

**The Chicago Council  
on Global Affairs**  
Financial Statements  
June 30, 2018

**Sassetti**



CERTIFIED PUBLIC ACCOUNTANTS

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
FINANCIAL STATEMENTS  
JUNE 30, 2018

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The Board of Directors  
The Chicago Council on Global Affairs  
Chicago, Illinois

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS** (a nonprofit organization) which are comprised of the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS** as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS's** 2017 financial statements, and our report dated October 17, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses and Allocated Management and General on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Sassetti LLC*

November 6, 2018  
Oak Park, Illinois

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	Unrestricted				Totals	
	Operating Funds	Designated Funds	Temporarily Restricted	Permanently Restricted	2018	2017
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,655,409	\$ 507,812	\$ 300,851	\$ -	\$ 3,464,072	\$ 4,378,562
Investments	163	10,204,681	980,668	3,302,202	14,487,714	13,841,718
Accounts receivable	19,014	677	-	-	19,691	134,407
Pledges receivable	585,407	3,000,000	4,508,952	-	8,094,359	2,533,938
Prepaid expenses	662,306	-	-	-	662,306	703,658
Deferred compensation plan assets	303,909	-	-	-	303,909	195,507
Property and equipment	3,580,824	-	-	-	3,580,824	4,149,064
<b>Total Assets</b>	<b>\$ 7,807,032</b>	<b>\$ 13,713,170</b>	<b>\$ 5,790,471</b>	<b>\$ 3,302,202</b>	<b>\$ 30,612,875</b>	<b>\$ 25,936,854</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 978,649	\$ -	\$ -	\$ -	\$ 978,649	\$387,445
Accrued liabilities	461,149	-	-	-	461,149	885,149
Deferred revenue	199,437	-	-	-	199,437	224,886
Deferred compensation plan liabilities	303,909	-	-	-	303,909	195,507
Deferred rent	249,678	-	-	-	249,678	133,368
Lease incentive liability	2,802,282	-	-	-	2,802,282	3,017,843
Interfund balances	2,390,481	(12,047)	(2,378,434)	-	-	-
<b>Total Liabilities</b>	<b>7,385,585</b>	<b>(12,047)</b>	<b>(2,378,434)</b>	<b>-</b>	<b>4,995,104</b>	<b>4,844,198</b>
<b>NET ASSETS</b>						
Unrestricted - undesignated	421,447	-	-	-	421,447	1,516,199
Unrestricted - designated	-	13,725,217	-	-	13,725,217	10,908,976
Temporarily restricted	-	-	8,168,905	-	8,168,905	6,318,544
Permanently restricted	-	-	-	3,302,202	3,302,202	2,348,937
<b>Total Net Assets</b>	<b>421,447</b>	<b>13,725,217</b>	<b>8,168,905</b>	<b>3,302,202</b>	<b>25,617,771</b>	<b>21,092,656</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,807,032</b>	<b>\$ 13,713,170</b>	<b>\$ 5,790,471</b>	<b>\$ 3,302,202</b>	<b>\$ 30,612,875</b>	<b>\$ 25,936,854</b>

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted				Totals	
	Operating Funds	Designated Funds	Temporarily Restricted	Permanently Restricted	2018	2017
<b>REVENUES AND OTHER SUPPORT</b>						
Contributed income						
Membership donations - individual	\$ 1,807,493	\$ -	\$ -	\$ -	\$ 1,807,493	\$1,836,612
Membership donations - corporate	1,237,500	-	75,000	-	1,312,500	1,662,500
Contributions and grants	5,751,266	-	7,961,211	750,000	14,462,477	10,077,834
Special events	1,761,048	-	-	-	1,761,048	1,739,195
Earned income						
Admissions fees	313,100	-	-	-	313,100	406,932
Other earned income	12,608	-	-	-	12,608	-
Leadership study mission	537,124	-	-	-	537,124	440,154
Rental income	214,676	-	-	-	214,676	75,030
Dividends and interest	1,942	350,238	32,357	104,325	488,862	380,866
Realized gain (loss) on investments	(1,589)	181,653	15,949	30,050	226,063	214,787
Unrealized gain (loss) on investments	(3)	319,719	26,352	73,215	419,283	1,206,551
Amounts designated by management	(3,000,000)	3,000,000	-	-	-	-
Release of board restrictions	1,020,981	(1,020,981)	-	-	-	-
Net assets released from restrictions	6,259,137	-	(6,259,137)	-	-	-
Total Revenues and Other Support	<u>15,915,283</u>	<u>2,830,629</u>	<u>1,851,732</u>	<u>957,590</u>	<u>21,555,234</u>	<u>18,040,461</u>
<b>EXPENSES</b>						
Program services:						
Public programs	1,776,458	-	-	-	1,776,458	1,821,783
Global food symposium	711,839	-	-	-	711,839	-
Private programs	335,010	-	-	-	335,010	400,928
Next generation	624,174	-	-	-	624,174	668,347
Chicago Forum on Global Cities	2,181,896	-	-	-	2,181,896	2,444,130
Studies	4,571,593	-	-	-	4,571,593	4,658,431
Study missions	648,544	-	-	-	648,544	607,530
Black Chicago Tomorrow	244,979	-	-	-	244,979	63,140
	<u>11,094,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,094,493</u>	<u>10,664,289</u>
Program related services:						
Database and registration	601,223	-	-	-	601,223	322,017
Marketing and communications	1,167,286	-	-	-	1,167,286	1,099,937
	<u>1,768,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768,509</u>	<u>1,421,954</u>
Support services:						
Fundraising	1,523,793	-	-	-	1,523,793	1,170,315
Special events	282,370	-	-	-	282,370	345,096
Management and general	2,340,870	14,388	1,371	4,325	2,360,954	3,387,806
	<u>4,147,033</u>	<u>14,388</u>	<u>1,371</u>	<u>4,325</u>	<u>4,167,117</u>	<u>4,903,217</u>
Total Expenses	<u>17,010,035</u>	<u>14,388</u>	<u>1,371</u>	<u>4,325</u>	<u>17,030,119</u>	<u>16,989,460</u>
CHANGE IN NET ASSETS	(1,094,752)	2,816,241	1,850,361	953,265	4,525,115	1,051,001
<b>NET ASSETS</b>						
Beginning of year	1,516,199	10,908,976	6,318,544	2,348,937	21,092,656	20,041,655
End of year	<u>\$ 421,447</u>	<u>\$ 13,725,217</u>	<u>\$ 8,168,905</u>	<u>\$ 3,302,202</u>	<u>\$ 25,617,771</u>	<u>\$ 21,092,656</u>

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,525,115	\$ 1,051,001
Adjustments to reconcile to net cash (used in) provided by operating activities -		
Depreciation and amortization	575,706	616,638
Amortization of lease incentive liability	(215,561)	(215,561)
Loss on lease exit	-	983,483
Impairment loss	-	56,303
Unrealized gains on investments	(419,193)	(1,206,551)
Realized gains on investments	(226,062)	(214,787)
Changes in operating assets and liabilities -		
Prepaid expenses	41,352	(129,265)
Accounts receivable	114,716	251,471
Pledges receivable	(5,560,421)	214,469
Accounts payable	591,204	(1,214,507)
Accrued liabilities	(424,000)	174,404
Deferred revenue	(25,449)	(408)
Deferred rent	116,310	133,368
	<u>(906,283)</u>	<u>500,058</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(1,047,043)	(1,343,415)
Proceeds from sales of investments	1,046,302	1,000,937
Additions of property and equipment	(7,466)	(1,934,718)
	<u>(8,207)</u>	<u>(2,277,196)</u>
<b>Net Cash Used in Investing Activities</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(914,490)	(1,777,138)
<b>CASH AND CASH EQUIVALENTS -</b>		
Beginning of year	4,378,562	6,155,700
End of year	<u>\$ 3,464,072</u>	<u>\$ 4,378,562</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Leasehold improvements acquired through lease incentive	\$ -	\$ 2,249,920

The accompanying notes are an integral part of these financial statements

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS** (the "Council") is an Illinois nonprofit organization, incorporated in 1923, with offices in Chicago and Washington, D.C. The Council is committed to influencing the discourse on global issues through contributions to opinion and policy formation, leadership dialogue, and public learning. By hosting public programs and private events featuring world leaders and experts with diverse views, the Council provides a nonpartisan forum for public education on a wide range of global topics. Through task forces, conferences, studies, and leadership dialogue, the Council helps Chicago and the Midwest contribute to the national and international discourse on critical global issues. Its primary sources of revenue are membership dues, donations from individuals, corporate contributions, grants from private foundations, special events, and meeting admission fees.

Basis of Presentation - Under generally accepted accounting principles, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Statement of Cash Flows - The Council considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Pledges Receivable - Pledges are recognized as revenues in the period pledged. Pledges are recorded at net realizable value if expected to be collected in more than one year. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Management provides probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management did not consider an allowance for doubtful accounts necessary at June 30, 2018. Bad debt expense for the year ended June 30, 2018 was \$5,075.

Investments - Investments in mutual funds (consisting of investments in bonds, common stocks and other marketable equity securities) are reported at fair market value.

Property and Equipment - All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using primarily the straight - line method. Estimated useful lives used are three



THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

years for computers and software, five and ten years for furniture, equipment and database, and term of lease for leasehold improvements.

Prepaid expenses – Included in prepaid expense are cloud based software implementation costs of approximately \$570,000, which are being amortized over the life of the service contract. The balance, net of amortization, was approximately \$450,000 at June 30, 2018. Amortization expense related to software implementation costs for the year ended June 30, 2018 was \$119,340.

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. Under the new guidance, certain costs related to the implementation of a cloud computing arrangement classified as a service contract, such as testing and integration, are now required to be capitalized and amortized over the term of the arrangement. The amendments in the update will need to be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The new standard will be effective for the Organization’s June 30, 2021 financial statements. Management has evaluated the impact of the adoption of the new pronouncement and believes its current accounting policy is in line with the new standard.

Deferred revenues - Funds received in advance of program services or activities to be performed in future periods are recorded as deferred revenue.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax - The Council is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Council's management believes there was no unrelated business income nor uncertain tax positions for the year ended June 30, 2018, and accordingly, the financial statements contain no provision for income taxes. The Council's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after it is filed.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Comparative Financial Statement Disclosure - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events - The Council has evaluated subsequent events through November 6, 2018, the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Unconditional pledges at June 30, 2018 are receivable as follows:

Year ended June 30, 2019	\$	4,597,914
2020		1,476,074
2021		1,136,360
2022		<u>1,075,035</u>
Total unconditional promises to give		8,285,383
Less discounts to net present value at 2.9%		<u>(191,024)</u>
Net unconditional pledges at June 30, 2018	\$	<u>8,094,359</u>

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

3. INVESTMENTS

At June 30, 2018, investments consisted of the following:

<u>INVESTMENTS</u>	<u>At Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
iShares 1-3 year credit bond ETF	\$ 300,115	\$ 299,797	\$ (318)
Pimco Commodity Real Return	388,123	335,513	(52,610)
Flexshares Quality Dividend Index	274,900	451,689	176,789
Flexshares 3 year TIPS Index	519,825	507,894	(11,931)
Flexshares Global Nat Resources Id	332,586	381,229	48,643
Northern Bond Index	1,278,887	1,243,841	(35,046)
Northern Emerging Markets	1,272,440	1,470,513	198,073
Northern Equity Index	1,712,905	2,927,343	1,214,438
Northern Global RE Index	322,784	354,797	32,013
Northern Global Listed Infrastructure	288,962	368,510	79,548
Northern Int'l Equity Index	2,201,976	2,593,352	391,376
Northern Mid Cap Index	390,965	627,758	236,793
Northern Small Cap Index	664,795	969,142	304,347
Northern Multi Mgr Hi-Yield	587,857	561,449	(26,408)
OakMark Intl Small Cap	372,347	434,548	62,201
Northern Alpha Strategies	792,977	960,339	167,362
Totals	<u>\$ 11,702,444</u>	<u>\$ 14,487,714</u>	<u>\$ 2,785,270</u>

Investments represent the Council's share of the collective investment pools managed by the above entities, and bear a pro rata return on the experience of the individual pools.

Investment income consists of the following components for the year ended June 30, 2018:

Interest and dividends	\$ 488,862
Realized gains	226,063
Unrealized gains	419,283
	<u>\$ 1,134,208</u>

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018:

Furniture and equipment	\$	1,641,124
Computer equipment		867,400
Leasehold improvements		<u>2,571,594</u>
		5,080,118
Less accumulated depreciation		<u>1,499,294</u>
	\$	<u>3,580,824</u>

4. OPERATING LEASE COMMITMENTS

During the year ended June 30, 2016, the Council occupied space under a lease agreement due to expire on March 30, 2020. The Council is also required to pay its pro rata share of certain utilities and taxes. During July 2016, the Council vacated this space and moved to a new location. The Council's obligation associated with this lease, net of sublease income, has been assumed by its new lessor.

On December 16, 2015, the Council entered into a lease agreement for new space that commenced on July 1, 2016 and expiring fifteen years thereafter. Under the new lease agreement, the Council is required to pay base rent payments, as summarized below, and its pro rata share of certain utilities and expenses. The agreement also provides for lease incentives in the form of a tenant improvement allowance of \$2,249,920 for the new space and the assumption of the Council's required lease payments under its previous lease agreement, including direct expenses and taxes up to \$2,020,497. During the year ended June 30, 2017, in accordance with generally accepted accounting principles, the Council recorded a \$3,233,403 lease incentive liability, which includes the cost of the tenant improvements and the estimated loss for the prior lease incentive of \$983,483. The loss was recorded at the value of the minimum payments (including rent, property taxes and certain maintenance costs) required under the previous lease less both secured and estimated sublease rentals, discounted to present value based on a credit adjusted risk free rate of 3.51%. The lease incentive liability is being amortized on a straight-line basis as an offset to rent expense over the life of the new lease. Amortization of the lease incentive liability was \$215,561 for the year ended June 30, 2018.

Additionally, the new lease agreement requires the Council to deposit a letter of credit with the lessor. A graduated annual reduction in the letter of credit commences July 1, 2019, and continues until July 1, 2027, when it is reduced to \$50,000 through the remainder of the lease term. The total amount of rental payments due over the lease term is being charged to

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

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rent expense on a straight-line basis over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is included in the liabilities in the accompanying statements of financial position. Occupancy expense totaled \$1,317,928 for the year ended June 30, 2018.

The required future minimum lease commitments are as follows:

Year ended	June 30, 2019	\$	716,865
	June 30, 2020		734,787
	June 30, 2021		753,156
	June 30, 2022		771,985
	June 30, 2023		791,285
	Thereafter		<u>7,085,576</u>
		\$	<u>10,853,654</u>

6. RETIREMENT AGREEMENTS

The Council maintains a tax - sheltered annuity retirement plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full - time employees who, if they elect to participate, are eligible to participate in employer contributions after one year of service. Employees may make contributions to the plan equal to the maximum amount allowed by the Internal Revenue Code. The Council matches 100% of up to 7.5% of gross salaries for qualified employees. For the year ended June 30, 2018, the Council contributed \$362,136 to the plan.

In addition, the Council has certain retirement arrangements with certain other key employees, which are non-qualified under the provisions of the Internal Revenue Code. As such, Council contributions for these arrangements are currently taxable to the employees.

7. DEFERRED COMPENSATION

During the year ended June 30, 2016, the Council established deferred compensation plans under section 457(b) and 457(f) of the Internal Revenue Code for the benefit of a single participant. The Council's monthly contributions to the plans are made according to provisions set forth in the plan documents. During the year ended June 30, 2018, the Council contributed approximately \$93,000 to the plans.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

8. OTHER COMMITMENTS

During the year ended June 30, 2018, the Council renewed its \$300,000 line of credit with a commercial bank. Interest is payable based on a floating rate of 2.299% plus the LIBOR rate, as adjusted quarterly. The line of credit matures March 1, 2019. At June 30, 2018, the entire line of credit was unused and available to borrow.

During the year ended June 30, 2016, the Council secured a standby irrevocable letter of credit of up to \$900,000 with a commercial bank, as required under the lease agreement dated December 16, 2015 (see Note 6). The letter of credit automatically annually renews through October 31, 2031, unless the lender notifies the Council ninety days before the expiration date in writing. At June 30, 2018, no amounts had been drawn.

9. CONCENTRATIONS

The Council maintains its cash balances at certain financial institutions. The balances may, at times, exceed federally insured credit limits.

As of June 30, 2018, pledges receivable and grants awarded from two donors made up approximately 59% of the Organization's total receivables and 22% of the Organization's total revenues, respectively.

10. NET ASSETS

Designated funds are restricted as to purpose and/or timing of use at the discretion of the board or management. Upon release of restrictions, the funds are transferred to unrestricted net assets. At June 30, 2018, designated funds consisted of \$3,000,000 designated by management and \$10,725,217 designated by the board, for future Council initiatives.

Temporarily restricted net assets are restricted as to purpose and/or timing of use. Upon release of restrictions, the funds are transferred to unrestricted net assets.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

At June 30, 2018, temporarily restricted net assets were restricted as follows:

Marshall Bouton Asia Fellowship	\$	1,639,330
Governance Fellowship		1,228,596
Global Food and Agriculture		956,506
Global Cities		800,000
Black Chicago Tomorrow		458,446
1,000 Days Project		448,863
Other programs		958,671
Time-restricted		<u>1,678,493</u>
	\$	<u>8,168,905</u>

Permanently restricted net assets consist of the Gus Hart Visiting Fellowship, which was endowed to fund visits by Latin American leaders to Chicago in order to increase awareness of Latin America and to strengthen understanding and ties between Chicago and the region.

11. ENDOWMENT POLICY

The Council follows investment and spending policies for its endowed assets, which include both board designated and permanent endowments. The Council's investment policy seeks to achieve a long-term rate of return on its investments, sufficient to offset or exceed inflation, required spending, investment management fees, expenses and taxes over a full market cycle. The policy also requires the Council's portfolio to be diversified among various asset classes with the goal of reducing volatility of return and among various issues of securities, to reduce non-systematic, single issuer, principal risk. The Council appropriates distributions from its board designated endowment funds at the discretion of its board of directors, who annually review and approve spending rates based on market earnings and the funding needs of the Council. For permanent endowments, the Council appropriates distributions based on the direction of the donor and the earnings of the investment, while seeking to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth and investment return.

12. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles, as established by FASB Accounting Standards Codification Topic 820, define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Council considers the principal or most advantageous market in which it would transact and considers assumptions that market

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participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Topic 820 also establishes a fair value hierarchy that requires the Council to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement.

Topic 820 establishes three levels of inputs that may be used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that bare not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following summarizes the classification of investments by classification and methods of valuation in accordance with the requirements of Topic 820 at June 30, 2018:

	Level 1	Level 2	Level 3	Total
<u>Mutual funds</u>				
Common stock	\$ 9,391,166	\$ -	\$ -	\$ 9,391,166
Equities - ETF	751,486	-	-	751,486
Corporate bonds	1,805,290	-	-	1,805,290
Fixed income funds	507,894	-	-	507,894
Real estate funds	354,797	-	-	354,797
Hedge funds	960,339	-	-	960,339
Commodity-linked funds	716,742	-	-	716,742
	<u>\$ 14,487,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,487,714</u>

A description of the valuation techniques applied to the Council's major categories of assets and liabilities measured at fair value on a recurring basis as follows:

Mutual funds: The net asset value of all other mutual funds is based on quoted market prices published on a national securities exchange and stated at the last reported sales price on the day of valuation.



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There have been no changes in the above valuation techniques for the year ended June 30, 2018.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. Key elements of the ASU include a reduction in the number of asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Organization's June 30, 2019 financial statements. Early adoption is permitted.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Organization's June 30, 2021 financial statements. Early adoption is permitted.

The FASB has issued ASU 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers. The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. A significant number of nonprofit revenue streams that would be considered revenue from contracts with a customer may fall within their purview of the ASU. Some of these include the following: memberships, subscriptions, products or services, royalty agreements, sponsorships, conferences and seminars, tuition, advertising, licensing, and federal and state grants and contracts, among others. Contribution revenue is specifically excluded from the scope of this update. The ASU will need to be applied either retrospectively to each prior period presented, or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The new standard will be effective for the Organization's June 30, 2019 financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new

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standard will be effective for transactions that occur during the Organization's fiscal year ended June 30, 2020. Early adoption is permitted.

The Organization is currently evaluating the impact of the adoption of the above standards on its financial statements.

## SUPPLEMENTARY INFORMATION

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
SCHEDULE OF FUNCTIONAL EXPENSES AND ALLOCATED MANAGEMENT AND GENERAL  
YEAR ENDED JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Program Services							Program Related Services			Support Services			Totals	
	Public Programs	Private Programs	Next Generation	Chicago Forum	Studies	Study Missions	Black Chicago Tomorrow	Global Food Symposium	Database & Registration	Marketing and Communications	Fund - Raising	Special Events	Management and General	2018	2017
Salaries, payroll taxes and employee benefits	\$ 814,750	\$ 222,835	\$ 356,715	\$ 706,327	\$ 2,798,144	\$ 44,955	\$ 214,012	\$ 250,054	\$ 185,532	\$ 525,999	\$ 1,014,220	\$ 111,946	\$ 1,039,903	\$ 8,285,392	\$7,957,849
Bank charges	5,291	1,185	788	10,398	52	400	-	1,435	-	1,875	31,329	4,260	14,267	71,280	69,442
Computer consulting															
Database & Registration	-	-	-	-	-	-	-	-	375,861	-	-	-	-	375,861	108,912
Other	-	-	-	-	936	-	24	-	-	41,196	-	-	252,548	294,704	230,116
Depreciation	89,126	-	-	-	-	-	-	-	-	21,401	2,505	-	462,674	575,706	616,638
Equipment rental/repairs	62,283	1,652	1,692	273	130	-	205	-	2,088	6,583	867	-	54,978	130,751	174,154
Impairment loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,303
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	35,006	35,006	33,837
Loss on prior lease exit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	983,483
Marketing	7,728	-	4,500	5,888	568	-	-	2,323	-	198,931	2,481	-	378	222,797	277,702
Meetings - room and food	230,685	64,218	86,701	687,225	55,615	7,060	2,163	207,560	108	3,150	10,827	79,635	104,609	1,539,556	1,562,103
Membership promotion	-	-	-	-	-	-	-	-	-	468	13,239	-	-	13,707	31,564
Miscellaneous	1,357	209	1,283	10,155	18,825	4,274	-	684	5,494	3,485	7,742	3,266	12,470	69,244	97,316
Occupancy	381,074	33,475	60,622	86,522	373,818	5,281	25,370	29,459	21,547	64,189	116,398	13,401	132,463	1,343,619	1,194,919
Photography	10,296	681	3,784	13,908	12,580	-	-	3,243	-	46,260	-	613	1,188	92,553	102,594
Printing and mailing	3,630	2	1,368	48,582	63,479	335	20	30,113	4	6,725	3,437	5,059	2,621	165,375	133,858
Professional fees															
Fundraising	-	-	-	-	-	-	-	-	-	-	258,435	-	-	258,435	133,757
Management & General	-	-	-	-	-	-	-	-	-	-	-	-	161,893	161,893	118,624
Studies	-	-	-	-	860,059	-	-	-	-	-	-	-	-	860,059	527,134
Other	47,534	-	62,507	381,290	-	134,410	355	36,361	352	231,176	-	60,000	-	953,985	934,394
Speakers/Participants Travel	88,879	4,885	17,117	197,688	203,844	700	-	117,753	-	221	-	2,814	1,109	635,010	642,104
Staff memberships	4,207	-	1,486	-	8,865	-	465	-	2,550	3,822	9,033	-	10,108	40,536	41,792
Supplies and subscriptions	4,055	3,249	8,489	3,137	39,222	1,279	596	37	90	3,493	37,832	823	27,984	130,286	168,884
Telephone	11,864	1,181	1,605	1,068	5,773	1,258	103	1,079	14	2,144	497	-	23,589	50,175	64,045
Temporary help	4,461	300	-	5,000	12,156	-	-	-	3,948	1,711	-	-	956	28,532	28,503
Staff Travel	9,238	1,138	15,517	24,435	117,527	23,270	1,666	31,738	3,635	4,457	14,951	553	22,210	270,335	310,811
Travel - study missions	-	-	-	-	-	425,322	-	-	-	-	-	-	-	425,322	388,622
<b>Total Functional Expenses</b>	<b>1,776,458</b>	<b>335,010</b>	<b>624,174</b>	<b>2,181,896</b>	<b>4,571,593</b>	<b>648,544</b>	<b>244,979</b>	<b>711,839</b>	<b>601,223</b>	<b>1,167,286</b>	<b>1,523,793</b>	<b>282,370</b>	<b>2,360,954</b>	<b>17,030,119</b>	<b>16,989,460</b>
Allocated Management and General	262,386	68,585	116,816	236,939	906,691	15,886	70,225	77,507	58,996	171,077	321,010	34,752	(2,340,870)	-	-
<b>Total Functional Expenses and Allocated Management and General</b>	<b>\$ 2,038,844</b>	<b>\$ 403,595</b>	<b>\$ 740,990</b>	<b>\$ 2,418,835</b>	<b>\$ 5,478,284</b>	<b>\$ 664,430</b>	<b>\$ 315,204</b>	<b>\$ 789,346</b>	<b>\$ 660,219</b>	<b>\$ 1,338,363</b>	<b>\$ 1,844,803</b>	<b>\$ 317,122</b>	<b>\$ 20,084</b>	<b>\$ 17,030,119</b>	<b>\$ 16,989,460</b>