



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

Chicago Engineers' Foundation of the Union League Club

Financial Statements

May 31, 2016 and 2015

Chicago Engineers' Foundation of the Union League Club

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Chicago Engineers' Foundation of the Union League Club (a not-for-profit corporation), which comprise the statements of financial position as of May 31, 2016 and 2015 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 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 Chicago Engineers' Foundation of the Union League Club as of May 31, 2016 and 2015, 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.

Respectfully submitted,

Kessler, Orlean, Silver & Company, P.C.

Kessler, Orlean, Silver & Company, P.C.

Certified Public Accountants

Deerfield, Illinois

September 8, 2017

Chicago Engineers' Foundation of the Union League Club

Statements of Financial Position

For the Years Ended May 31, 2016 and 2015

	Assets		
		2016	2015
Current Assets			
Cash		\$ 92,000	\$ 80,692
Contributions Receivable		10,650	17,080
Accounts Receivable		10,065	26,644
		<hr/>	<hr/>
Total Current Assets		112,715	124,416
		<hr/>	<hr/>
Long Term Assets			
Investments		325,444	355,275
		<hr/>	<hr/>
Total Long Term Assets		325,444	355,275
		<hr/>	<hr/>
Total Assets		\$ 438,159	\$ 479,691
		<hr/> <hr/>	<hr/> <hr/>
	Liabilities and Net Assets		
Current Liabilities			
Accounts Payable		\$ 522	\$ 441
Incentive Award Commitments		126,900	118,300
		<hr/>	<hr/>
Total Current Liabilities		127,422	118,741
		<hr/>	<hr/>
Net Assets			
Unrestricted			
Undesignated		-	12,572
Board Designated For Incentive Awards		293,960	335,448
		<hr/>	<hr/>
Total Unrestricted		293,960	348,020
		<hr/>	<hr/>
Permanently Restricted		16,777	12,930
		<hr/>	<hr/>
Total Net Assets		310,737	360,950
		<hr/>	<hr/>
Total Liabilities and Net Assets		\$ 438,159	\$ 479,691
		<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements.

Chicago Engineers' Foundation of the Union League Club

Statements of Activities and Changes in Net Assets

For the Years Ended May 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support								
Contributions	\$ 96,857	\$ 28,950	\$ 3,847	\$ 129,654	\$ 79,625	\$ 43,875	\$ 6,400	\$ 129,900
Special Events								
Gross Proceeds	27,747	-	-	27,747	27,647	-	-	27,647
Direct Expenses	(14,909)	-	-	(14,909)	(12,887)	-	-	(12,887)
Interest and Dividend Income	11,929	-	-	11,929	6,621	-	-	6,621
In-Kind Contributions	4,060	-	-	4,060	1,840	-	-	1,840
Net Assets Released From Restriction	28,950	(28,950)	-	-	43,875	(43,875)	-	-
Change in Net Assets								
From Operating Activities	154,634	-	3,847	158,481	146,721	-	6,400	153,121
Expenses								
Incentive Awards	126,900	-	-	126,900	119,900	-	-	119,900
Management and General	52,471	-	-	52,471	52,549	-	-	52,549
Total Expenses	179,371	-	-	179,371	172,449	-	-	172,449
Change in Net Assets	(24,737)	-	3,847	(20,890)	(25,728)	-	6,400	(19,328)
Non-Operating Activities								
Realized Gains on Investments Sold	-	-	-	-	7,978	-	-	7,978
Change in Market Value of Investments	(29,323)	-	-	(29,323)	(3,736)	-	-	(3,736)
Total Non-Operating Activities	(29,323)	-	-	(29,323)	4,242	-	-	4,242
Increase (Decrease) in Net Assets	(54,060)	-	3,847	(50,213)	(21,486)	-	6,400	(15,086)
Net Assets at Beginning of Year	348,020	-	12,930	360,950	369,506	-	6,530	376,036
Net Assets at End of Year	<u>\$ 293,960</u>	<u>\$ -</u>	<u>\$ 16,777</u>	<u>\$ 310,737</u>	<u>\$ 348,020</u>	<u>\$ -</u>	<u>\$ 12,930</u>	<u>\$ 360,950</u>

See accompanying notes to the financial statements.

Chicago Engineers' Foundation of the Union League Club

Statements of Cash Flows

For the Years Ended May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (50,213)	\$ (15,086)
<u>Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities</u>		
Contributions Restricted for Endowment	(3,847)	(6,400)
Realized Gains on Investments Sold	-	(7,978)
Change in Market Value of Investments	29,323	3,736
(Increase) Decrease in Operating Assets:		
Contributions Receivable	6,430	920
Accounts Receivable	16,579	(15,069)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	81	25
Incentive Award Commitments	8,600	25,700
Total Adjustments	<u>57,166</u>	<u>934</u>
Net Cash Provided (Used) by Operating Activities	6,953	(14,152)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	10,000	36,120
Investments Purchased	<u>(9,492)</u>	<u>(61,470)</u>
Net Cash Provided (Used) by Investing Activities	<u>508</u>	<u>(25,350)</u>
Cash Flows from Financing Activities		
Contributions Restricted for Endowment	<u>3,847</u>	<u>6,400</u>
Net Increase (Decrease) in Cash	11,308	(33,102)
Cash, Beginning of Year	<u>80,692</u>	<u>113,794</u>
Cash, End of Year	<u><u>\$ 92,000</u></u>	<u><u>\$ 80,692</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Chicago Engineers' Foundation of the Union League Club

Notes to Financial Statements

For the Years Ended May 31, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies

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.

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.

Use of 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments which are readily convertible into cash. CEF did not have any cash equivalents as of May 31, 2016.

Contributions Receivable

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. Contributions that are expected to be-collected within one year as of May 31, 2016 and 2015 were \$10,650 and \$17,080, 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 1-3 months after members' billing and 2) amounts collected from web site solicitations through Paypal. Amounts due from ULCC as of May 31, 2016 and 2015 were \$8,256 and \$26,567, respectively. No provisions for uncollectible amounts are necessary.

Investments

Investments are stated at their fair values. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Interest and dividends are recognized in the period they are earned as unrestricted net assets unless restricted by the donor or by law.

Chicago Engineers' Foundation of the Union League Club

Notes to Financial Statements

For the Years Ended May 31, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

CEF values certain assets and liabilities in accordance with provisions of the Fair Value Measurements and Disclosures Topic 820 of the FASB which establishes a framework for measuring fair value.

That framework defines fair value as the exchange price that would be received for an asset or paid for a liability in an orderly transaction between market participants on the measurement date. The framework also provides a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Level 1 investments are at quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 investments are for inputs other than quoted prices include within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 investments are for unobservable inputs for 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.

Fair Value Disclosures

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, contributions receivable, accounts payable and incentive award commitments.

Revenue Recognition

Net assets, revenue, and gains are classified based on the existence or absence of donor-imposed restrictions. When the purpose of the restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Accordingly, net assets of CEF and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of CEF or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by CEF. Generally, the donors of these assets permit CEF to use all or part of the income earned on related investments for general or specific purposes.

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 and temporary staffing are recorded as contributions at their estimated fair market value at date of donation.

Chicago Engineers' Foundation of the Union League Club

Notes to Financial Statements

For the Years Ended May 31, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes

CEF is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. CEF received a 60 month advance ruling from the IRS beginning June 1, 2014, to be treated as a public charity. Grantors and donors may rely upon this determination that CEF is not a private foundation during this advanced ruling period. There was no unrelated business income nor unrecognized tax benefits for the years ended May 31, 2016 and 2015. Each of CEF's prior three year's information returns remain subject to examination by the Internal Revenue Service. There was no interest or penalties relating to income taxes recognized in the statement of activities. Management does not believe that its financial statements include uncertain tax positions.

Subsequent Events

The financial statements were available to be issued on September 8, 2017 with subsequent events evaluated through this date. No subsequent events require disclosure.

Note 2 - 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. There were no temporarily restricted net assets at May 31, 2016 and 2015, respectively.

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, 2016 and 2015, permanently restricted net assets were \$16,777 and \$12,930, respectively.

Note 3 - 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.

Interpretation of Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by Illinois, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining

Chicago Engineers' Foundation of the Union League Club

Notes to Financial Statements

For the Years Ended May 31, 2016 and 2015

Note 3 - Board Designated Endowment Fund (Continued)

portion of the donor-restricted endowment 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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

As a result of this interpretation, CEF classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment adjusted for any market fluctuations to comply with donor stipulations.

Note 4 - Investments

The investments itemized below are considered Level 1 investments which are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets.

Investments consists primarily of the following:

	2016		
	Cost	Market	Unrealized Gain (Loss)
Money Market Funds	\$ 50,863	\$ 50,863	\$ -
Equity Mutual Funds	184,481	186,471	1,990
Fixed Income Mutual Funds	78,603	75,194	(3,409)
Real Estate Mutual Funds	12,000	12,916	916
Total	<u>\$ 325,947</u>	<u>\$ 325,444</u>	<u>\$ (503)</u>
	2015		
	Cost	Market	Unrealized Gain (Loss)
Money Market Funds	\$ 57,431	\$ 57,431	\$ -
Equity Mutual Funds	178,687	208,292	29,605
Fixed Income Mutual Funds	78,347	77,317	(1,030)
Real Estate Mutual Funds	12,000	12,235	235
Total	<u>\$ 326,465</u>	<u>\$ 355,275</u>	<u>\$ 28,810</u>

Chicago Engineers' Foundation of the Union League Club

Notes to Financial Statements

For the Years Ended May 31, 2016 and 2015

Note 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 and utilities is \$1,000 each year. For the years ended May 31, 2016 and 2015, CEF received donated services from a temporary staffing agency owned by a Board member with an estimated fair market value of \$3,060 and \$840, respectively. All donated services are reflected in the accompanying financial statements as both revenue and expense.