

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED MAY 31, 2013 AND 2012

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
<u>Financial statements</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8

RUZICKA & ASSOCIATES, LTD.

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Chicago Engineers' Foundation of the Union League Club:

We have audited the accompanying financial statements of Chicago Engineers' Foundation of the Union League Club, which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Chicago Engineers' Foundation of the Union League Club. As of May 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Northbrook, IL
November 20, 2013

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED MAY 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and equivalents	\$ 91,883	\$ 75,665
Promises to give	27,400	31,200
Account receivables	8,771	6,055
Total Current Assets	<u>128,054</u>	<u>112,920</u>
Long -term Assets		
Investments	292,355	254,488
Total Other Assets	<u>292,355</u>	<u>254,488</u>
TOTAL ASSETS	<u><u>\$ 420,409</u></u>	<u><u>\$ 367,408</u></u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts payable	\$	\$ 750
Incentive award commitments	89,000	91,500
Total Liabilities	<u>89,000</u>	<u>92,250</u>
Net Assets		
Unrestricted		
Undesignated	46,627	27,882
Board designated for incentive awards	283,282	247,276
Total unrestricted	<u>329,909</u>	<u>275,158</u>
Permanently restricted	1,500	
Total Net Assets	<u>331,409</u>	<u>275,158</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 420,409</u></u>	<u><u>\$ 367,408</u></u>

See independent auditor's report and notes to financial statements.

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MAY 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Contributions	\$ 72,571	48,893	1,500	\$ 68,934	41,242	110,176
Special events						
Gross proceeds	13,855			14,316		14,316
Direct expenses	(6,715)			(6,550)		(6,550)
Interest and dividends	5,063			1,656		1,656
Net assets released from restriction	48,893	(48,893)		41,242	(41,242)	
Total revenues and other support	133,667		1,500	119,598		119,598
Expenses						
Incentive awards	92,700			89,100		89,100
Management and general	20,607			18,161		18,161
Total expenses	113,307			107,261		107,261
Change in net assets from operating activities	20,360	-	1,500	12,337	-	12,337
Non-operating activities						
Realized gains on investments sold	11,700			2,184		2,184
Change in market value of investments	21,691			(4,915)		(4,915)
In-kind contributions	1,000			1,000		1,000
Total non-operating activities	34,391			(1,731)		(1,731)
Change in net assets	54,751		1,500	10,606		10,606
Net assets, beginning of year	275,158			264,552		264,552
Net assets, end of year	\$ 329,909		1,500	\$ 275,158		275,158

See independent auditor's report and notes to financial statements.

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2013 AND 2012

	<u>2013</u>	<u>2,012</u>
Cash flows from operating activities:		
Change in net assets	\$ 56,251	\$ 10,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(1,500)	
Realized gains on investments sold	(11,700)	(2,184)
Change in market value of investments	(21,691)	4,915
Decrease (increase) in operating assets		
Promises to give	3,800	(17,000)
Account receivables	(2,716)	(2,049)
(Decrease) increase in operating liabilities		
Accounts payable	(750)	349
Incentive award commitments	(2,500)	20,300
Deferred revenue		(201)
Net cash provided by operating activities	<u>19,194</u>	<u>14,736</u>
Cash flows from investing activities:		
Proceeds from sale of investments	14,141	2,510
Investments purchased	(18,617)	(251,965)
Net cash used by investing activities	<u>(4,476)</u>	<u>(249,455)</u>
Cash flows from financing activities		
Contributions restricted for endowment	1,500	
Net cash provided by financing activities	<u>1,500</u>	
Net increase (decrease) in cash	16,218	(234,719)
Beginning cash balances	75,665	310,384
Ending cash balances	<u>\$ 91,883</u>	<u>\$ 75,665</u>

See independent auditor's report and notes to financial statements.

CHICAGO ENGINEERS' FOUNDATION OF THE UNION LEAGUE CLUB

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2013 AND 2012

1. **Nature of organization:**

The Chicago Engineers' Foundation of the Union League Club (CEF) was established in 1963 to encourage Chicago's young people to pursue careers in engineering. CEF's primary activity is an annual incentive award program for students who live in the city of Chicago or have graduated from high schools in Chicago and who are admitted to accredited college or university engineering programs. CEF also cooperates with local engineering societies, Chicago public schools and private high schools and various student organizations to promote and encourage study in engineering fields.

2. **Summary Of Significant Accounting Policies:**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a temporary 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.

Donated services

Donated services are recognized if the services a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CEF. Donations for use of facilities are recorded as contributions at their estimated fair value for the period of use.

Cash and equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash, which at times may exceed federally insured limits. CEF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Promises to give

Contributions are recognized when the donor makes a promise to give to CEF that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be-collected within one year as of May 31, 2013 and 2012 were \$27,400 and \$31,200, respectively.

Account receivables

Account receivables consist of 1) donations from members of the Union League Club of Chicago (ULCC), which the ULCC collects on behalf of CEF and remits 1-2 months after members' billing and 2) amounts collected from web site solicitations through PayPal. Amounts due from ULCC as of May 31, 2013 and 2012 were \$8,771 and \$4,713, respectively. No provisions for uncollectible amounts are necessary.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income tax status

CEF is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. There was no unrelated business income nor unrecognized tax benefits for the years ended May 31, 2013 and 2012. Each of CEF's prior three year's information returns remain subject to examination by the Internal Revenue Service.

3 Net assets:

CEF classifies its net assets' into three categories:

Unrestricted net assets include all of the unrestricted support and revenue of CEF, all of the expenses of CEF, and transfers of temporarily restricted net assets for reimbursement of expenditures that meet the restrictions of the donors.

Temporarily restricted net assets include all the restricted support and revenue of CEF. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

Permanently restricted net assets include funds received from donors with the stipulation that they be permanently retained by CEF in perpetuity and that only the income and/or use of the assets are available to CEF. At May 31, 2013 there are \$1,500 of permanently restricted net assets.

4. **Temporarily restricted net assets:**

There were no temporarily restricted net assets at May 31, 2013 or May 31, 2012

5. **Lease commitments / in-kind donations:**

CEF receives donated facilities and utilities from the ULCC. The estimated annual fair market value of the donated rent is \$1,000 each year, and is reflected in the accompanying financial statements as both revenue and expense.

6. **Financial instruments not measured at fair value:**

Certain financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, account receivables, insurance receivable, promises to give, accounts payable and accrued incentive awards.

7. **Fair value measurements:**

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value measurement hierarchy are described as follows:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability

CEF uses no Level 2 or 3 inputs. All investments are in Equity or Fixed Income Mutual Funds that are valued on Level 1 inputs.

8. Board designated endowment fund:

In May 2011, the CEF Board established an endowment fund with initial assets of \$250,000 for the purpose of enhancing funding for its annual incentive awards. The Board also adopted investment and spending policies for endowment assets intended to provide sufficient real returns over the business cycle to contribute additional funding for the annual incentive award program and grow the investment base of the endowment assets over the long term.

9. Subsequent events:

The financial statements were available to be issued on November 20, 2013 with subsequent events evaluated through this date. No subsequent events require disclosure.

RUZICKA & ASSOCIATES, LTD.

Certified Public Accountants

**Communication to those charged with governance and
Internal control related matters identified in our audit**

To the Finance Committee and Audit Committee and
To the Board of Directors
Chicago Engineers' Foundation of the Union League Club

We have audited the financial statements of Chicago Engineers' Foundation of the Union League Club for the years ended May 31, 2013 and 2012, and have provided our report thereon dated November 20, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards Including Internal Control

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit of the financial statements of the Chicago Engineers' Foundation of the Union League Club as of and for the years ended May 31, 2013 and 2012, in accordance with auditing standards generally accepted in the United State of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above other than for the situation known to management and corrected before the beginning of our engagement.

During the course of our audit, we did not perform any significant procedures and services that are considered non-attest services that were not shared and discussed with management.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and application of existing policies was not changed during the year. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the useful lives of fixed assets for depreciation purposes and collectable amount of receivables. We evaluated the key factors and assumptions used to develop the asset lives and determined that they are reasonable in relation to the financial statements taken as a whole.

Accounting Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The management of the Foundation was cooperative in assisting us in the performance of the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed no audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated November 20, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Irregularities and Illegal Acts

There were no matters that came to our attention during the years ended May 31, 2013 and 2012 other than the matter known to management.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This communication is intended solely for the information and use of management, of the Finance Committee, Audit Committee, Board of Directors and others within the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Ruzicka & Associates, Ltd".

Ruzicka & Associates, Ltd