

# City Colleges of Chicago Foundation

Financial Statements as of and for the  
Year Ended June 30, 2024, and Independent Auditor's Report

# CITY COLLEGES OF CHICAGO FOUNDATION

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13



## Independent Auditor's Report

RSM US LLP

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, 2024, 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, 2024, 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.

### 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 statements, 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 for 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 26, 2024

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2024

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	<u>2024</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,420,928
Restricted cash - held for City Colleges	3,559,252
Investments	16,482,154
Pledge receivables, net	1,552,364
Prepaid expenses	<u>1,245</u>
<b>TOTAL</b>	<b><u><u>\$ 29,015,943</u></u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 422,109
Due to City Colleges	<u>3,559,252</u>
<b>Total liabilities</b>	<b><u>3,981,361</u></b>
 <b>NET ASSETS</b>	
Without donor restrictions	3,492,018
With donor restrictions	<u>21,542,564</u>
<b>Total net assets</b>	<b><u>25,034,582</u></b>
<b>TOTAL</b>	<b><u><u>\$ 29,015,943</u></u></b>

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions of cash and other financial assets	\$ 237	\$ 4,313,978	\$ 4,314,215
Contributions of nonfinancial assets	815,171	-	815,171
Net assets released from restrictions	4,375,360	(4,375,360)	-
Total revenues and other support	5,190,768	(61,382)	5,129,386
<b>Other income</b>			
Investment income, net	1,422,775	720,561	2,143,336
Total revenues, other support, and other income	6,613,543	659,179	7,272,722
<b>EXPENSES:</b>			
Program services:			
Scholarships awarded	1,184,113	-	1,184,113
Grants and other program services	577,266	-	577,266
Distributions to City Colleges of Chicago	3,226,463	-	3,226,463
Supporting services:			
Management and general	575,467	-	575,467
Fundraising	103,754	-	103,754
Total expenses	5,667,063	-	5,667,063
Change in net assets	946,480	659,179	1,605,659
Net assets, beginning of year	2,545,538	20,883,385	23,428,923
Net assets, end of year	\$ 3,492,018	\$ 21,542,564	\$ 25,034,582

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

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	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,605,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(1,628,852)
Change in contributions receivable, net	1,493,111
Change in prepaid expenses	(8)
Change in accounts payable	99,030
Change in due to City Colleges	<u>3,559,252</u>
Net cash provided by operating activities	<u>5,128,192</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(826,094)
Sales of investments	<u>555,200</u>
Net cash used in investing activities	<u>(270,894)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,857,298
CASH AND CASH EQUIVALENTS — Beginning of year	<u>6,122,882</u>
CASH AND CASH EQUIVALENTS — End of year	<u><u>\$ 10,980,180</u></u>
Cash and cash equivalents	\$ 7,420,928
Restricted cash - held for City Colleges	<u>3,559,252</u>
Total cash and cash equivalents	<u><u>\$ 10,980,180</u></u>

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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### 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, 2024, 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.

**Restricted Cash – Held for City Colleges** — As of June 30, 2024, the Foundation has \$3,559,252 in cash and cash equivalents that is held on behalf of City Colleges. The corresponding liability is included as due to City Colleges in the statement of financial position. The amounts are to be paid to City Colleges to fund scholarships based on an agreement City Colleges has with a third party.

**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.



# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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### 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. Contributions receivable at June 30, 2024 are to be collected within one year and are considered fully collectible and management has determined that no allowance is necessary.

**Contributions of Nonfinancial Assets** — The Foundation receives contributed services consisting of personnel salaries and benefits (\$772,475) and other administrative expenses (\$42,696) from City Colleges. Donated accounting services are determined based on estimated hours of services provided at market rates. Other operating support is determined based on allocation of expenses based on square footage. These amounts are included as contributions of nonfinancial assets revenue in the statement of activities.

**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 7 – 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.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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### 2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

**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, 2024.

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

**Subsequent Events** — The Foundation has evaluated all subsequent events through November 26, 2024, which is the date the financial statements were available to be issued.

### 3. 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, 2024, 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, 2024, there were no such transfers.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

### 3. FAIR VALUE OF INVESTMENTS (*CONTINUED*)

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.

The Foundation also invests in alternative investments – real estate fund. The fair value of certain funds is based on the NAV of units in 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.

Fair value measurements for investments at June 30, 2024 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Fixed income funds	\$ 4,372,754	\$ -	\$ -	\$ 4,372,754
Equity funds	11,580,235	-	-	11,580,235
Total investments at fair value	<u>\$ 15,952,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,952,989</u>
Alternative investment - real estate fund*				529,165
Total Investments				<u><u>\$ 16,482,154</u></u>

\*Investments held at NAV

Investments measured using NAVs are not traded in an active market and are not included in the Level 1, 2, or 3, but are separately reported.

The components of net investment gain for the year ended June 30, 2024 are as follows:

	<u>2024</u>
Interest and dividends	\$ 514,484
Net realized gains	146,331
Net unrealized gains	<u>1,482,521</u>
Total	<u><u>\$ 2,143,336</u></u>

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 are restricted to the following purposes:

	<u>2024</u>
Subject to expenditure for specified purpose:	
Scholarships and instructional services	\$ 12,629,467
Goldman Sachs 10,000 Small Businesses Initiative	545,134
Project grants	361,456
Miscellaneous	2,304,959
Time restriction	1,551,891
Purpose and/or time restriction	<u>17,392,907</u>
Endowments:	
Subject to Foundation's spending policy and appropriation:	
Scholarships	4,149,252
Miscellaneous	405
	<u>4,149,657</u>
	<u>\$ 21,542,564</u>

Net assets released from donor restrictions are as follows for the year ended June 30, 2024:

	<u>2024</u>
Scholarships and instructional services	\$ 1,665,260
Miscellaneous	1,549,762
Goldman Sachs 10,000 Small Businesses Initiative	1,017,085
Project grants	143,253
Total released from donor restrictions	<u>\$ 4,375,360</u>

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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### 5. ENDOWMENT NET ASSETS

The Foundation has perpetual donor-restricted endowment net assets that consist of 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

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity to enable the Foundation to meet all operating requirements which may be reasonably anticipated in any fund. Endowment assets are invested in a diversified asset mix, which includes equity and fixed income securities. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

The Foundation’s spending policy provides that only the income from endowments may be used for the specific purpose outlined by the donor, with the Foundation withdrawing income as it is needed.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

### 5. ENDOWMENT NET ASSETS (*CONTINUED*)

**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, 2024. The Foundation's endowment composition is as follows for the year ended June 30, 2024:

Donor-restricted endowment funds:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,160,382
Accumulated investments gains	1,989,275
	<u>\$ 4,149,657</u>

Changes in endowment net assets for the year ended June 30, 2024, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets — beginning of year	\$ 3,883,987
Investment return:	
Investment income	85,059
Net gain (realized and unrealized)	623,294
Total investment return	708,353
Contributions	-
Appropriation of endowment assets for expenditures	(442,683)
Endowment net assets — end of year	<u>\$ 4,149,657</u>

### 6. RELATED-PARTY TRANSACTIONS

The Foundation receives contributed services without restrictions from City Colleges including personnel salaries and benefits and other administrative expenses. For the year ended June 30, 2024, contributed services within the statement of activities included:

	<u>2024</u>
Personnel salaries and benefits	\$ 772,475
Rent and utilities	11,996
Professional services	30,700
Total	<u>\$ 815,171</u>

The personnel salaries and benefits are reported using the personnel's current rates for the salaries and benefits. Rent and utilities are calculated based on estimated square footage use of City College's District Office. Professional services are based on the Foundation's portion of invoices provided by vendors. The contributed services were utilized in the Foundation's program services, as well as the Foundation's management and general and fundraising functions.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

### 7. FUNCTIONAL EXPENSES

The Foundation's expenses by function are as follows:

	Program Services	Management and General	Fundraising	Total
Distributions to City Colleges of Chicago for scholarships, grants and programs	\$ 3,226,463	\$ -	\$ -	\$ 3,226,463
Scholarships	1,184,113	-	-	1,184,113
Grants and other program services	405,526	215	-	405,741
Supplies	30,033	-	-	30,033
Bank fees	3,401	2,140	-	5,541
Contributed services	138,306	573,112	103,754	815,172
	<u>\$ 4,987,842</u>	<u>\$ 575,467</u>	<u>\$ 103,754</u>	<u>\$ 5,667,063</u>

### 8. 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:

	<b>2024</b>
Financial assets at year-end:	
Cash and cash equivalents	\$ 7,420,928
Investments	16,482,154
Pledge receivables, net	1,552,364
Total financial assets	<u>25,455,446</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>21,542,564</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,912,882</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.