

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT
NORTHWESTERN UNIVERSITY SETTLEMENT ASSOCIATION
JUNE 30, 2009 AND 2008**

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
BALANCE SHEETS	5
STATEMENTS OF ACTIVITIES	7
STATEMENTS OF FUNCTIONAL EXPENSES	9
STATEMENTS OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	11



CALDWELL, COREN & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

8170 CASS AVENUE
DARIEN, ILLINOIS 60561
630/960-2135

Independent Auditor's Report

Board of Directors
Northwestern University Settlement Association

We have audited the accompanying balance sheet of Northwestern University Settlement Association as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Association's 2008 financial statements and, in our report dated October 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwestern University Settlement Association as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Caldwell, Coren & Company, Ltd.

Darien, Illinois
September 16, 2009

Northwestern University Settlement Association

BALANCE SHEETS

June 30,

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 786,029	\$ 353,909
Accounts receivable (note A)		
Programs	233,751	161,862
Interest	2,080	6,416
Employees	<u>8,172</u>	<u>8,263</u>
	244,003	176,541
Prepaid expenses	<u>36,068</u>	<u>58,744</u>
Total current assets	1,066,100	589,194
INVESTMENTS (notes A, B, C, F and H)	3,457,997	4,203,380
PROPERTY AND EQUIPMENT (notes A and D)		
Augusta building	109,845	109,845
Noble building	432,398	432,398
Camp buildings	422,561	422,561
Building improvements	6,941,693	6,877,318
Equipment	<u>531,926</u>	<u>513,423</u>
	8,438,423	8,355,545
Less accumulated depreciation	<u>3,013,026</u>	<u>2,790,236</u>
	5,425,397	5,565,309
Land	<u>85,677</u>	<u>85,677</u>
	5,511,074	5,650,986
OTHER ASSETS		
Deposits	68,879	-
Deferred compensation (notes C and J)	<u>107,692</u>	<u>116,623</u>
	176,571	116,623
	<u>\$10,211,742</u>	<u>\$10,560,183</u>

Northwestern University Settlement Association

BALANCE SHEETS - CONTINUED

June 30,

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Current maturities of long-term debt (note F)	\$ 4,167	\$ 380,286
Accounts payable - trade	349,070	74,432
Accrued liabilities		
Payroll	183,794	149,887
Other	20,407	-
	<u>204,201</u>	<u>149,887</u>
Total current liabilities	557,438	604,605
LONG-TERM LIABILITIES		
Deferred compensation (note J)	116,692	125,623
Long-term debt, net of current maturities (note F)	-	4,167
	<u>116,692</u>	<u>129,790</u>
COMMITMENTS (note G)	-	-
NET ASSETS (note H)		
Unrestricted		
Undesignated	5,322,543	5,416,228
Board designated	<u>3,233,529</u>	<u>3,930,739</u>
	8,556,072	9,346,967
Temporarily restricted	708,098	129,227
Permanently restricted	273,442	349,594
	<u>9,537,612</u>	<u>9,825,788</u>
	<u>\$10,211,742</u>	<u>\$10,560,183</u>

The accompanying notes are an integral part of these statements.

Northwestern University Settlement Association

STATEMENTS OF ACTIVITIES

Year ended June 30, 2009
with comparative totals for 2008

	2 0 0 9				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Public support					
Contributions	\$ 452,675	\$ -	\$ -	\$ 452,675	\$ 746,349
Corporations	20,536	-	-	20,536	39,250
Foundations and trusts	321,003	-	-	321,003	289,823
Received from federated and nonfederated campaigns					
Auxiliary boards	320,565	-	-	320,565	288,574
United Way	77,041	-	-	77,041	76,837
Fees and grants	1,795,268	26,098	-	1,821,366	1,657,612
Pass-throughs	102,513	-	-	102,513	95,509
Total public support	3,089,601	26,098	-	3,115,699	3,193,954
Rowe Elementary School					
Contributions	80,070	-	-	80,070	-
Corporations	367,730	682,000	-	1,049,730	-
Fees and grants	15,000	-	-	15,000	-
	462,800	682,000	-	1,144,800	-
Other revenue					
Facility rentals (note G)	533,471	-	-	533,471	615,883
Management fees	146,730	-	-	146,730	324,896
Program fees	72,354	-	-	72,354	78,947
Investment income (net of investment management fees of \$27,658 in 2009 and \$31,420 in 2008)	66,664	-	3,384	70,048	74,170
(Loss) gain on sale of investments	(300,192)	-	8,653	(291,539)	227,501
Unrealized loss on investments	(333,347)	-	(70,534)	(403,881)	(659,295)
Miscellaneous	156,116	-	-	156,116	92,872
Total other revenue	341,796	-	(58,497)	283,299	754,974
Net assets released from restrictions	146,882	(129,227)	(17,655)	-	-
Total revenue	4,041,079	578,871	(76,152)	4,543,798	3,948,928

Northwestern University Settlement Association

STATEMENTS OF ACTIVITIES - CONTINUED

Year ended June 30, 2009
with comparative totals for 2008

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses					
Group services	\$ 461,595	-	\$ -	\$ 461,595	\$ 434,240
Head start	767,598	-	-	767,598	692,033
Emergency services	183,861	-	-	183,861	125,983
AmeriCorps	747,161	-	-	747,161	730,240
Arts program	657,732	-	-	657,732	615,839
Camp	632,197	-	-	632,197	548,799
Office center	100,334	-	-	100,334	83,591
Rowe Elementary School	559,342	-	-	559,342	15,903
Noble Charter School	368,008	-	-	368,008	668,287
Fund raising	219,045	-	-	219,045	286,408
Management	135,101	-	-	135,101	139,785
Total expenses	<u>4,831,974</u>	<u>-</u>	<u>-</u>	<u>4,831,974</u>	<u>4,341,108</u>
Decrease in net assets	(790,895)	578,871	(76,152)	(288,176)	(392,180)
Net assets at beginning of year	<u>9,346,967</u>	<u>129,227</u>	<u>349,594</u>	<u>9,825,788</u>	<u>10,217,968</u>
Net assets at end of year	<u>\$8,556,072</u>	<u>\$ 708,098</u>	<u>\$273,442</u>	<u>\$9,537,612</u>	<u>\$ 9,825,788</u>

The accompanying notes are an integral part of these statements.

Northwestern University Settlement Association

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2009
with comparative totals for 2008

	Group Services	Head Start	Emergency Services	AmeriCorps	Arts Program	Camp	Office Center	Rowe Elementary School	Noble Charter School	Fund Raising	Management	Total	2008
Unrestricted													
Salaries													
General	\$245,118	\$326,044	\$ 44,951	\$547,892	\$219,521	\$185,979	\$ 45,456	\$326,888	\$ 2,558	\$ 87,313	\$ 24,030	\$2,055,750	\$1,770,360
Clerical	27,757	55,238	6,071	33,726	34,237	14,449	5,547	33,453	25,792	-	-	236,272	224,485
Janitorial, maintenance and housekeeping	15,615	50,339	19,934	6,809	20,164	8,729	3,680	7,151	73,003	-	-	205,424	222,782
Total salaries	288,490	431,621	70,956	588,429	273,922	209,157	54,683	367,492	101,353	87,313	24,030	2,497,446	2,217,607
Payroll taxes and workers' compensation	27,283	39,406	6,468	52,849	26,249	23,018	5,272	33,003	10,971	5,565	387	230,471	202,690
Pension contribution	11,291	19,886	3,191	3,984	11,482	7,274	2,516	16,530	5,509	-	-	81,663	75,203
Group insurance	31,938	65,296	10,173	57,388	50,613	22,901	2,411	32,693	12,189	2,304	47	287,933	257,889
Total salaries and related benefits	359,002	556,209	90,788	702,650	362,266	262,350	64,882	449,778	130,002	95,182	24,464	3,097,513	2,753,389
Occupancy expenses	23,627	59,315	5,061	19,726	55,158	88,718	28,789	8,200	113,487	-	37,612	439,693	437,045
Supplies	13,997	58,874	18,206	5,932	27,151	114,091	- 824	6,831	-	4,003	3,483	253,392	217,768
Membership dues	-	4,819	500	-	3,511	3,456	-	1,113	-	320	10,355	18,142	10,572
Local transportation	9,192	4,819	954	3,191	6,463	32,719	315	-	-	1,358	13,526	73,650	64,726
Telephone	4,202	6,208	-767	1,533	6,857	8,863	578	-	73	-	120	29,201	32,362
Conferences, conventions, meetings and major trips	-	-	-	-	-	116	-	120	-	826	15,110	16,172	10,183
Postage and shipping	485	827	102	204	826	861	77	1,061	-	2,115	1,093	7,651	7,707
Contract fees and outside services	7,468	7,097	-	581	16,217	52,569	-	23,866	-	99,346	7,195	214,339	227,768
Professional fees	20,883	22,867	2,804	3,374	59,882	14,110	1,130	56,809	7,670	8,475	10,979	208,993	164,484
Subscriptions and reference publications	-	-	-	-	390	550	-	-	-	428	305	1,673	2,107
Outside printing and artwork	-	-	-	-	14,064	-	-	-	-	6,864	-	20,928	30,094
Recruiting expense	-	-	-	-	-	1,029	-	9,014	-	-	-	10,043	497
Emergency expenses	-	-	59,693	-	-	-	-	-	-	-	-	59,693	31,357
Parent involvement	306	9,549	-	-	-	-	-	-	-	-	-	9,855	3,756
Special services	-	1,950	-	-	-	-	-	-	-	-	-	1,950	1,613
Honorariums	-	-	-	-	73,779	40,302	-	-	-	-	-	114,081	73,407
Miscellaneous	3,350	5,958	745	1,489	4,655	1,862	559	610	-	128	10,859	11,597	14,680
Interest	19,083	33,925	4,241	8,481	26,503	10,601	3,180	2,000	-	-	-	20,618	38,601
Depreciation	-	-	-	-	-	-	-	-	116,776	-	-	222,790	218,992
	\$461,595	\$767,598	\$183,861	\$747,161	\$657,732	\$632,197	\$100,334	\$559,342	\$368,008	\$219,045	\$135,101	\$4,831,974	\$4,341,108

Northwestern University Settlement Association

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (288, 176)	\$ (392, 180)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	222, 790	218, 992
Deferred compensation	9, 000	9, 000
Dividends restricted for reinvestment	(3, 384)	(4, 171)
Loss (gain) on sale of investments	291, 539	(227, 501)
Unrealized loss on investments	403, 881	659, 296
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(67, 462)	175, 002
Increase in prepaid expenses and deposits	(46, 203)	(4, 038)
Increase (decrease) in accounts payable	274, 638	(6, 359)
Increase in accrued liabilities	54, 314	23, 205
Total adjustments	<u>1, 139, 113</u>	<u>843, 426</u>
Net cash provided by operating activities	850, 937	451, 246
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments	53, 347	97, 049
Additions to land, buildings and equipment	<u>(82, 878)</u>	<u>(45, 213)</u>
Net cash (used in) provided by investing activities	(29, 531)	51, 836
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments on long-term debt	(380, 286)	(238, 641)
Funding of deferred compensation agreement	<u>(9, 000)</u>	<u>(7, 666)</u>
Net cash used in financing activities	<u>(389, 286)</u>	<u>(246, 307)</u>
Net increase in cash and cash equivalents	432, 120	256, 775
Cash and cash equivalents at beginning of year	<u>353, 909</u>	<u>97, 134</u>
Cash and cash equivalents at end of year	<u>\$ 786, 029</u>	<u>\$ 353, 909</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$20, 618</u>	<u>\$41, 608</u>

The accompanying notes are an integral part of these statements.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE A – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the Association's significant accounting policies consistently applied in the preparation of the accompanying financial statements and a description of its business follows.

Business

Northwestern University Settlement Association is a not-for-profit corporation which was formed to purchase, erect, establish and maintain in the City of Chicago and State of Illinois, one or more social settlements, houses and places of amusement, entertainment or instruction.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Combination Policy – Related Entities

The accompanying financial statements include the accounts of the Association and four of its auxiliary boards, all of which are related entities to the Association. Intercompany transactions and balances have been eliminated in the combination.

Pledges Receivable

Pledges receivable are all due within one to five years. The Association considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful receivables is required. If amounts become uncollectible, they will be charged to net assets when that determination is made.

Investments and Investment Income

Investments are recorded at market value. Unrealized and realized gains or losses are credited or charged to income. Investment income is recorded on the accrual basis of accounting, net of investment expense.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

Property and equipment are recorded at cost. The original settlement house building, acquired in 1901 or prior, is recorded at no cost. The three lots, on which the original settlement house building lies, are owned by Northwestern University, which holds such lots in perpetual trust for the benefit of the Association so long as they are used for the purposes of a social settlement. The Association's beneficial interest in such lots is recorded at no cost. Expenditures for renewals and betterments, which extend the life of such assets, are capitalized. Normal maintenance and repairs are charged to operations as incurred.

Depreciation and Amortization

Depreciation charged to operations is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments of three months or less to be cash equivalents.

Donated Materials and Services

Donated materials and equipment are recorded as contributions in the financial statements at their fair market value on the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

Income Taxes

The Association is a nonprofit organization and is not subject to income taxes.

NOTE B – INVESTMENTS

The Association's investments are carried at market value and consisted of the following at June 30, 2009 and 2008:

	2009		2008	
	Market	Cost	Market	Cost
Corporate stocks	\$ 631, 889	\$ 745, 409	\$ 408, 869	\$ 421, 341
Shares in pooled investments	2, 472, 204	2, 897, 802	2, 500, 925	2, 625, 884
United States Government Securities	248, 137	241, 792	543, 880	535, 341
Money market funds	105, 767	105, 767	749, 706	749, 706
	<u>\$3, 457, 997</u>	<u>\$3, 990, 770</u>	<u>\$4, 203, 380</u>	<u>\$4, 332, 272</u>

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009 and 2008

NOTE C - FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Association adopted SFAS No. 157 as of July 1, 2008, which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace (including the existence and transparency of transactions between the market participants). Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level I include listed securities.

Level II - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments included in this category generally include shares in private companies.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The valuation of the Association's investments by the above SFAS No. 157 fair value hierarchy levels as of June 30, 2009 are all Level I.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009 and 2008

NOTE D – DEPRECIATION

Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets in the following amounts:

	<u>2009</u>	<u>2008</u>	<u>Estimated Life – Years</u>
Augusta and Noble buildings	\$ 13,727	\$ 13,727	31.5–40.0
Camp buildings	8,238	8,238	20.0–40.0
Building improvements	182,246	180,286	10.0–40.0
Equipment	<u>18,579</u>	<u>16,741</u>	5.0–10.0
	<u>\$222,790</u>	<u>\$218,992</u>	

NOTE E – PROFIT SHARING PLAN

The Association maintains a qualified profit sharing plan in which substantially all employees are eligible to participate. Under the plan, an employee may elect to defer a portion of compensation each year instead of receiving that amount in cash. Employer contributions, which are discretionary as determined by the Board of Directors, amounted to 5.0% of eligible compensation for the years ended June 30, 2009 and 2008. Contributions to the plan charged to operations were \$77,570 and \$75,203 for the years ended June 30, 2009 and 2008, respectively.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Term note	\$ 4,167	\$ 54,167
Revolving line of credit	-	<u>330,286</u>
	<u>4,167</u>	<u>384,453</u>
Less current maturities	<u>4,167</u>	<u>380,286</u>
	<u>\$ -</u>	<u>\$ 4,167</u>

The term note is payable in monthly principal installments of \$4,167 plus interest at the prime rate, final payment due July 2009. The revolving line of credit (maximum of \$1,250,000) is due March 31, 2010. Interest is payable monthly at the prime rate. Both notes are collateralized by investment securities and all assets of the Association. In addition, the Association has also agreed to certain covenants requiring minimum amounts of cash and securities. The prime rate at June 30, 2009 and 2008 was 3.25% and 5.00%, respectively.

Interest expense for the years ended June 30, 2009 and 2008 was \$20,618 and \$38,601, respectively.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009 and 2008

NOTE G – COMMITMENTS

The Association has contracted with the Noble Network of Charter Schools to provide school building space through June 2021, with options to renew through June 2041. In the normal course of business it is expected that this lease will be renewed or replaced by a similar lease.

Future minimum payments to be received under this agreement for the years ending June 30, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 219,657
2011	225,433
2012	231,325
2013	237,335
2014	243,464
Thereafter	<u>11,825,128</u>
	<u>\$12,982,342</u>

The Association leases computer, office and transportation equipment under operating leases expiring at various dates through February 2013. In August of 2009, the Association has entered into an agreement to lease school facilities for the Rowe Elementary School expiring in July 2010. The lease agreement requires the Association to pay a fixed rent plus its share of maintenance expenses. Minimum annual payments under these leases for the years ending June 30 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$139,276
2011	17,678
2012	8,086
2013	<u>1,800</u>
	<u>\$166,840</u>

Equipment rent expense amounted to \$24,115 and \$20,191 for the years ended June 30, 2009 and 2008, respectively.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009 and 2008

NOTE H - UNRESTRICTED BOARD DESIGNATED, TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Certain amounts of unrestricted net assets have been designated by the board of directors and consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Operating, maintenance and equipment fund	\$ 300,000	\$ 300,000
Auxiliary boards	551,715	676,160
Endowment fund	<u>2,381,814</u>	<u>2,954,579</u>
	<u>\$3,233,529</u>	<u>\$3,930,739</u>

The auxiliary board net assets are controlled by the individual auxiliary boards and are maintained for the exclusive benefit of the Association. Any fund raising activities or contributions by the auxiliary boards that do not exclusively support the Association must be approved by the Association's board of directors. The endowment fund net assets have been designated by the Association's board of directors for long-term investment.

Temporarily restricted net assets carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. Donor-restricted contributions that are received and expended in the same year are classified as unrestricted. Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Capital additions	\$ -	\$ 7,969
Food and other programs	26,098	12,661
Rowe Elementary School - Exelon Corporation	<u>682,000</u>	<u>108,597</u>
	<u>\$708,098</u>	<u>\$129,227</u>

Permanently restricted net assets of \$273,442 in 2009 and \$349,594 in 2008 consist of investments held as a beneficial interest in perpetuity at The Chicago Community Foundation, the income from which is expendable to support the arts programs.

NOTE I - CONDITIONAL PROMISE TO GIVE

As of June 30, 2009 the Association is the beneficiary of a conditional promise of \$1,500,000, payable in equal installments through May 2013. The installments will be received upon the successful opening and operation of the Rowe Elementary School. The conditions include specific goals for enrollment, attendance and student achievement.

Northwestern University Settlement Association

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009 and 2008

NOTE J – DEFERRED COMPENSATION

The Association has a deferred compensation agreement with the president of the Association. The agreement provides that annual amounts, as determined by the Board of Directors, be accrued for the benefit of the president. Amounts so accrued are vested ratably over 10 years and are payable to the president on July 2013 or upon death, disability or termination other than voluntary termination or termination for cause. Deferred compensation expense charged to operations amounted to \$9,000 for the years ended June 30, 2009 and 2008.

The Association has established investment accounts, the proceeds of which are intended to be used toward satisfying this obligation. These investments are carried at market value and consisted of the following as of June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 17,795	\$ 1,410
Fixed income mutual funds	30,922	32,310
Equity mutual funds	<u>58,975</u>	<u>82,903</u>
	<u>\$107,692</u>	<u>\$116,623</u>

NOTE K – RECONCILIATION OF INTERNAL FINANCIAL STATEMENTS

The Association uses the fund accounting method in preparing their internal financial statements. This method records revenue that is designated for the next fiscal year as deferred rather than as temporarily restricted assets. The following reconciles the internal financial statements to the June 30, 2009 and 2008 financial statements.

	<u>2009</u>	<u>2008</u>
Deficit of revenues over expenses per the internal financial statements	\$ (867,047)	\$ (518,691)
Temporarily restricted operating assets at the end of the prior year	(129,227)	(2,716)
Temporarily restricted operating assets at the end of the current year	<u>708,098</u>	<u>129,227</u>
Deficit of revenues over expenses	<u>\$ (288,176)</u>	<u>\$ (392,180)</u>