

Reporting and insights from the 2023 audit:

**The Chicago Council on Global
Affairs**

December 31, 2023

Executive summary

March 13, 2025

Board of Directors
The Chicago Council on Global Affairs
Two Prudential Plaza
180 N. Stetson Ave., Suite 1400
Chicago, IL 60601

We have completed our audit of the financial statements of The Chicago Council on Global Affairs (the Council) for the year ended December 31, 2023, and have issued our report thereon dated March 13, 2025. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Council's operating environment and our risk assessment procedures. We strive to provide you with clear, concise communication throughout the audit process and the final results of our audit.

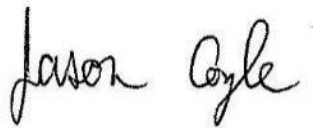
Additionally, we have included information on key risk areas the Council should be aware of in your strategic planning. We are available to discuss these risks as they relate to your Council's financial stability and future planning.

If you have questions at any point, please connect with us:

- Jason Coyle, Principal: jason.coyle@bakertilly.com or +1 (630) 645 6205
- Gary Bausch, Director: gary.bausch@bakertilly.com or +1 (630) 645 6245

Sincerely,

Baker Tilly US, LLP



Jason Coyle, CPA



Gary Bausch, CPA

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS.

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Council's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management with the oversight of those charged with governance:
 - Are free from material misstatement.
 - Are presented fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America.
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the Council's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Council and the environment in which you operate, we focused our audit on the following key areas:

- Internal control over financial reporting
- Consideration of fraud risks
- Areas with significant estimates
- Review, recompute and substantiate financial statement amounts and disclosures
- Review application and disclosures for new accounting standards adopted
- Confirmation of cash and investments
- Existence, valuation and proper classification of contributions and pledges receivable
- Fair value measurements and disclosures (including alternative investments)
- Revenue recognition
- Existence and accuracy of payroll and other expenses
- Existence, accuracy and proper classification of net assets and compliance with donor restrictions (including endowments)

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Council's current year results.

Key areas of focus and significant issues

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Testing performed on journal entries and significant estimates	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Testing performed on contributions received and reasonableness analytic performed on investment income	Procedures identified provided sufficient evidence for our audit opinion

Internal control matters

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A material weakness is a deficiency or 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. We identified the following deficiencies as material weaknesses:

- A key component of internal controls over financial reporting is the review and approval by someone other than the preparer. During the audit process, we noted that the following reviews are not performed and/or documented:
 - Monthly bank reconciliations
 - Bi-monthly payroll reports
 - Journal entries recorded

In addition, we noted that supporting documentation is not always retained for recorded journal entries. We recommend that the Council's process and controls be reviewed, and the appropriate individual be assigned to review these key areas of the financial reporting process. These reviews should be documented and retained in the Council's files.

- The Council should have processes, systems and controls in place to record and track net assets with donor restrictions and the endowment funds in accordance with accounting principles generally accepted in the United States (GAAP). The Council was not able to readily provide the activity related to net assets with donor restriction and the endowment funds during the audit. We recommend that the Council review the processes, systems and controls that are used to record and track the net assets with donor restrictions and the endowment funds in accordance with GAAP.

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.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Council are described in Note 2 to the financial statements. As described in Note 2, the Council changed accounting policies related to expected credit losses by adopting Accounting Standard Update No. 2016-13. Accordingly, the accounting change has been applied prospectively as of January 1, 2023. We noted no transactions entered into by the Council during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are the significant estimates to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Allowance for doubtful accounts on contributions receivable	Management's valuation of the allowance for doubtful accounts was based on historical collection experience and a review of the current status of pledges receivable.	We evaluated key factors and assumptions used to develop the estimate in determining that they were reasonable to the financial statements as a whole.
Estimate of depreciable lives	Management's estimate of the depreciable lives of property and equipment was based on the estimated useful life of the related property and equipment.	We evaluated key factors and assumptions used to develop the estimate in determining that they were reasonable to the financial statements as a whole.
Valuation of investments at fair value	Management's estimate of the fair value of investments was based on information provided by the Council's investment broker	We evaluated key factors and assumptions used to develop the estimate in determining that they were reasonable to the financial statements as a whole.
Allocation of expense	Allocation is based on occupancy use or estimates of time and effort	We evaluated key factors and assumptions used to develop the estimate in determining that they were reasonable to the financial statements as a whole.

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above. We evaluated the key factors and assumptions used to develop the estimate in determining that they were reasonable to the financial statements taken as a whole.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The attached schedule summarizes the uncorrected misstatements that we presented to management, other than those that are clearly trivial, that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, neither the uncorrected misstatements nor the misstatements that management corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the Organization's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Council's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditors' report. Management's plan is included in Note 18 to the financial statements.

Independence

We are not aware of any relationships between Baker Tilly and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant issues arise during the audit in connection with the Council's related parties.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Preparation of the financial statements
- Preparation of the tax returns*
- Proposal of journal entries, if needed

**Non-attest services are provided by Baker Tilly Advisory Group, LP.*

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the not-for-profit resource page at <https://www.bakertilly.com/page/audit-committee-resource-center>.

Summary schedule of uncorrected misstatement

The Chicago Council on Global Affairs

SUMMARY OF PASSED ADJUSTING JOURNAL ENTRIES
 FOR COMMUNICATION TO MANAGEMENT AND GOVERNING BOARD
 For the Year Ended December 31, 2023

Description	Financial Statement Effect		
	Increase (Decrease) to Financial Statement Total		
	Assets	Liabilities	Net Assets
To record the fair market value adjustment on the alternative investments as of December 31, 2023.	\$ 19,513	\$ -	\$ 19,513
Current Year Net Audit Differences	19,513	-	19,513
Cumulative Effect of Prior Year's Differences			-
Total Uncorrected Differences			\$ 19,513

Management representation letter



March 13, 2025

Baker Tilly US, LLP
205 North Michigan Ave., 28th Floor
Chicago, IL 60601

Dear Baker Tilly US, LLP:

This representation letter is provided in connection with your audit of the financial statements of The Chicago Council on Global Affairs (the Council), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, as of March 13, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 3, 2024 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 5) Related party relationships and transactions, if any, have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 6) All events subsequent to the date of the financial statements and for which U.S. GAAP require adjustment or disclosure have been adjusted or disclosed.
- 7) The effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A list of uncorrected misstatements is attached to the representation letter.
- 8) The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

Information Provided

- 11) We have provided you with:
 - > Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - > Additional information that you have requested from us for the purpose of the audit;
 - > Unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
 - > Communications from regulatory agencies, if any, concerning noncompliance with, or deficiencies in, financial reporting practices
 - > All minutes of the meetings of the Board of Directors and the following committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - > Audit Committee
 - > Executive Committee
 - > Finance Committee
 - > Investment Committee
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 14) We have no knowledge of any fraud or suspected fraud that affects the Council and involves:
 - > Management;
 - > Employees who have significant roles in internal control; or
 - > Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, grantors, regulators or others.
- 16) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
- 18) We have no knowledge of any known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 19) We have disclosed to you the identity of all the Council's related parties, if any, and all the related party relationships and transactions, including any side agreements, of which we are aware that have not been disclosed to you.
- 20) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon. We do not prepare an annual report.

General

- 21) Note 18 to the financial statements discloses all of the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, and management's plans. We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the Council's ability to continue as a going concern for at least one year after the date the financial statements are available to be issued, including our evaluation of the likelihood that those plans can be effectively implemented.
- 22) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
- 23) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

- 24) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.
- 25) We represent to you the following for the Council's fair value measurements and disclosures:
 - a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c) The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- 26) Material concentrations have been properly disclosed in accordance with U.S. GAAP. We understand that concentrations include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significantly disruptive effect on the normal functioning of the Council.

Assets

- 27) Contributions receivable represent valid irrevocable, unconditional promises to give arising on or before the statement of financial position date and have been appropriately discounted and reported at their estimated net realizable value in the financial statements in accordance with U.S. GAAP.
- 28) We believe that the carrying amounts of all material assets will be recoverable.

Liabilities

- 29) The Council's is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities, if any, of which we are aware that would jeopardize the Council's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 30) Management is unaware of any uncertain tax positions taken on corporate tax returns for the years not closed by statute.
- 31) We are not aware of any uncertain tax positions that would be required to be disclosed under current authoritative guidance surrounding accounting for uncertainty in income taxes.

Statement of Activities

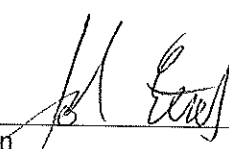
- 32) The Council has properly recorded, classified, and disclosed the existence or absence of donor imposed restrictions on contributions received that would have a material effect on net assets with donor restrictions in the financial statements in accordance with U.S. GAAP. The net assets with donor restrictions as of December 31, 2023 have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

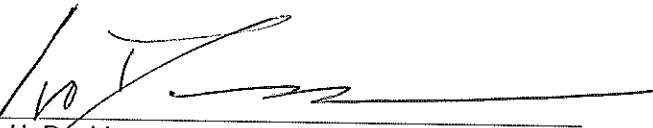
- 33) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy the donor's restrictions.

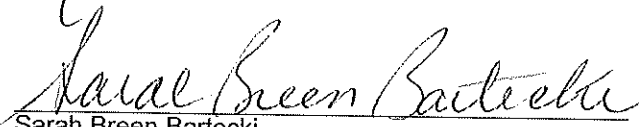
Other

- 34) As part of your audit, you assisted with the preparation of the financial statements. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements.
- 35) We have made all management decisions and performed all management functions in relation to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, as identified in the engagement letter or an addendum to the engagement letter. We have designated Lauren Lawal and Taposhi Bentley, an employee/contractor with suitable skill, knowledge, and/or experience to oversee the services received. Furthermore, we have established and maintained internal controls, including monitoring activities related to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, and we have evaluated and accept responsibility for the adequacy and results of the nonattest services received.
- 36) We have forwarded a copy of these representations to Baker Tilly US, LLP's primary contact in the governance structure.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS



John Ettelson
Chair, Board of Directors

Ivo H. Daalder
Chief Executive Officer

Sarah Breen Bartecki
Chief Revenue Officer/SVP

Chicago Council on Global Affaris

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FOR COMMUNICATION TO MANAGEMENT AND GOVERNING BOARD
For the Year Ended December 31, 2023**

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Cumulative Effect of Prior Year's Differences			<u>-</u>
Total Uncorrected Differences			<u>\$ 19,513</u>