City Colleges of Chicago Foundation

Financial Statements as of and for the
Year Ended June 30, 2017, and Independent Auditors'
Report

CITY COLLEGES OF CHICAGO FOUNDATION

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Independent Auditor's Report

Board of Directors
City Colleges of Chicago Foundation

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, 2017, 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, 2017, 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.

RSM US LLP

Chicago, Illinois
September 29, 2017

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	2017
ASSETS	
Cash and cash equivalents	$ 2,298,203
Investments	8,081,438
TOTAL	$ 10,379,641
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 92,444
Total liabilities	92,444
NET ASSETS	
Unrestricted	814,165
Temporarily restricted	7,514,540
Permanently restricted	1,958,492
Total net assets	10,287,197
TOTAL	$ 10,379,641

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Contributions	$ -	$ 943,504	$ 135,907	$ 1,079,411
Net investment return	386,861	489,945	-	876,806
Contributed services	338,185	-	-	338,185
Net assets released from restriction	1,615,889	(1,615,889)	-	-
Total revenue	2,340,935	(182,440)	135,907	2,294,402
EXPENSES:				
Program services	1,689,706	-	-	1,689,706
Fundraising	22,279	-	-	22,279
Management and general	260,529	-	-	260,529
Total expenses	1,972,514	-	-	1,972,514
CHANGE IN NET ASSETS	368,421	(182,440)	135,907	321,888
NET ASSETS — Beginning of year	445,744	7,696,980	1,822,585	9,965,309
NET ASSETS — End of year	$ 814,165	$ 7,514,540	$ 1,958,492	$ 10,287,197

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 321,888
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized gain on sales of investments	(185,744)
Unrealized gain on investments	(526,933)
Contributions restricted for investment in endowments	(135,907)
Change in pledges receivable	2,026,008
Change in accounts payable	(129,923)
Net cash used in operating activities	1,369,389
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(4,037,279)
Sales of investments	3,873,236
Net cash used in investing activities	(164,043)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for investment in endowments	135,907
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,205,346
CASH AND CASH EQUIVALENTS — Beginning of year	956,950
CASH AND CASH EQUIVALENTS — End of year	$ 2,298,203

See notes to financial statements.

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 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, 2017, 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 unrestricted net assets, unless such income or loss is temporarily or permanently 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Expenses — Expenses are recognized in the period they are incurred and have been summarized on a functional basis in the statement of activities.

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, can be removed by fulfillment of the stipulated purpose for which the donation was restricted, or appropriation by the Board. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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 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, 2017.

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, 2013.

New Accounting Pronouncements – In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent).* The amendments move the requirement to categorize within the fair value hierarchy those investments for which fair value is measured using the net asset value per share practical expedient. The amendments in this update will be

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

effective as of July 1, 2017 for the Foundation. The adoption will not have a material effect on the financial statements.

In May 2014, The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606*), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 201-04, which defers the effective date of ASU 2014-09 one year making it effective as of July 1, 2019, for the Foundation. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update include significant changes to the financial reporting model for Not-for-Profit organizations. Key elements in this update include reducing net asset classification from three to two categories, expanded disclosures about the nature and amount of any donor restrictions, expanded disclosures on any board designations of net assets, and any other additional disclosures. The amendments in this update will be effective as of July 1, 2018 for the Foundation, and will likely have a material effect on the presentation of the financial statements.

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, 2021.

Subsequent Events — The Foundation has evaluated all subsequent events through September 29, 2017, which is the date the financial statements were available to be issued.

3. INVESTMENTS

The components of net investment return for the year ended June 30, 2017 are as follows:

	2017
Interest and dividends	$ 164,129
Net realized gains	185,744
Net unrealized gains	526,933
Total	$ 876,806

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, 2017, 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, 2017, there were no such transfers.

The Foundation invests in money market funds that are valued with a daily net asset value at amortized cost.

The Foundation also 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 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, no unfunded commitments, and are categorized in Level 2 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2017 are as follows:

Description	**2017**
Mutual Funds:	
Fixed income funds	$ 2,082,123
Equity funds	5,979,898
Total	$ 8,062,021

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 are restricted to the following purposes:

	2017
Scholarships	$ 5,485,624
Goldman Sachs 10,000 Small Businesses Initiative	1,524,682
Project grants	463,496
Miscellaneous	40,738
Total temporarily restricted net assets	$ 7,514,540

Temporarily restricted net assets were released from restrictions as follows for the year ended June 30, 2017:

	2017
Scholarships	$ 506,349
Goldman Sachs 10,000 Small Businesses Initiative	1,070,534
Project grants	37,005
Miscellaneous	2,000
Total temporarily restricted net assets	$ 1,615,889

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2017 are restricted to investment in perpetuity, the income from which is expendable to support:

	2017
Scholarships	$ 1,958,087
Miscellaneous	405
Total permanently restricted net assets	$ 1,958,492

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

7. ENDOWMENT NET ASSETS *(Continued)*

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 1,283,747	$ 1,822,585	$ 3,106,332
Investment return:			
Investment income	91,755	-	91,755
Net gain (realized and unrealized)	398,190	-	398,190
Total investment return	489,945	-	489,945
Contributions	-	135,907	135,907
Appropriation of endowment assets for expenditures	(174,867)	-	(174,867)
Endowment net assets — end of year	$ 1,598,825	$ 1,958,492	$ 3,557,317

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, 2017.

8. 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 $338,185. These amounts have been included as contributed services and related expenses in the statement of activities.

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