

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

YEARS ENDED JUNE 30, 2016 AND 2015

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

YEARS ENDED JUNE 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Noble Network of Charter Schools
Chicago, Illinois

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 statement of financial position as of June 30, 2016 and 2015 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.

Auditor's 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.

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 financial position of Noble Network of Charter Schools, Subsidiaries and Affiliate as of June 30, 2016 and 2015 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 Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, 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 18, 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2016	2015
ASSETS		
Current assets:		
Cash	\$ 54,939,695	\$ 47,597,146
Accounts receivable	8,844,245	8,511,978
Contributions receivable	11,546,418	2,550,010
Prepaid expenses	1,997,208	2,141,556
Bond and NMTC issuance costs, net	215,238	215,238
Cash and investments - restricted by bond indenture	11,771,600	3,486,314
Total current assets	89,314,404	64,502,242
Property and equipment, net	89,975,438	84,294,755
Other assets:		
Contributions receivable, net of current portion	581,000	1,245,808
Bond and NMTC issuance costs, net of current portion	2,325,923	2,541,160
Cash - restricted by NMTC	2,604,562	2,604,222
Cash - restricted for lease security deposit		720,029
Cash and investments - restricted by bond indenture net of current portion	11,174,245	23,759,936
Investments - restricted for student scholarships	2,616,057	2,553,611
Investments - restricted for lease security deposit	360,268	
Leverage loan notes receivable - NMTC	14,808,362	14,616,201
Deposits	800,076	705,093
Total other assets	35,270,493	48,746,060
Total assets	\$ 214,560,335	\$ 197,543,057

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30,	2016	2015
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,711,274	\$ 10,578,262
Bonds payable, current portion	10,447,450	1,393,699
Notes payable, current portion	1,365,793	979,816
Deferred lease incentive, current portion	199,046	199,046
Deferred revenue	1,957,314	3,622,751
Total current liabilities	24,680,877	16,773,574
Long-term liabilities:		
Bonds payable, net of current portion	50,708,732	61,152,436
Notes payable, net of current portion	28,831,130	30,764,602
Obligation under interest rate swap agreement	116,247	
Deferred lease incentive, net of current portion	2,322,199	2,521,245
Deferred rent	2,414,829	2,270,144
Total long-term liabilities	84,393,137	96,708,427
Total liabilities	109,074,014	113,482,001
Net assets:		
Unrestricted:		
Board-designated	15,000,000	15,000,000
Other	73,835,601	61,588,639
Total unrestricted	88,835,601	76,588,639
Temporarily restricted	16,650,720	7,472,417
Total net assets	105,486,321	84,061,056
Total liabilities and net assets	\$ 214,560,335	\$ 197,543,057

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Chicago Public Schools:						
Per-capita tuition	\$ 94,199,385		\$ 94,199,385	\$ 88,691,161		\$ 88,691,161
Facilities	5,281,125		5,281,125	4,882,875		4,882,875
Special education	13,272,148		13,272,148	11,445,071		11,445,071
Case manager stipends	48,217		48,217	68,902		68,902
Chapter I	8,367,705		8,367,705	7,425,255		7,425,255
Title I	8,018,094		8,018,094	5,107,253		5,107,253
Title II	1,032,347		1,032,347	1,230,925		1,230,925
Title III	112,364		112,364			
Growth funds		\$ 1,006,960	1,006,960		\$ 121,752	121,752
Contributed services	4,818,948		4,818,948	4,283,791		4,283,791
Contributions and grants	1,252,915	20,244,935	21,497,850	941,429	8,559,510	9,500,939
E-rate discount funding	446,484		446,484	574,183		574,183
Food program	5,768,394		5,768,394	5,049,556		5,049,556
Instructional program - ROTC	344,172		344,172	354,021		354,021
Interest and dividends	539,185		539,185	278,591		278,591
Change in fair value of interest rate swap	(116,247)		(116,247)			
Net realized and unrealized loss						
on investments	(23,677)		(23,677)	(93,689)		(93,689)
Night school fees	216,602		216,602	209,548		209,548
Other revenue	220,783		220,783	454,587		454,587
Registration and tuition - Noble Day Care	698,133		698,133	652,641		652,641
School fees	2,913,422		2,913,422	2,695,306		2,695,306
School fundraising	66,532		66,532	43,742		43,742
Summer of a Lifetime, a Noble Network						
Program	752,364	580,822	1,333,186	540,074	255,338	795,412
Summer school fees	310,046		310,046	284,670		284,670
Uniform fees	667,681		667,681	558,039		558,039
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	12,654,414	(12,654,414)		21,187,947	(21,187,947)	
Total revenue	161,861,536	9,178,303	171,039,839	156,865,878	(12,251,347)	144,614,531

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

Years ended June 30,	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses:						
Program services	\$ 135,409,471		\$ 135,409,471	\$ 124,357,352		\$ 124,357,352
Supporting services:						
Management and general	13,327,195		13,327,195	12,174,837		12,174,837
Fundraising	877,908		877,908	719,929		719,929
Total expenses	149,614,574		149,614,574	137,252,118		137,252,118
Change in net assets	12,246,962	\$ 9,178,303	21,425,265	19,613,760	\$ (12,251,347)	7,362,413
Net assets:						
Beginning of year	76,588,639	7,472,417	84,061,056	56,974,879	19,723,764	76,698,643
End of year	\$ 88,835,601	\$ 16,650,720	\$ 105,486,321	\$ 76,588,639	\$ 7,472,417	\$ 84,061,056

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2016				2015			
	Program services	Supporting Services		Total	Program services	Supporting Services		Total
		Management and general	Fundraising			Management and general	Fundraising	
Building maintenance and repairs	\$ 1,347,812	\$ 68,267		\$ 1,416,079	\$ 1,643,746	\$ 47,954		\$ 1,691,700
Bonus salaries	6,711,238	611,698	\$ 52,400	7,375,336	6,405,567	902,735	\$ 69,219	7,377,521
Classroom furniture	677,365			677,365	955,455			955,455
Contracted maintenance services	2,260,691	14,248		2,274,939	2,342,198	2,066		2,344,264
Contractual services and stipends	1,109,530	1,350,315	125,960	2,585,805	1,115,318	1,017,609	120,114	2,253,041
Contributed services	427,520			427,520	576,000			576,000
CPS administrative fee	3,479,177			3,479,177	3,226,361			3,226,361
CPS facility fee	983,208			983,208	691,263			691,263
Educational materials	2,543,983	104,907		2,648,890	3,389,852	58,378		3,448,230
Employee benefits and payroll taxes	14,995,761	1,265,266	58,945	16,319,972	13,592,333	1,163,624	51,927	14,807,884
Extracurricular activities	1,547,034			1,547,034	1,461,972			1,461,972
Field studies	1,336,656	10,145		1,346,801	1,594,432	28,141		1,622,573
Food program	5,727,568	2,943		5,730,511	5,072,203	35,657		5,107,860
Fundraising events			44,019	44,019			76,157	76,157
Graduation	260,157			260,157	276,484			276,484
Insurance	543,592			543,592	404,328			404,328
Interest	3,577,843	213,013		3,790,856	2,533,187	213,334		2,746,521
Music program	227,077			227,077	289,388			289,388
Night school	273,483			273,483	215,640			215,640
Office furniture	80,174	57,471		137,645	119,285	41,235		160,520
Other expenses	371,995	422,998	10,032	805,025	388,243	363,317	784	752,344
Payroll processing fees		156,996		156,996		152,145		152,145
Postage and delivery	77,743	67,276	67	145,086	117,061	56,238	209	173,508
Printing and copying	1,178,859	87,995	4,783	1,271,637	1,157,302	69,499	2,420	1,229,221
Professional development	1,443,692	485,912	38,169	1,967,773	1,363,393	604,586	28,582	1,996,561
Refund of grant funds						110,967		110,967
Rent	8,882,130	361,104		9,243,234	7,036,177	351,173		7,387,350
Salaries	59,252,523	7,045,895	442,322	66,740,740	52,634,985	6,096,032	269,246	59,000,263
Scholarships	1,113,195			1,113,195	544,159			544,159
Sports activities	1,368,878	229,228		1,598,106	1,409,306	87,052		1,496,358

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Years ended June 30,	2016				2015			
	Program services	Supporting Services		Total	Program services	Supporting Services		Total
		Management and general	Fundraising			Management and general	Fundraising	
Staff advertising and recruitment	\$ 103,373	\$ 120,503	\$ 331	\$ 224,207	\$ 145,593	\$ 128,147	\$ 1,592	\$ 275,332
Summer of a Lifetime, A Noble Network Program	1,115,052	192,541	94,103	1,401,696	1,075,135	127,962	98,361	1,301,458
Summer school	338,465			338,465	303,572			303,572
Supplies	501,881	124,786	1,128	627,795	594,790	110,197	1,273	706,260
Technology	3,768,188	178,339	5,629	3,952,156	4,868,641	231,088		5,099,729
Telecommunications	4,106	678	20	4,804	3,429	377	45	3,851
Transportation	1,072,495	1,386		1,073,881	910,340	7,318		917,658
Uniforms	833,380			833,380	846,204			846,204
Utilities	1,359,760	36		1,359,796	1,222,387	7,387		1,229,774
Total expenses before depreciation and amortization	130,895,584	13,173,946	877,908	144,947,438	120,525,729	12,014,218	719,929	133,259,876
Depreciation and amortization	4,513,887	153,249		4,667,136	3,831,623	160,619		3,992,242
Total expenses	\$ 135,409,471	\$ 13,327,195	\$ 877,908	\$ 149,614,574	\$ 124,357,352	\$ 12,174,837	\$ 719,929	\$ 137,252,118

See notes to consolidated financial statements.

**NOBLE NETWORK OF CHARTER SCHOOLS,
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CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended June 30,	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 21,425,265	\$ 7,362,413
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	4,667,136	3,992,242
Amortization of lease incentive	(199,046)	(199,046)
Accrued interest on leverage loan note receivable - NMTC	(192,161)	(185,874)
Net realized and unrealized (gain) loss on investments	(11,531)	38,968
Change in fair value of interest rate swap	116,247	
(Increase) decrease in operating assets:		
Accounts receivable	(332,267)	(1,007,786)
Contributions receivable	(8,331,600)	8,052,457
Prepaid expenses	144,348	(354,371)
Deposits	(94,983)	(210,452)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	133,012	(13,550)
Deferred revenue	(1,665,437)	1,825,176
Deferred rent	144,685	(147,087)
Cash provided by operating activities	15,803,668	19,153,090

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Years ended June 30,	2016	2015
Cash flows from investing activities:		
Decrease in cash - restricted by bond indenture	\$ 3,844,578	\$ 2,556,249
Increase in cash - restricted by NMTC	(340)	(364)
Decrease in cash - restricted for lease security deposit	720,029	37,834
Purchase of investments - restricted for bond indenture		(22,018,445)
Proceeds from sale of investments - restricted for bond indenture	424,000	
Purchase of investments - restricted for student scholarships	(19,090)	(19,498)
Purchase of investments - restricted for lease security deposit	(360,268)	
Purchase of property and equipment	(10,243,779)	(17,846,800)
Issuance of leverage loan (notes receivable - NMTC)		(5,819,200)
Cash used in investing activities	(5,634,870)	(43,110,224)
Cash flows from financing activities:		
Proceeds from bonds payable		21,495,226
Payments on bonds payable	(1,278,754)	(538,554)
Proceeds from notes payable		13,620,000
Payments on notes payable	(1,547,495)	(111,966)
Increase in bond and NMTC issuance costs		(234,595)
Cash provided by (used in) financing activities	(2,826,249)	34,230,111
Change in cash	7,342,549	10,272,977
Cash:		
Beginning of year	47,597,146	37,324,169
End of year	\$ 54,939,695	\$ 47,597,146
Supplemental disclosure of cash flow information:		
Schedule of non-cash investing and financing transaction:		
Interest paid during the year	\$ 3,577,792	\$ 2,604,603

See notes to consolidated financial statements.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and purpose

Noble Network of Charter Schools (the School) was formed in 1999 to provide educational and community opportunities for youths. The School plans to replicate by opening new campuses in Chicago. During the years ended June 30, 2016 and 2015, the School served the following students:

Opened in August	Years ended June 30,	2016	2015
1999	Noble Street College Prep	626	611
2006	Rauner College Prep	613	606
2006	Pritzker College Prep	934	924
2007	Rowe Clark College Prep	551	613
2007	Golder College Prep	655	638
2008*	Gary Comer College Prep	1,061	1,011
2008	UIC College Prep	890	878
2009	Muchin College Prep	879	837
2009	Chicago Bulls College Prep	1,104	1,055
2010	Johnson College Prep	842	832
2012	Hansberry College Prep	754	640
2012	DRW College Prep	609	451
2013	Baker College Prep	392	260
2013	Butler College Prep	441	263
2014	ITW David Speer Academy	681	282
2014	The Noble Academy	247	198
		11,279	10,099

*Gary Comer Middle School opened in August 2011 and is reported in Gary Comer College Prep.

Mansueto High School opened in August 2016 in a temporary location while the permanent building is constructed.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

The School is supported through per-capita tuition payments from the Chicago Public Schools, grants from state and federal agencies, various community and corporate foundations and the general public. During the years ended June 30, 2016 and 2015, the School received approximately 55% and 61%, respectively, of its support from per-capita tuition paid by Chicago Public Schools. Per-capita tuition payments are determined annually by Chicago Public Schools and may be adjusted or vary 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). 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 the Illinois State Board of Education.

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 his or her successor shall have been selected and qualified. Directors shall be elected annually.

Under state law, the 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 by the 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 life-changing, summer academic enrichment programs on college campuses nationwide. The program is funded by philanthropic support.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies

The significant accounting policies of the School are summarized below:

Basis of accounting:

The School's consolidated financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Principles of consolidation:

The consolidated financial statements include the consolidation of the accounts of Noble Day Care, L3C (Noble Day Care), which is a limited liability company consisting of a single member, the School. The School has both an economic interest in and control of Noble Day Care. Noble Day Care began operations effective February 1, 2010. The consolidated financial statements also include the consolidation of the accounts of Noble Network Education Foundation (the Foundation), which is an affiliate of the School. The School 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. Two of the officers of the Foundation are also employees and officers of the School. The School is the single member and manager of Noble Management, LLC, which is the sole manager of Mansueto High School, LLC. During the year ended June 30, 2016, Mansueto High School, LLC purchased land costing approximately \$3,700,000 that will be used to construct the school facility for Mansueto High School. There were no other transactions of Noble Management, LLC or Mansueto High School, LLC during the year ended June 30, 2016. The accounts of Noble Management, LLC and Mansueto High School, LLC are included in these consolidated financial statements. The financial statements of the campuses have also been combined as directed by Chicago Public Schools, which believes combined financial statements are more meaningful than separate statements. All material inter-organization balances and transactions have been eliminated.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the School is required to report 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." Board-designated net assets include assets for future special projects over which the Board retains control and may at its discretion subsequently use for other purposes.

The School's Board-designated unrestricted net assets as of June 30, 2016 and 2015 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.

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 11 for a description of temporarily restricted net assets at June 30, 2016 and 2015.

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.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 statement of activities as net assets released from restrictions.

Non-cash donations:

The School records non-cash donations at fair value at the date of receipt. The School recognized \$5,419,482 and \$2,168,187 of contributed shares of stock during the years ended June 30, 2016 and 2015, respectively, included in contributions and grants in the consolidated statement of activities.

Expense allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. 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, 2016 and 2015.

Fair value of financial instruments:

Investments

Investments are recorded at fair value in the accompanying consolidated financial statements. Fair value is determined based on the fair value measurement principles described in Note 5.

Leverage loan notes receivable – NMTC

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Fair value of financial instruments: (continued)

Long-term obligations

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

Derivative instruments:

The School uses derivatives to manage risks related to interest rate movements. The School's interest rate swap contract is reported at fair value and the related gain or loss is included in the consolidated statement of activities. The School documents its risk management strategy at the inception of and during the term of the contract. The School's interest rate risk management strategy is to stabilize cash flow requirements by maintaining an interest rate swap contract to convert variable rate debt to a fixed rate. See Note 9.

Accounts receivable:

Accounts receivable consist of grants and other amounts due from Chicago Public Schools and other governmental agencies as well as student fees. The accounts are noninterest-bearing. An allowance for doubtful accounts is considered unnecessary and is not provided.

Contributions receivable:

Contributions receivable include unconditional promises to give at June 30, 2016 and 2015. 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,	2016	2015
Receivable due in less than one year	\$ 11,546,418	\$ 2,550,010
Receivable due in one to five years	581,000	1,245,808
Unconditional promises to give	\$ 12,127,418	\$ 3,795,818

An allowance for doubtful accounts is considered unnecessary and is not provided.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Bond and NMTC issuance costs:

Bond and NMTC issuance costs are amortized using the interest method over the life of the bond and NMTC notes payable.

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 currently.

Deferred lease incentive:

In accordance with generally accepted accounting principles, 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 as revenue in the period in which the related educational instruction is performed as well as receiving contributions and grants containing conditions that have not yet been met. Accordingly, student fees received for the next school term are deferred until the instruction commences and contributions and grants received are deferred until the conditions are met.

Deferred rent:

In accordance with generally accepted accounting principles, the School records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent which is reflected as a separate line item in the consolidated statement of financial position.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributed services:

The financial statement presentation follows the Codification for *Accounting for Contributions Received and Contributions Made*. Under the Codification, the School is required to recognize as revenue the fair value of contributed (donated) services and facilities. For the years ended June 30, 2016 and 2015, the School was the recipient of specialized services contributed by Chicago Public Schools, employer pension expense made on behalf of the School by Chicago Public Schools and donated rent for the use of a Chicago Public Schools' building by the following campuses: UIC College Prep, Chicago Bulls College Prep, Johnson College Prep, Gary Comer Middle School, Baker College Prep, Butler College Prep and The Noble Academy. See Notes 12 and 14.

Scholarship funds:

In recognition of a grant received, the School committed to fund a \$10,000 scholarship per year in perpetuity from its operating budget 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.

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:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 2016 and 2015.

4. Cash

The School maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2016 and 2015, cash in excess of these limits totaled approximately \$57,100,000 and \$49,900,000, respectively. The School has not experienced any losses in such accounts. Management believes that the School is not exposed to any significant credit risk on cash.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification 820 (FASB ASC 820) *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>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.</p>
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 bonds are stated at fair value based on quoted prices in active markets.

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.

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2016 and 2015:

June 30,	2016	2015
	Level 1	
Mutual funds:		
Fixed income funds	\$ 2,590,772	\$ 2,537,725
United States government treasury bonds	21,512,336	21,968,163
Cash investments, at cost which approximates fair value	1,819,062	5,293,973
Total investments	\$ 25,922,170	\$ 29,799,861
Cash and investments - restricted for bond indenture	\$ 22,945,845	\$ 27,246,250
Investments - restricted for student scholarships	2,616,057	2,553,611
Investments - restricted for lease security deposit	360,268	
Total investments	\$ 25,922,170	\$ 29,799,861

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Property and equipment

Property and equipment are as follows:

June 30,	2016	2015
Leasehold improvements	\$ 68,823,397	\$ 66,824,672
Building	26,654,059	26,177,367
Land	6,423,651	2,736,976
Equipment	7,278,129	4,930,008
Furniture	1,077,275	1,071,995
Software	393,044	393,044
Automobiles	179,082	178,993
Construction in progress	1,898,437	198,099
	112,727,074	102,511,154
Less accumulated depreciation and amortization	(22,751,636)	(18,216,399)
Property and equipment, net	\$ 89,975,438	\$ 84,294,755

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Conditional promises to give

The School receives conditional promises to give and records the revenue when the conditions have been met. Conditional promises to give at June 30, 2016 are as follows:

Year of grant	Total conditional grant	Received and recorded as deferred revenue	Received and recorded as grant revenue			Expiration as condition was not met	Remaining conditional grant not yet received	Conditions
			2016	2015	Prior years			
2016	\$ 387,240		\$ 22,952				\$ 364,288	Expansion, campuses yet to be identified
2016	8,412,500		491,775				7,920,725	Expansion, campuses yet to be identified
	8,799,740		514,727				8,285,013	
2015	17,400,000		17,400,000					Expansion, campuses yet to be identified
2015	2,880,000			\$ 840,000			2,040,000	Student scholarships
2015	100,000		100,000					Expansion, campuses yet to be identified
	20,380,000		17,500,000	840,000			2,040,000	
2014	375,000		125,000		\$ 250,000			Expansion, campuses yet to be identified
2014	3,000,000						3,000,000	Expansion, campuses yet to be identified
2014	225,000		75,000	75,000	75,000			College access and persistence programs
2014	700,000			350,000		\$ 350,000		Expansion, campuses yet to be identified
	4,300,000		200,000	425,000	325,000	350,000	3,000,000	
2013	200,000			100,000	100,000			College access and persistence programs
2012	2,000,000	\$ 1,800,000					200,000	Expansion, campuses yet to be identified
2012	2,000,000		1,000,000	1,000,000				Achievement of academic and financial milestones
	4,000,000	1,800,000	1,000,000	1,000,000			200,000	
2011	10,816,000			2,839,000	7,977,000			Expansion, campuses yet to be identified
Total							\$ 13,525,013	

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Notes receivable – NMTC and notes payable – NMTC

On May 31, 2011, 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. The School qualifies as a Qualified Active Low-Income Community Business (QALICB), within the meanings of Section 45D of the Internal Revenue Code of 1986, as amended (the Code) and Section 1.45D of the Treasury Regulations promulgated thereunder (the Treasury Regulations).

Noble Network Education Foundation (the Foundation) was formed as a Type III 501(c)(3) supporting organization to benefit the School. For the purpose of this transaction, the Foundation, among other things, was established to act as the financing facilitator, as a leverage lender and guarantor, in order to secure the NMTC financing commitments. The School contributed \$8,100,000 to the Foundation to be used by the Foundation as a leverage loan in the NMTC transaction and for other purposes.

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 Foundation then made an \$8,050,000 Leverage Loan (note receivable – NMTC) to the State Investment Fund.

The note receivable – NMTC held by the Foundation is payable by the State Investment Fund over 30 years to mature on May 30, 2041. Interest compounds at 3.08127% per annum. The State Investment Fund will pay the Foundation interest-only at a rate of 1.00% for the initial seven years of the note. Interest payments to the Foundation will be \$80,500 per year for the initial seven years after which time annual principal and interest payments due from the State Investment Fund will be \$569,222. As security for the note, the State Investment Fund has assigned its 99.99% interest in the State Sub-Community Development Entity. The outstanding balance of the note receivable, including accrued interest and interest income, as of June 30, 2016 and 2015 are as follows:

June 30,	2016	2015
Note receivable - principal	\$ 8,050,000	\$ 8,050,000
Accrued interest receivable	939,161	747,001
Total due from State Investment Fund	\$ 8,989,161	\$ 8,797,001
Interest income	\$ 272,660	\$ 266,374

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Notes receivable – NMTC and notes payable – NMTC (continued)

Also, 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 – NMTC).

The notes payable – NMTC held by the School, evident by both Note A and Note B, include a simple interest rate of 1.34049% and are payable over 30 years to mature on May 30, 2041. Under Note A, the School will pay interest only of \$134,049 annually for the initial seven years of the Note after which annual principal and interest payments will be \$505,968. Under Note B, the School will pay interest only of \$40,215 annually for the initial seven years of the Note after which annual principal and interest payments will be \$146,701. Interest expense for the School totaled \$174,264 for each of the years ended June 30, 2016 and 2015. 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 total outstanding balance on the notes payable – NMTC as of June 30, 2016 and 2015 was \$13,000,000. Under terms of the NMTC transaction, the School is also obligated to pay annual loan servicing fees of \$32,500 and annual asset management fees of \$100,581.

As security for the notes payable, the School has pledged the Rowe Clark Gymnasium as well as all right, title and interest in, to and under leases and rents related to the property, if any. As additional security, the School has pledged money held in various accounts. The value of the security pledged in conjunction with the notes payable – NMTC is as follows:

June 30,	2016	2015
Rowe Clark gymnasium - net book value	\$ 4,216,602	\$ 4,331,238
Various cash accounts with financial institutions - fair value	2,604,562	2,604,222
Total security pledged in connection with notes payable – NMTC	\$ 6,821,164	\$ 6,935,460

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Notes receivable – NMTC and notes payable – NMTC (continued)

After the seven-year NMTC period expires, if the School has performed its obligations under the NMTC financing arrangement, the School may be able to gain control of and cancel, approximately \$5,000,000 of the \$13,000,000 indebtedness through the mutual forgiveness of the \$8,050,000 note receivable – NMTC and the \$13,000,000 notes payable – NMTC. The School can gain control of such debt in one of two ways: (1) the state and/or federal tax credit investors can exercise a put option giving the notes payable – NMTC to the School for \$1,000 or (2) if such put is not exercised, the School would be able to exercise a call option on the notes payable – NMTC by paying the fair market value of the state and federal tax credit investors' interests in the entities that provided the funds, in the form of equity or loans, needed for the NMTC lender to make the NMTC loan. It is expected that the gain of \$5,000,000 will be reduced by the forgiveness of accrued interest receivable of approximately \$1,300,000 for a net gain of \$3,700,000.

On April 17, 2015, 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 contributed \$5,819,200 to the Foundation to be used by the Foundation as a leverage loan to Chase NMTC Noble ITW Investment Fund, LLC (the NMTC Investment Fund). The note receivable – NMTC held by the Foundation is payable by the NMTC Investment Fund over 30 years to mature on April 30, 2045. The NMTC Investment Fund will pay the Foundation interest only at a rate of 1.00% for the initial seven years of the note. Interest payments to the Foundation will be \$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. Interest income for the years ended June 30, 2016 and 2015 totaled \$58,192 and \$11,962, respectively. As security 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). The total outstanding balance of the note receivable – NMTC was \$5,819,200 as of June 30, 2016 and 2015.

Simultaneous with the closing of the NMTC transaction, the School entered into a term loan for \$5,700,000 from BMO Harris Bank. See Note 9 for more information on the notes payable.

As part of the NMTC transaction, the School received a loan for \$7,920,000 from the ITW NMTC Lender financed through equity provided by federal new markets tax credit investors and the leveraging of a loan from the Foundation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Notes receivable – NMTC and notes payable – NMTC (continued)

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 – NMTC). The notes payable include a simple interest rate of 1.40401% and are payable 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 of the Note 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 of the Note after which annual principal and interest payments will be \$107,040. Interest expense totaled \$111,198 and \$22,857 for the years ended June 30, 2016 and 2015, respectively. 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 total outstanding balance on the notes payable – NMTC was \$7,920,000 as of June 30, 2016 and 2015. 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 may be able to gain control of and cancel, approximately \$2,100,000 of the \$7,920,000 indebtedness through the mutual forgiveness of the \$5,819,200 note receivable – NMTC and the \$7,920,000 notes payable – NMTC.

The applicable Loan Agreements for both NMTC transactions contain various covenants. Management of the School has represented that the School is in compliance with all loan covenants as of June 30, 2016 and 2015. The School may not refinance the indebtedness within the initial seven years of the notes payable – NMTC. The Foundation is a guarantor of the notes payable – NMTC.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Notes payable and interest rate swap

During the year ended June 30, 2008, the School entered into a loan agreement with IFF for \$800,000 to cover a shortfall from the bond financed funds for Golder College Prep. The note matures on June 1, 2023. The interest rate is 5.84% per annum and interest payments are payable monthly. Total outstanding balance on this note as of June 30, 2016 and 2015 was \$459,806 and \$511,487, respectively.

During the year ended June 30, 2009, the School entered into a loan agreement with IFF for \$1,000,000 to cover construction and renovation costs at Muchin College Prep. The loan agreement was originally structured as an interest-only loan. On November 1, 2009, the loan converted to a 15-year term loan with an interest rate of 5.68%. Interest and principal payments are paid in monthly installments. The total outstanding balance on this note as of June 30, 2016 and 2015 was \$654,241 and \$716,002, respectively.

During the year ended June 30, 2013, the School entered into a loan agreement with American Honda Finance Corporation for \$32,873 to purchase a 2013 Honda Pilot. The loan matured on February 28, 2016 with an interest rate of 3.79% per annum with interest and principal payments payable in monthly installments. The total outstanding balance on this note was \$21,929 as of June 30, 2015. This note was paid in full during the year ended June 30, 2016.

The above notes payable are secured by the property and equipment and leasehold improvements financed by the proceeds of each respective note payable. Also, the above notes payable require the School to comply with certain financial covenants. At June 30, 2016 and 2015, the School was in compliance with all of the financial covenants.

During the year ended June 30, 2011, the School entered into a loan agreement with PNBI Subsidiary CDE 3, LLC, in conjunction with a New Markets Tax Credit (NMTC) transaction. The total outstanding balance on the notes payable – NMTC as of June 30, 2016 and 2015 was \$13,000,000. See Note 8 for more information on the notes payable – NMTC.

During the year ended June 30, 2012, the School entered into two unsecured loan agreements with Charter Fund, Inc., doing business as Charter School Growth Fund (CSGF). The first loan is in the principal amount of \$500,000 with an annual interest rate of 1%. The principal balance is due in a balloon payment of \$500,000 on June 30, 2017. Interest is accrued annually and is due in full at the loan maturity date. The total outstanding balance on this note as of June 30, 2016 and 2015 was \$500,000.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Notes payable and interest rate swap (continued)

The second loan with CSGF is in the principal amount of \$3,000,000. Interest is accrued at 1% per annum over the term of the loan and payable in full on June 30, 2019. The note further provides for the conversion of up to \$1,000,000 of this note principal to a grant award at June 30, 2017, subject to the School securing grant commitments of \$24,000,000 from private donors from 2013 through 2017. Principal payments of the note are due in two equal installments of \$1,500,000 each on June 30, 2018 and 2019, subject to a potential reduction of \$1,000,000 due to securing the grant commitments described above. The total outstanding balance on this note was \$3,000,000 as of June 30, 2016 and 2015.

During the year ended June 30, 2014, the School entered into a third unsecured loan agreement with CSGF in the principal amount of \$375,000 with an annual interest rate of 1%. The principal balance is due in a balloon payment of \$375,000 on June 30, 2020. Interest is accrued annually and is due in full at the loan maturity date. The total outstanding balance on this note was \$375,000 as of June 30, 2016 and 2015.

During the year ended June 30, 2015, the School entered into a loan agreement with BH New Markets Sub-CDE III, LLC in conjunction with a second New Markets Tax Credit (NMTC) transaction. The total outstanding balance on the notes payable – NMTC was \$7,920,000 as of June 30, 2016 and 2015. 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. See Note 8 for more information on the notes payable – NMTC.

In conjunction with the second NMTC transaction described above, during the year ended June 30, 2015, the School entered into a term loan for \$5,700,000 with BMO Harris Bank with an interest rate of adjusted one-month LIBOR plus 2.5% and a maturity date of April 17, 2022. Interest payments are payable monthly. The note is secured by a first priority mortgage of the ITW David Speer Academy building and assignment of rents. The loan is guaranteed by the Foundation. The total outstanding balance on this note as of June 30, 2016 and 2015 was \$4,259,260 and \$5,700,000, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Notes payable and interest rate swap (continued)

On July 17, 2015, the School entered into an ISDA Master (Swap) Agreement with BMO Harris Bank for a notional amount of \$5,000,000, an effective date of July 17, 2015 and a 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. However, the swap agreement may be terminated at any time. The notional amount under the swap will decline in lockstep with principal redemption payment on the BMO Harris Bank loan disclosed in the prior paragraph so that the notional amount does not exceed the principal amount outstanding under the BMO Harris Bank loan. The swap is designed to hedge the risk of changes in interest rate payments on the BMO Harris Bank loan caused by changes in the floating interest rates.

The swap was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value as of June 30, 2016, which because of changes to future implied levels of one-month LIBOR, resulted in reporting a liability of \$116,247 for the fair value of the future net payments forecasted under the swap and the reduction in fair value of the swap is reported in the consolidated statement of activities. The interest rate swap is valued using pricing models that use observable inputs and is considered Level 2 under the fair value hierarchy – see Note 5.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2017	\$ 1,365,793
2018	2,650,950
2019	2,858,354
2020	2,121,180
2021	1,307,364
2022 and thereafter	19,893,282
Total	\$ 30,196,923

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable

On August 30, 2006, the Illinois Finance Authority issued \$11,250,000 Education Revenue Bonds (Illinois Charter Schools Project – Noble Network of Charter Schools) Series 2006C. Interest will be payable semi-annually, on March 1 and September 1, at rates ranging from 4.00% to 4.40% and will mature in 2031. The bond proceeds were issued to finance the renovation of school facilities located at Rauner College Prep and Pritzker College Prep as well as to purchase leasehold improvements from Northwestern University Settlement Association for the benefit of the Noble Street Campus. The bonds are secured by those facilities.

On May 31, 2007, the Illinois Finance Authority issued \$13,620,000 Education Revenue Bonds (Illinois Charter Schools Project – Noble Network of Charter Schools) Series 2007A. Interest will be payable semi-annually, on March 1 and September 1, at rates ranging from 4.10% to 5.00% and will mature in 2032. The bond proceeds were issued to finance the purchase and renovation of school facilities located at Rowe Clark College Prep and the renovation of school facilities located at Golder College Prep. The bonds are secured by those facilities.

On October 1, 2013, the Illinois Finance Authority issued \$20,000,000 Education Revenue Bonds (Illinois Charter Schools Project – Noble Network of Charter Schools) Series 2013. Interest will be payable semi-annually, on March 1 and September 1, at rates ranging from 6.00% to 6.25% and will mature in 2039. The bond proceeds were issued to finance the renovation and construction of the school facility located at Hansberry College Prep and renovations of school facilities located at Noble Street College Prep, Rauner College Prep, Pritzker College Prep, Golder College Prep and Rowe Clark College Prep. The bonds are secured by those facilities.

On April 28, 2015, the Illinois Finance Authority issued \$19,810,000 Education Revenue Bonds (Illinois Charter Schools Project – Noble Network of Charter Schools) Series 2015. Interest will be payable semi-annually, on March 1 and September 1, at rates ranging from 1.50% to 5.00% and have maturity dates ranging from 2015 to 2032. The bond proceeds were issued to advance refund in their entirety the Series 2006C and 2007A Bonds and to finance a portion of the costs of issuing the Series 2015 Bonds. The bonds are secured by all bond financed property and facilities located at Rauner College Prep, Pritzker College Prep, Rowe Clark College Prep, Noble Street College Prep, Golder College Prep and Hansberry College Prep.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable (continued)

During the year ended June 30, 2015, the Series 2006C and Series 2007A Bonds were defeased with the issuance of the Series 2015 Bonds and are no longer considered outstanding. In order to accomplish the defeasance of the Series 2006C and Series 2007A Bonds and to provide payment when due of principal and interest on the Series 2006C and Series 2007A Bonds, a portion of the proceeds of the Series 2015 Bonds were used to purchase United States government obligations that were deposited with and held in two trust funds securing the Series 2006C Bonds through the date of redemption on September 1, 2016 and the 2007A Bonds through the date of redemption on September 1, 2017. Subsequent to June 30, 2016, the School made a redemption payment of \$8,790,000 related to the Series 2006C Bonds.

The loan agreements relating to the 2006, 2007, 2013 and 2015 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, 2016 and 2015, the School was in compliance with all of the financial covenants.

Future minimum principal payments are as follows:

Year ending June 30:	Amount*
2017	\$ 10,447,450
2018	11,959,949
2019	956,199
2020	986,199
2021	1,031,199
2022 and thereafter	35,775,186
Total	\$ 61,156,182

*Includes \$1,757,204 reoffering premium payables and net of \$86,024 discount on bonds payable.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Temporarily restricted net assets

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

June 30,	2016	2015
Restricted for purpose:		
College readiness program	\$ 76,192	\$ 60,000
Extracurricular activities	5,989	56,408
Other programs	56,306	36,879
Principal internship program		100,000
Scholarships	3,046,798	3,550,374
Startup and growth activities and costs	11,974,032	291,877
Summer of a Lifetime program	480,822	255,338
Total restricted for purpose	15,640,139	4,350,876
Restricted for time	1,010,581	3,121,541
Total temporarily restricted net assets	\$ 16,650,720	\$ 7,472,417

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Temporarily restricted net assets (continued)

During the years ended June 30, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	2016	2015
Restricted for purpose:		
College readiness program	\$ 272,000	\$ 700,675
Extracurricular activities	50,419	15,000
Other programs	485,882	306,664
Principal internship program	100,000	100,000
Scholarships	1,051,576	500,531
Startup and growth activities and costs	8,358,239	17,459,037
Summer of a Lifetime program	355,338	457,000
 Total restricted for purpose	 10,673,454	 19,538,907
 Restricted for time	 1,980,960	 1,649,040
 Total net assets released from restrictions	 \$ 12,654,414	 \$ 21,187,947

12. Retirement fund commitments

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (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 on behalf of applicable Chicago schools' employer contributions.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Retirement fund commitments (continued)

During the years ended June 30, 2016 and 2015, the Chicago Public Schools withheld the employer contribution related to pensionable salaries, other than special education instructors, from the per-capita tuition that was paid to the School. In addition, Chicago Public Schools contributed the employer contribution related to pensionable salaries of special education instructors. For the year ended June 30, 2016, the amount of employer contributions was estimated at \$4,051,182 (based on pensionable salaries of \$36,300,916), which approximates 11.16% of pensionable salary and includes \$997,175 (based on pensionable salaries of \$8,935,257) as contributed by the Chicago Public Schools and recorded as contributed services revenue. For the year ended June 30, 2015, the amount of employer contributions was estimated at \$3,506,308 (based on pensionable salaries of \$31,418,526), which approximates 11.16% of pensionable salary and includes \$728,079 (based on pensionable salaries of \$6,524,002) as contributed by the Chicago Public Schools and recorded as contributed services revenue.

In addition, the School has elected to pay a portion of its employees' contributions to the Fund. During the years ended June 30, 2016 and 2015, the School paid \$2,541,064 and \$2,199,297, respectively, in pension contributions to the Fund. The Fund does not maintain separate actuarial records for the School.

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 employee deferral contributions up to a maximum of 5% of compensation or \$2,000 semiannually. Contributions paid by the School to the Plan during the years ended June 30, 2016 and 2015 were \$505,323 and \$414,743, respectively. Prior to May 31, 2015, the School sponsored two employee profit-sharing plans. The P/S Plan was only available to all non-certified support employees. The Noble Network of Charter Schools 401(k) Pensioners Plan (Pensioners Plan) was available to certified teachers. There was no employer matching contribution in the Pensioners Plan. On May 31, 2015, the Pensioners Plan was terminated and all of its assets were transferred into the P/S Plan. Effective upon termination of the Pensioners Plan, all employees were eligible to participate in the P/S Plan.

13. 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 School operations.

As of June 30, 2016, the School had entered into construction contracts totaling approximately \$160,000 to renovate certain campus facilities, of which \$40,000 has been incurred as of June 30, 2016.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Commitments and contingencies (continued)

Subsequent to June 30, 2016, the School entered into construction contracts totaling approximately \$21,748,000 to build the Mansueto High School, of which \$932,000 had been incurred as of June 30, 2016.

14. Leases and other agreements

Noble Street College Prep – The School entered into a lease agreement with Northwestern University Settlement Association for the period from July 1, 2004 through June 30, 2021. The lease agreement contains two renewal options for ten years each. The School is responsible for paying its allocable share of utilities and actual costs of insurance, maintenance and building repairs.

Rauner College Prep and Pritzker College Prep – In September 2005, the School entered into a master lease agreement with the Archdiocese of Chicago for space from July 2005 through June 2020, which was amended in July 2014 to provide for additional space. The lease includes two options to renew for ten years each. The School is responsible for all insurance, utilities, repairs and maintenance charges.

Golder College Prep – In March 2007, the School entered into a master lease agreement with the Archdiocese of Chicago for space from February 2007 through June 2027. The lease includes an option to renew for ten years and a second option to renew for five years. In October 2013, the School entered into a lease agreement with a private owner for gymnasium space from October 2013 through September 2016. The lease agreement contains five options to renew for three years each, of which the first option was exercised subsequent to year-end extending the lease through September 2019. The lease requires a security deposit of \$6,000. The School is responsible for paying its allocable share of utilities and actual costs of insurance, maintenance and building repairs.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Leases and other agreements (continued)

Gary Comer College Prep – In June 2009, the School entered into a lease agreement with GCCP, LLC for space from August 2010 through July 2035. The lease agreement contains three renewal options for five years each. The School is responsible for all insurance, utilities, repairs and maintenance charges. The lease required a security deposit of \$100,000 and the School is required to increase the security deposit by \$100,000 annually thereafter for four years, at which time the total security deposit shall remain at \$500,000. The deposit was \$500,000 and \$400,000 as of June 30, 2016 and 2015, respectively. Base rent is \$750,000 per year and may be adjusted upon the landlord's refinancing any then existing mortgage loan to cover any net increase in annual debt service. Also, the School entered into a shared use and operating agreement with GCYC, LLC for the right to access and utilize certain rooms and spaces located in the Gary Comer Youth Center from August 2010 through July 2035. Rent is waived for the first seven years of the agreement and then is \$70,000 per year thereafter, to increase by the Consumer Price Index.

Muchin College Prep – In June 2008, the School entered into a lease agreement with Stonewater One North State Funding, LLC for school space at Muchin College Prep from March 2009 through February 2029. The lease agreement contains two renewal options for ten years each, a right of first offer to purchase and an early termination option after December 2022 subject to a termination fee. The School is responsible for all insurance, utilities, repairs and maintenance charges. The lease requires a security deposit of \$1,260,000, in the form of a letter of credit. The School has the right to reduce the security deposit (letter of credit) after March 2012 at various amounts annually until March 2018 when no amount will be required. Northern Trust issued the School a letter of credit in July 2008, in the amount required by the lease, which expired in June 2009 with automatic one-year extensions. The letter of credit balance was reduced to \$360,000 and \$540,000 during the years ended June 30, 2016 and 2015, respectively, with all other terms and conditions remaining the same. As collateral for the letter of credit, the School holds a certificate of deposit at Northern Trust with a balance of \$360,268 at June 30, 2016 and an investment account with a balance of \$720,029 as of June 30, 2015. During the years ended June 30, 2016 and 2015, the School allocated a portion of the total rent expense to the Noble Network Support Team (NNST) based on its shared use of space at Muchin College Prep. Rent expense allocated to NNST totaled \$350,938 and \$343,197 for the years ended June 30, 2016 and 2015, respectively.

Noble Day Care – In February 2013, Noble Day Care renewed its original lease agreement to include additional building space for the daycare until February 2023. The lease required a security deposit of \$6,500. Noble Day Care is responsible for paying its allocable share of utilities and actual costs of insurance, maintenance and building repairs. The lease is guaranteed by the School.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Leases and other agreements (continued)

Hansberry College Prep – In April 2012, the School entered into a master lease agreement with the Archdiocese of Chicago for space from March 2012 through June 2032. The lease includes an option to renew for ten years and a second option to renew for five years. The lease required a security deposit of \$11,253. The School is responsible for all insurance, utilities, repairs and maintenance charges.

DRW College Prep – In June 2012, the School simultaneously entered into a sub-sublease agreement with Henry Ford Academies of Illinois, NFP (subtenant) and a lease agreement with Foundation for Homan Square for school space at DRW College Prep. The sub-sublease agreement is from August 1, 2012 through June 30, 2015. The sub-sublease agreement provided for sharing of space with Henry Ford Academy: Power House High (Power House High), the charter high school operated by the subtenant. Base rent per the sub-sublease agreement was based on the School's agreed upon proportionate share of occupancy, adjusted annually. The School was also responsible for paying its allocable share of utilities and actual costs of insurance, maintenance and building repairs according to the terms of the sub-sublease agreement. Power House High phased out its operations from July 1, 2012 through June 30, 2015. To facilitate the phase out of Power House High, the School entered into a management agreement with the subtenant to provide management services to Power House High during the phase out period for an annual management fee of \$240,209 for 2013, \$245,013 for 2014 and \$249,914 for 2015.

The effective date of the lease agreement with Foundation for Homan Square is July 1, 2015, the date the premises were wholly occupied by the School, at which time the sublease agreement and sub-sublease agreement were terminated. The lease agreement is through June 30, 2027 and provides an option to renew for fifteen years. According to the terms of the lease agreement, the School shall have no obligation to pay base rent for its use and occupancy. However, the School is responsible for all operating costs including utilities, insurance, repairs and maintenance charges and real estate taxes in lieu of rent.

ITW David Speer Academy – In June 2014, the School entered into a lease agreement with the Archdiocese of Chicago for school space while its permanent campus was under construction. The lease term was from June 2014 through April 2015 and was not renewed. The lease required a security deposit of \$17,949. The School was responsible for all insurance, utilities, repairs and maintenance charges.

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Leases and other agreements (continued)

The Noble Academy – In February 2014, the School entered into a lease agreement with 17 N. State LLC for school space from July 2014 through June 2016 with an option to terminate on June 30, 2015, of which the School exercised. The lease required a security deposit of \$31,775. The School was responsible for paying its allocable share of utilities and actual costs of real estate taxes, insurance, maintenance and building repairs.

In February 2015, the School entered into a lease agreement for school space starting on August 1, 2015. In June 2015, the School notified the landlord that it would not be able to occupy the space. During the year ended June 30, 2016, the School negotiated the termination of the lease agreement with the landlord.

On July 1, 2015, the School entered into a Memorandum of Understanding with CICS ChicagoQuest to co-share space owned by Chicago Public Schools for The Noble Academy. The agreement expired on June 30, 2016. The School is responsible for a pro-rata share, based on a percentage of students that each school enrolls, of custodial services, utilities, security equipment, janitorial supplies and maintenance costs. Subsequent to June 30, 2016, the lease agreement was renewed until June 30, 2017. Under the new lease terms, the School is responsible for 50% of custodial services, utilities, security equipment, janitorial supplies and maintenance costs, regardless of enrollment or assigned square footage.

Mansueto High School – In June 2016, the School entered into a space sharing agreement with New Life Properties and New Life Community Church of Chicago to be a sub-lessee in space owned by New Life Properties for school space while its permanent campus is under construction. The agreement expires on June 30, 2017 and includes short-term renewal options. The sublease agreement required a security deposit of \$25,000. The School will be responsible for a pro-rata share of maintenance costs, utilities, custodial services and facility upkeep based on an agreed-upon sliding enrollment scale. Additionally, the sublease agreement calls for a one-time payment of approximately \$92,000 to be used for building improvement costs.

Gary Comer Middle School, UIC College Prep, Chicago Bulls College Prep, Johnson College Prep, Baker College Prep and Butler College Prep – For the years ended June 30, 2016 and 2015, the School operated in a space owned by Chicago Public Schools for \$1 per year. Gary Comer Middle School, Baker College Prep and Butler College Prep all operate under leases with an expiration date of June 30, 2020. UIC College Prep, Chicago Bulls College Prep and Johnson College Prep all operate under leases with an expiration date of June 30, 2021.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Leases and other agreements (continued)

The School pays a facility fee to Chicago Public Schools to cover utilities, facility oversight and use of IT infrastructure. Facility fees paid for the years ended June 30, 2016 and 2015 are as follows:

Years ended June 30,	2016	2015
Gary Comer Middle School	\$ 274,344	\$ 243,366
Baker College Prep	333,558	220,065
Butler College Prep	375,306	227,832
Total facility fees	\$ 983,208	\$ 691,263

The School also recognized contributed rent for the years ended June 30, 2016 and 2015 as follows:

Years ended June 30,	2016	2015
Gary Comer Middle School	\$ 174,904	\$ 169,810
UIC College Prep	588,753	571,605
Chicago Bulls College Prep	845,731	821,098
Johnson College Prep	459,153	445,780
Baker College Prep	577,209	560,398
Butler College Prep	423,572	411,021
The Noble Academy	325,151	
Total contributed rent	\$ 3,394,473	\$ 2,979,712

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Leases and other agreements (continued)

Future minimum building rental commitments are estimated as follows:

Year ending June 30:	Gary Comer													
	Noble	Rauner	Pritzker	Golder	Lease	Shared use (Youth Center)	Muchin	Hansberry	DRW	ITW David Speer Academy	The Noble Academy	Mansueto High School	Noble Day Care	Total
2017	\$ 248,694	\$ 201,614	\$ 353,153	\$ 234,163	\$ 750,000		\$ 1,758,521	\$ 147,554				\$ 190,000	\$ 67,268	\$ 3,950,967
2018	255,051	206,929	362,459	246,711	750,000	\$ 58,333	1,792,178	151,981					69,286	3,892,928
2019	261,535	212,350	372,042	259,563	750,000	70,000	1,825,834	156,540					71,365	3,979,229
2020	268,148	207,880	381,888	272,729	750,000	70,000	1,859,491	161,236					73,505	4,044,877
2021	274,897			286,218	750,000	70,000	1,893,147	166,074					75,711	3,516,047
2022 and thereafter				2,482,518	10,625,000	991,667	15,628,535	2,190,848					124,259	32,042,827
Total	\$ 1,308,325	\$ 828,773	\$ 1,469,542	\$ 3,781,902	\$ 14,375,000	\$ 1,260,000	\$ 24,757,706	\$ 2,974,233				\$ 190,000	\$ 481,394	\$ 51,426,875
Rent expense:														
Year ended June 30, 2016	\$ 266,096	\$ 194,286	\$ 358,092	\$ 262,551	\$ 750,000	\$ 50,400	\$ 1,747,722	\$ 171,028	\$ 214,651		\$ 1,732,274		\$ 101,661	\$ 5,848,761
Year ended June 30, 2015	\$ 277,996	\$ 182,250	\$ 160,903	\$ 277,385	\$ 750,000	\$ 50,400	\$ 1,708,786	\$ 171,028	\$ 203,446	\$ 161,538	\$ 384,148		\$ 79,758	\$ 4,407,638

NOBLE NETWORK OF CHARTER SCHOOLS, SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. School lunch program

For the years ended June 30, 2016 and 2015, the School has contracted with Chartwells Thompson Hospitality 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 Chartwells Thompson Hospitality. The School contracts with FSP to administer the breakfast and lunch program at The Noble Academy.

16. Self-insurance program

Effective January 1, 2016, 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 2016. 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 consolidated financial statements date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was approximately \$850,000 as of June 30, 2016 and is included in accounts payable and accrued expenses on the consolidated statement of financial position.

17. Subsequent events

Management of the School has reviewed and evaluated subsequent events from June 30, 2016, the consolidated financial statement date, through October 18, 2016, the date the consolidated financial statements were issued. Other than those discussed in Notes 1, 10, 13 and 14, no events have occurred in this period that would be required to be recognized and/or disclosed in these consolidated financial statements as required by generally accepted accounting principles.

**Independent Auditor’s 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
Chicago, Illinois

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, 2016 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 18, 2016.

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.

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.

October 18, 2016