

City Colleges of Chicago Foundation

Financial Statements as of and for the
Year Ended June 30, 2022, and Independent Auditor's Report

CITY COLLEGES OF CHICAGO FOUNDATION

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RSM US LLP

Independent Auditor's Report

Board of Directors
City Colleges of Chicago Foundation

Opinion

We have audited the financial statements of the City Colleges of Chicago Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the beginning net assets have been restated as a result of an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Chicago, Illinois
November 30, 2022

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 7,556,400
Investments	12,302,980
Contributions receivable, net	4,481,814
Other receivables	10,207
Prepaid expenses	<u>1,265</u>
TOTAL	<u><u>\$ 24,352,666</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	<u>\$ 483,615</u>
NET ASSETS	
Without donor restrictions	1,923,610
With donor restrictions	<u>21,945,441</u>
Total net assets	<u>23,869,051</u>
TOTAL	<u><u>\$ 24,352,666</u></u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 119,472	\$ 7,012,399	\$ 7,131,871
Contributed services	587,499	-	587,499
Net assets released from restrictions	<u>6,114,958</u>	<u>(6,114,958)</u>	<u>-</u>
Total revenues and other support	<u>6,821,929</u>	<u>897,441</u>	<u>7,719,370</u>
EXPENSES:			
Program services	4,194,130	-	4,194,130
Scholarships awarded	2,019,930	-	2,019,930
Management and general	512,552	-	512,552
Fundraising	<u>238,973</u>	<u>-</u>	<u>238,973</u>
Total expenses	<u>6,965,585</u>	<u>-</u>	<u>6,965,585</u>
(Decrease) increase in net assets	<u>(143,656)</u>	<u>897,441</u>	<u>753,785</u>
Other changes			
Investment loss, net	<u>(1,334,435)</u>	<u>(759,006)</u>	<u>(2,093,441)</u>
Change in net assets	(1,478,091)	138,435	(1,339,656)
Net assets, beginning of year, as restated	<u>3,401,701</u>	<u>21,807,006</u>	<u>25,208,707</u>
Net assets, end of year	<u>\$ 1,923,610</u>	<u>\$ 21,945,441</u>	<u>\$ 23,869,051</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (1,339,656)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized gain on sales of investments	(1,671,726)
Unrealized loss on investments	4,014,421
Change in contributions receivable, net	(726,455)
Change in other receivables	(10,207)
Change in prepaid expenses	(1,265)
Change in accounts payable	<u>(699,829)</u>
Net cash used in operating activities	<u>(434,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(5,978,463)
Sales of investments	<u>6,735,651</u>
Net cash provided by investing activities	<u>757,188</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	322,471
CASH AND CASH EQUIVALENTS — Beginning of year	<u>7,233,929</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 7,556,400</u>

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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. The Foundation is considered a component unit of City Colleges and is discretely presented in City Colleges’ financial statements.

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, 2022, 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. The Foundation maintains its cash in commercial bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

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. The 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 net assets without donor restrictions, unless such income or loss is restricted by explicit donor stipulations or by law.

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. Contributions receivable at June 30, 2022 are considered fully collectible and management has determined no allowance is necessary.

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

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Functional allocation of expenses – Expenses are recognized in the period they are incurred. When an expense is identified with a specific program, fundraising, or general and management function, it will be charged directly to that category. In some circumstances, an expense will be allocated between the program services, fundraising, or general and management categories based on the specific transaction. The accounting services received consist of salaries and fringe benefits paid to City Colleges employees who estimate their percentage of time spent on Foundation duties. The other operating support includes occupancy (lease and utilities) cost which is allocated based on square footage, as well as the audit fee. These expenses are charged to the proper functional category and are presented in footnote 8 – Functional Expenses.

Basis of presentation –The financial statements of City Colleges of Chicago Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require City Colleges of Chicago Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of City Colleges of Chicago Foundation’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of City Colleges of Chicago Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 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, 2022.

The Foundation files Forms 990 in the U.S. federal jurisdiction and the State of Illinois.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Pending Accounting Pronouncements -- 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 statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation for the year ending June 30, 2023. The Foundation is currently evaluating the effect the standard will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The guidance in this ASU also requires an entity to disclose the contributed nonfinancial assets by category that identifies the type of nonfinancial asset and disclose certain required information. The new standard is effective for the Foundation in the fiscal year ending June 30, 2023. The Foundation is currently evaluating the impact of the adoption of the standard in its financial statements.

Subsequent Events — The Foundation has evaluated all subsequent events through November 30, 2022, which is the date the financial statements were available to be issued.

3. INVESTMENTS

The components of net investment loss for the year ended June 30, 2022 are as follows:

	<u>2022</u>
Interest and dividends	\$ 249,254
Net realized gains	1,671,726
Net unrealized losses	<u>(4,014,421)</u>
Total	<u><u>\$(2,093,441)</u></u>

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022, there were no such transfers.

The Foundation invests in domestic equity 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 are designed to be liquid and allow investors to sell their interests daily to the fund at the published NAV, with no restrictions on redemptions and no unfunded commitments.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

4. FAIR VALUE OF INVESTMENTS (*CONTINUED*)

The Foundation also invests in alternative investments – real estate fund. The fair value of certain funds is based on the NAV of units of the fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimating fair value. The NAV is based upon the fair value of the underlying investments comprising the fund less its liabilities. Redemption is allowed quarterly with 60 days notice. There are no unfunded commitments.

Assets measured at fair value based on NAV using the practical expedient as of June 30, 2022 are as follows:

Description	2022
Mutual Funds:	
Fixed income funds	\$ 3,368,507
Equity funds	8,434,473
Alternative investment - real estate fund	500,000
Total	<u>\$ 12,302,980</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 are restricted to the following purposes:

	2022
Subject to expenditure for specified purpose:	
Scholarships and instructional services	\$ 13,854,868
Goldman Sachs 10,000 Small Businesses Initiative	259,149
Project grants	480,852
Miscellaneous	908,376
Time Restriction	4,481,814
Purpose and/or time restrictions	<u>\$ 19,985,059</u>

	2022
Endowment (corpus):	
Scholarships	\$ 1,959,977
Miscellaneous	405
Endowment (corpus)	<u>\$ 1,960,382</u>

The above amounts of \$19,985,059 and \$1,960,382, totaling \$21,945,441 are reflected as net assets with donor restrictions on the Statement of Activities.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

5. NET ASSETS WITH DONOR RESTRICTIONS (*CONTINUED*)

Net assets released from donor restrictions are as follows for the year ended June 30, 2022:

	<u>2022</u>
Scholarships	\$ 2,019,930
Instructional services and supplies	894,355
Goldman Sachs 10,000 Small Businesses Initiative	959,825
Project grants	<u>2,240,848</u>
Total released from donor restrictions	<u>\$ 6,114,958</u>

6. ENDOWMENT NET ASSETS

The Foundation has perpetual donor-restricted endowment net assets that consist of 15 individual funds established for a variety of donor-restricted purposes. Net assets associated with perpetual restrictions are classified and reported based on the existence of perpetual 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 perpetual restricted funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetual donor restricted net assets with donor restrictions (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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate perpetual 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

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor 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, 2022.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

6. ENDOWMENT NET ASSETS (*CONTINUED*)

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets - beginning of year	\$ 4,747,249
Investment return:	
Investment income	70,196
Net loss (realized and unrealized)	<u>(624,332)</u>
Total investment return	<u>(554,137)</u>
Contributions	<u>-</u>
Appropriation of endowment assets for expenditures	<u>(715,611)</u>
Endowment net assets — end of year	<u><u>\$ 3,477,501</u></u>

7. 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 \$587,499. These amounts have been included as contributed services and related expenses in the statement of activities.

8. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30, 2022:

2023	\$ 2,327,193
2024	1,366,667
2025	450,000
2026	<u>450,000</u>
	4,593,860
Less discount	<u>(112,046)</u>
Total	<u><u>\$ 4,481,814</u></u>

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

9. FUNCTIONAL EXPENSES

The Foundation's expenses by function are as follows:

	Program Services	Scholarships Awarded	Management and General	Fundraising	Total
Services	\$ 4,038,287	\$ -	\$ 80,461	\$ 66,358	\$ 4,185,106
Supplies	55,019	-	22,412	28,241	105,672
Travel	4,684	-	-	-	4,684
Scholarships	-	2,019,930	-	-	2,019,930
Bank fees	-	-	12,439	-	12,439
Equipment rental	-	-	-	48,170	48,170
Liability insurance	-	-	2,085	-	2,085
Contributed Services	<u>96,140</u>	<u>-</u>	<u>395,155</u>	<u>96,204</u>	<u>587,499</u>
	<u>\$ 4,194,130</u>	<u>\$ 2,019,930</u>	<u>\$ 512,552</u>	<u>\$ 238,973</u>	<u>\$ 6,965,585</u>

10. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or board restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 7,556,400
Investments	12,302,980
Contributions receivable	4,481,814
Other receivables	<u>10,207</u>
Total financial assets	<u>24,351,401</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>21,945,441</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,405,960</u>

Certain investments of the Foundation consist of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specific periods. Income from donor-restricted funds is restricted for scholarship and educational purposes. The Board approves the use of funds without donor restrictions for operating expenses.

As part of its liquidity management plan, the Foundation invests excess cash in short-term investments, including money market funds and short-term investments.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

11. RESTATEMENT

The beginning net assets, as of July 1, 2021, were restated and increased by \$3,713,787 as a result of an error related to the revenue recognition of multi-year grant agreement which the Foundation did not recognize revenue in the proper year. Additionally, the June 30, 2021 change in net assets increased by \$3,169,419.

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