City Colleges of Chicago Foundation

Financial Statements as of and for the
Year Ended June 30, 2014, and Independent Auditors'
Report

CITY COLLEGES OF CHICAGO FOUNDATION

TABLE OF CONTENTS

McGladrey

Independent Auditor's Report

To the Board of Directors
City Colleges of Chicago Foundation
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the City Colleges of Chicago Foundation, which comprise the statement of financial position as of June 30, 2014, the related statements of activities 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 City Colleges of Chicago Foundation as of June 30, 2014, 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.

McGladrey LLP

Chicago, Illinois
October 23, 2014

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014

		2014
ASSETS		
Cash and cash equivalents	$	841,076
Investments		6,787,715
Pledges receivable		1,553,133
TOTAL	$	9,181,924
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	286,648
Total liabilities		286,648
NET ASSETS		
Unrestricted		296,585
Temporarily restricted		6,776,106
Permanently restricted		1,822,585
Total net assets		8,895,276
TOTAL	$	9,181,924

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Contributions	$ 2,374	$ 1,834,793	$ -	$ 1,837,167
Net investment return	306,609	389,442	-	696,051
Contributed services	221,501	-	-	221,501
Net assets released from restriction and other changes in restrictions	1,725,950	(1,725,950)	-	-
Total revenue	2,256,434	498,285	-	2,754,719
EXPENSES:				
Program services	1,285,732	-	-	1,285,732
Fundraising	4,178	-	-	4,178
Management and general	681,603	-	-	681,603
Total expenses	1,971,513	-	-	1,971,513
CHANGE IN NET ASSETS	284,921	498,285	-	783,206
NET ASSETS — Beginning of year	11,664	6,277,821	1,822,585	8,112,070
NET ASSETS — End of year	$ 296,585	$ 6,776,106	$ 1,822,585	$ 8,895,276

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 783,206
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized gain on sales of investments	(91,611)
Change in unrealized gain on investments	(400,902)
Change in pledges receivable	465,469
Change in prepaid expenses	920
Change in accounts payable	(469,901)
Net cash used in operating activities	287,181
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(3,200,712)
Sales of investments	2,997,231
Net cash used in investing activities	(203,481)
NET CHANGE IN CASH AND CASH EQUIVALENTS	83,700
CASH AND CASH EQUIVALENTS — Beginning of year	757,376
CASH AND CASH EQUIVALENTS — End of year	$ 841,076

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

1. OPERATIONS

City Colleges of Chicago Foundation (the "Foundation") is an Illinois not-for-profit, tax-exempt corporation established to pursue financial support from the private sector and to promote the programs of the City Colleges of Chicago, Community College District No. 508 ("City Colleges"). The Foundation receives, administers, and distributes funds to City Colleges for various grants, scholarships, and programs. Substantially all of the Foundation's revenues and support are for the benefit of City Colleges.

The Foundation is supported primarily through donor contributions and grants. Approximately 61 percent of the Foundation's support for the year ended June 30, 2014 came from the Goldman Sachs *10,000 Small Businesses* Initiative.

The Foundation received $1,549,746 of its total revenue from the Goldman Sachs Foundation during the year ended June 30, 2014. A significant reduction in the level of total support, if that were to occur, could have a significant effect on the Foundation's programs and activities. At June 30, 2014, $1,538,296 of the Foundation's receivables was from the Goldman Sachs Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

Management Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — As of June 30, 2014, cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase, and are stated at cost, which approximates fair value. As of June 30, 2014, $57,343 of the Foundation's cash and cash equivalents were within one money market account at one financial institution, which represents approximately .75 percent of the Foundation's total cash and cash equivalents balance. Balances on deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") up to specified limits. Balances in excess of FDIC limits are uninsured. Management does not expect losses on these balances to occur.

Investments —The Foundation's investment policy permits the Foundation's board of directors to oversee the investment of Foundation assets through the use of an internally appointed investment committee and external investment managers and custodians. This policy reflects the objectives and constraints associated with investing the Foundation's assets. Investments are measured at fair value in the statement of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contributions —Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. No allowance for uncollectability has been provided, as management believes all pledges receivable are fully collectible. This estimate is based on management's communication with and understanding of the intentions of donors.

Contributed Services — The Foundation receives contributed services consisting of donated accounting services and other operating support from City Colleges. These amounts are included as unrestricted contributions and expenses in the statement of activities.

Expenses — Expenses are recognized in the period they are incurred. Expenses, which may include conditions, are recognized when the conditions are met.

Net Assets — Classification of Net Assets — In accordance with Accounting Standards Codification ("ASC") 958, resources are classified into three classifications of net assets according to externally (donor) imposed restrictions.

Unrestricted — Net assets are expendable for any purpose in performing the primary objectives of the organization. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Temporarily Restricted — Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted — Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

Tax Status — The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(c) (3). Accordingly, no provision for such taxes has been recognized in these financial statements.

The accounting standard on *Accounting for Uncertainty in Income Taxes* addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and the various positions related to the potential sources of unrelated business income tax. There were no unrecognized tax benefits identified or recorded as liabilities during the year ended June 30, 2014.

The Foundation files Forms 990 in the U.S. federal jurisdiction and the State of Illinois. With few exceptions, the Foundation is no longer subject to examination by the Internal Revenue Service for fiscal years ended before June 30, 2011.

Subsequent Events — The Foundation has evaluated all subsequent events through October 10, 2014, which is the date the financial statements were available to be issued.

New Accounting Pronouncements — In April 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this update are effective for fiscal years beginning after June 15, 2014, but early adoption is permitted. The adoption is not expected to have a material effect on the financial statements.

3. INVESTMENTS

The components of net investment return for the year ended June 30, 2014 are as follows:

	2014
Interest and dividends	$ 203,538
Realized gains	91,611
Unrealized gain	400,902
Total	$ 696,051

4. FAIR VALUE OF INVESTMENTS

The Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction among market participants on the measurement date. The accounting guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Foundation attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Foundation is responsible for the valuation process and seeks to obtain quoted market prices for all securities.

For the year ended June 30, 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent. The Foundation's investments are the only assets or liabilities that are measured at fair value on a recurring basis.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2014, there were no such transfers.

The Foundation invests in domestic and fixed income mutual funds, which are open-ended Securities and Exchange Commission registered investment funds with a daily net asset value ("NAV"). These mutual funds allow investors to sell their interests to the fund at the published NAV, with no restrictions on redemptions, and are categorized in Level 1 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2014 are as follows:

Description	**2014**
Money Market Funds	$ 22,953
Mutual Funds:	
Fixed income funds	4,386,410
Equity funds	2,378,352
Total	$ 6,787,715

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 are restricted to the following purposes:

	2014
Scholarships	$ 4,110,566
Goldman Sachs 10,000 Small Businesses Initiative	2,229,577
Grants	403,152
Miscellaneous	32,811
Total temporarily restricted net assets	$ 6,776,106

Temporarily restricted net assets were released from restrictions as follows for the year ended June 30, 2014:

	2014
Scholarships	$ 361,186
Goldman Sachs 10,000 Small Businesses Initiative	113,966
Grants	1,247,017
Miscellaneous	3,781
Total temporarily restricted net assets	$ 1,725,950

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2014 are restricted to investment in perpetuity, the income from which is expendable to support:

	2014
Scholarships	$ 1,731,073
Multipurpose	91,107
Miscellaneous	405
Total permanently restricted net assets	$ 1,822,585

7. ENDOWMENT NET ASSETS

The Foundation has donor-restricted endowment net assets that consist of 14 individual funds established for a variety of donor-restricted purposes. Net assets associated with permanently restricted funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donation, as permanently restricted funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

8. ENDOWMENT NET ASSETS *(Continued)*

Changes in endowment net assets for the year ended April 30, 2014, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year, as restated	$ 902,846	$ 1,822,585	$ 2,725,431
Investment return:			
Investment income	88,803	-	88,803
Net appreciation (realized and unrealized)	215,296	-	215,296
Total investment return	304,099	-	304,099
Contributions	3,404	-	3,404
Appropriation of endowment assets for expenditures	(71,332)	-	(71,332)
Endowment net assets — end of year	$ 1,139,017	$ 1,822,585	$ 2,961,602

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2014.

9. RELATED-PARTY TRANSACTIONS

The Foundation receives donated accounting services and other operating support from City Colleges. The Foundation estimates the fair value of these services to be $221,501. These amounts have been included as contributed services in the statement of activities.

* * * * * *