTC unwind, the School was able to gain control of and cancel the $13,000,000 notes payable – 2011 NMTC, which was offset by its forgiveness of the $8,050,000 note receivable – 2011 NMTC and related accrued interest of approximately $1,300,000. The School realized a net gain of $3,568,458 on the forgiveness of debt from the NMTC unwind.

2015 New Market Tax Credits:

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

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

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

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

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

2015 New Market Tax Credits: (continued)

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

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

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

2017 New Market Tax Credits:

On March 16, 2017, the School entered into a third NMTC transaction to finance and reimburse the School for the purchase and construction of a new school facility and to finance related equipment and furniture for its Mansueto High School located in a Qualified Census Tract.

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

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

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

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

2017 New Market Tax Credits: (continued)

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

Leverage notes receivable – NMTC outstanding at June 30, 2018 and 2017 are summarized below:

June 30, 2018	**Original note**	**Accrued interest**	**Total**
2017 NMTC	**$ 19,004,200**	**$ 95,022**	**$ 19,099,222**
2015 NMTC	**5,819,200**		**5,819,200**
Total leverage notes receivable - NMTC	**$ 24,823,400**	**$ 95,022**	**$ 24,918,422**

June 30, 2017	Original note	Accrued interest	Total
2017 NMTC	$ 19,004,200	$ 55,430	$ 19,059,630
2015 NMTC	5,819,200		5,819,200
2011 NMTC	8,050,000	1,137,787	9,187,787
Total leverage notes receivable - NMTC	$ 32,873,400	$ 1,193,217	$ 34,066,617

The applicable Loan Agreements for the NMTC transactions contain various covenants. The School is in compliance with all loan covenants as of June 30, 2018 and 2017.

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

2017 New Market Tax Credits: (continued)

Notes payable – NMTC are summarized below:

June 30,	**2018**	2017
Notes payable – 2017 NMTC	**$ 26,700,000**	$ 26,700,000
Notes payable – 2015 NMTC	**7,920,000**	7,920,000
Notes payable – 2011 NMTC		13,000,000
Total notes payable – NMTC	**34,620,000**	47,620,000
Unamortized NMTC – notes payable issuance costs	**(421,811)**	(573,107)
Notes payable – NMTC, net	**$ 34,198,189**	$ 47,046,893

See Note 9 for notes payable.

8. Bonds payable

Bonds payable are summarized as follows:

June 30,		2018		2017
Series 2015 bonds payable with interest only payable semi-annually on March 1 and September 1, at rates ranging from 1.5% to 5%. Principal payments (net of reoffering premiums of $1,371,311 and $1,470,442 for the years ended June 30, 2018 and 2017, respectively) are payable annually on September 1 through maturity in 2032. The bonds are collateralized by various campus facilities.	**$**	**18,834,806**	$	19,655,677
Series 2013 bonds payable with interest only payable semi-annually on March 1 and September 1, at rates ranging from 6% to 6.25%. Principal payments (net of discounts of $78,534 and $82,279 for the years ended June 30, 2018 and 2017, respectively) are payable annually beginning September 1, 2023 through maturity in 2039. The bonds are collateralized by various campus facilities.		**19,921,466**		19,917,721
Series 2007A bonds payable with interest payable semi-annually on March 1 and September 1, at rates ranging from 4.10% to 5%. Principal payments (net of reoffering premium of $100,330 for the year ended June 30, 2017) were payable annually on September 1. The bonds were defeased with the issuance of the Series 2015 bonds and were redeemed in full on September 1, 2017.				11,135,330
Total bonds payable		**38,756,272**		50,708,728
Unamortized bond issuance costs		**(2,020,341)**		(2,157,402)
Bonds payable, net		**36,735,931**		48,551,326
Less current portion, net		**(819,139)**		(11,819,140)
Long-term portion, net	**$**	**35,916,792**	$	36,732,186

8. Bonds payable (continued)

The loan agreements relating to the bonds require the School to comply with certain financial covenants and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness. At June 30, 2018 and 2017, the School was in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2019	$ 956,199
2020	986,199
2021	1,031,199
2022	1,076,199
2023	1,121,199
Thereafter	33,585,277
Total	$ 38,756,272

9. Notes payable

Notes payable are summarized as follows:

June 30,		2018		2017
Charter School Growth Fund note payable with interest accruing at a rate of 1% per annum and matures on June 30, 2020. Principal payments are due annually starting on June 30, 2019 with the final payment and total accrued interest due at maturity.	**$**	**1,500,000**	$	1,750,000
Charter School Growth Fund note payable with interest accruing at a rate of 1% per annum and matures on June 30, 2020. Total principal and accrued interest payable at maturity.		**375,000**		375,000
Charter School Growth Fund note payable with interest accruing at a rate of 1% per annum; final payment made in June 2018.				500,000
IFF note payable in monthly installments of $6,682, which includes interest at 5.84% per annum; final payment made in December 2017.				405,025
IFF note payable in monthly installments of $8,013, which includes interest at 5.68% per annum; final payment made in December 2017.				589,320
BMO Harris Bank note payable in monthly installments of $61,728, which includes interest at LIBOR plus 2.5% per annum; final payment made in February 2018.				3,518,564
Notes payable - NMTC, net (See Note 7)		**34,198,189**		47,046,893
Total notes payable		**36,073,189**		54,184,802
Less current portion		**(417,938)**		(15,730,424)
Long-term portion, net	**$**	**35,655,251**	$	38,454,378

9. Notes payable (continued)

The above notes payable require the School to comply with certain financial covenants. At June 30, 2018 and 2017, the School as in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2019	$ 500,000
2020	1,375,000
2021	
2022	48,723
2023	294,570
Thereafter	34,276,707
	36,495,000
Less unamortized NMTC - notes payable issuance costs	(421,811)
Notes payable, net	$ 36,073,189

10. Interest rate swap

The School entered into an ISDA Master (Swap) Agreement with BMO Harris Bank for a notional amount of $5,000,000, with an effective date of July 17, 2015 and an original maturity date of April 15, 2022, in which the School will make interest payments based upon a fixed rate of 1.64% commencing on August 17, 2015 in exchange for BMO Harris Bank to make interest payments to the School based on a floating rate of one-month LIBOR rate through and including the maturity date.

The swap agreement was terminated in February 2018, in conjunction with the payoff of the BMO Harris Bank loan.

11. Conditional promises to give

The School records revenue associated with conditional promises to give when the conditions have been substantially met. As of June 30, 2018, the School has approximately $23,100,000 of conditional promises associated with expansion and student scholarships that have not yet been recognized as revenue, including $2,000,000 of funds received from a donor in advance of the conditions being met. These advance funds are recorded as deferred revenue and will be recognized as contribution revenue when donor conditions are met.

12. Commitments and contingencies

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

13. Scholarship funds

In recognition of a grant received, the School committed to fund a $10,000 scholarship per year in perpetuity from its operating budget to be named the Osborn Family Scholarship program.

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

14. School lunch program

For the years ended June 30, 2018 and 2017, the School has contracted with a third party to administer the School's breakfast, lunch and summer food service program under an annual agreement with optional one-year renewals. Under this agreement, the School collects all fees related to this program and purchases the necessary quantity of meals through the third party.

15. Self-insurance program

The School maintains a self-insurance program for its employees' health care costs. The School is liable for losses on claims up to $155,000 per covered person and up to approximately $4,600,000 in aggregate for 2018. The School has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the date of the consolidated financial statements as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was approximately $613,000 and $558,000 as of June 30, 2018 and 2017, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

16. Retirement fund commitments

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

During the year ended June 30, 2017, Chicago Public Schools withheld the employer contribution related to pensionable salaries other than Special Education instructors from the tuition that was paid to each school. In addition, Chicago Public Schools contributed the employer contribution related to pensionable salaries of Special Education instructors.

During the year ended June 30, 2018, Chicago Public Schools changed their funding model and withheld the employer contribution related to pensionable salaries, including Special Education instructors, from the tuition that was paid to each school.

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

CTPF pension amounts are as follows for the years ended June 30, 2018 and 2017:

Years ended June 30,	**2018**	2017
Total pensionable salaries	**$ 42,162,685**	$ 39,042,307
Employees' contribution expense picked up by employer	**2,951,388**	2,732,961
Employer's contribution expense (11.16%)	**4,705,356**	4,357,121
Less: CPS contributed pension for SPED teachers		(1,015,548)
Less: CPS deduction amount for employer's pension expense	**(4,093,347)**	(3,216,806)
Pension true-up amount	**$ 612,009**	$ 124,767

In addition, all employees were eligible to participate in the Noble Network of Charter Schools 401(k) P/S Plan (P/S Plan). Employees can elect to defer their compensation up to the maximum allowed. The School matches eligible employee deferral contributions up to a maximum of 5% of compensation or $2,000 semiannually. Contributions made by the School to the Plan during the years ended June 30, 2018 and 2017 were $619,976 and $515,301, respectively.

17. Lease agreements

The School rents various facilities under leases expiring through 2035. Some of the leases contain renewal provisions ranging from 10 to 15 years. Annual rent under the leases ranges from $1 to $2,129,000. Security deposits totaling $775,076 are held by the landlords. In addition, the use of certain facilities are donated to the School.

Total rent expense was $3,820,956, excluding contributed rent of $3,831,093, and $3,986,283, excluding contributed rent of $3,496,081, for the years ended June 30, 2018 and 2017, respectively.

Future minimum building rental commitments are estimated as follows:

Year ending June 30:	Amount
2019	$ 3,982,428
2020	4,048,078
2021	3,516,047
2022	3,295,881
2023	3,317,128
Thereafter	25,429,815
Total	$ 43,589,377

18. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose or time restrictions:

June 30,	2018	2017
Restricted for purpose:		
College readiness program	**$ 505,271**	$ 1,000,411
Extracurricular activities	**98,658**	33,214
Other programs	**15,677**	236,946
Scholarships	**2,388,215**	2,724,322
Startup and growth activities and costs	**58,227**	6,093,464
Summer of a Lifetime program	**434,176**	518,996
Total restricted for purpose	**3,500,224**	10,607,353
Restricted for time	**478,692**	1,505,581
Total temporarily restricted net assets	**$ 3,978,916**	$ 12,112,934

During the years ended June 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	2018	2017
Restricted for purpose:		
College readiness program	**$ 657,540**	$ 340,781
Extracurricular activities	**72,648**	123,231
Other programs	**795,280**	194,539
Scholarships	**3,208,618**	2,054,070
Startup and growth activities and costs	**7,684,288**	7,630,229
Summer of a Lifetime program	**569,107**	480,822
Total restricted for purpose	**12,987,481**	10,823,672
Restricted for time	**1,748,149**	1,415,000
Total net assets released from restrictions	**$ 14,735,630**	$ 12,238,672

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

Board of Directors
Noble Network of Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Noble Network of Charter Schools, Subsidiaries and Affiliate (collectively referred to as the School), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
October 9, 2018