

# Chicago Engineers' Foundation of the Union League Club

Financial Statements

Years ended May 31, 2018 and 2017



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants



## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2018 and 2017, 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; 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. 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
July 10, 2019  
Lincolnshire, Illinois

# Chicago Engineers' Foundation of the Union League Club

## Statements of Financial Position

May 31, 2018 and 2017

	Assets			
			2018	2017
Current assets				
Cash	\$	72,003	\$	75,071
Contributions receivable		10,114		19,514
Accounts receivable		5,942		9,777
<b>Total current assets</b>		<b>88,059</b>		<b>104,362</b>
Other assets				
Investments		345,928		336,647
Long-Term contributions receivable		4,200		8,400
<b>Total other assets</b>		<b>350,128</b>		<b>345,047</b>
<b>Total assets</b>	\$	<b>438,187</b>	\$	<b>449,409</b>
	<b>Liabilities and Net Assets</b>			
Current liabilities				
Accounts payable	\$	3,460	\$	29
Incentive award commitments		122,400		123,800
<b>Total current liabilities</b>		<b>125,860</b>		<b>123,829</b>
Net assets				
Unrestricted				
Board designated for incentive awards		276,526		293,956
Temporarily restricted		12,330		12,000
Permanently restricted		23,471		19,624
<b>Total net assets</b>		<b>312,327</b>		<b>325,580</b>
<b>Total liabilities and net assets</b>	\$	<b>438,187</b>	\$	<b>449,409</b>

See accompanying notes to financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Statements of Activities and Changes in Net Assets

For the Years Ended May 31, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	\$ 93,172	\$ 23,000	\$ 3,847	\$ 120,019	\$ 84,186	\$ 47,300	\$ 2,847	\$ 134,333
Special events								
Gross proceeds	27,675	-	-	27,675	34,714	-	-	34,714
Direct expenses	(14,902)	-	-	(14,902)	(17,080)	-	-	(17,080)
Interest and dividend income	3,253	3,930	-	7,183	6,683	-	-	6,683
In-Kind contributions	3,400	-	-	3,400	9,983	-	-	9,983
Net assets released from restrictions	26,600	(26,600)	-	-	35,300	(35,300)	-	-
<b>Total support and revenue</b>	<b>139,198</b>	<b>330</b>	<b>3,847</b>	<b>143,375</b>	<b>153,786</b>	<b>12,000</b>	<b>2,847</b>	<b>168,633</b>
Expenses:								
Incentive awards	121,300	-	-	121,300	123,800	-	-	123,800
Management and general	54,015	-	-	54,015	59,364	-	-	59,364
<b>Total expenses</b>	<b>175,315</b>	<b>-</b>	<b>-</b>	<b>175,315</b>	<b>183,164</b>	<b>-</b>	<b>-</b>	<b>183,164</b>
Change in net assets before								
Non-Operating activities	(36,117)	330	3,847	(31,940)	(29,378)	12,000	2,847	(14,531)
Non operating activities								
Gain on marketable securities	18,687	-	-	18,687	29,374	-	-	29,374
<b>Change in net assets</b>	<b>(17,430)</b>	<b>330</b>	<b>3,847</b>	<b>(13,253)</b>	<b>(4)</b>	<b>12,000</b>	<b>2,847</b>	<b>14,843</b>
<b>Net assets at beginning of year</b>	<b>293,956</b>	<b>12,000</b>	<b>19,624</b>	<b>325,580</b>	<b>293,960</b>	<b>-</b>	<b>16,777</b>	<b>310,737</b>
<b>Net Assets at end of year</b>	<b>\$ 276,526</b>	<b>\$ 12,330</b>	<b>\$ 23,471</b>	<b>\$ 312,327</b>	<b>\$ 293,956</b>	<b>\$ 12,000</b>	<b>\$ 19,624</b>	<b>\$ 325,580</b>

See accompanying notes to financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Statement of Cash Flows

*For the Years Ended May 31, 2018 and 2017*

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (13,253)	\$ 14,843
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for endowment	(3,847)	(2,847)
Gain on marketable securities	(18,687)	(29,374)
Change in operating assets and liabilities:		
Contributions receivable	13,600	(17,264)
Accounts receivable	3,835	288
Accounts payable	3,431	(493)
Incentive award commitments	(1,400)	(3,100)
<b>Net Cash from operating activities</b>	<b>(16,321)</b>	<b>(37,947)</b>
Cash flows from investing activities:		
Proceeds from sale of investments	-	56,759
Purchases of investments	9,406	(38,588)
<b>Net Cash from investing activities</b>	<b>9,406</b>	<b>18,171</b>
Cash flows from financing activities:		
Contributions restricted for endowment	3,847	2,847
Change in cash	(3,068)	(16,929)
Cash, beginning of year	75,071	92,000
<b>Cash, end of year</b>	<b>\$ 72,003</b>	<b>\$ 75,071</b>

See accompanying notes to financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### 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 financial statements of the CEF have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

#### 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.

#### 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, 2018 and 2017 were \$10,114 and \$19,514, respectively. Contributions that are expected to be collected in one to five years as of May 31, 2018 and 2017 were \$4,200 and \$8,400, respectively. No provisions for uncollectible amounts are necessary.

#### Accounts Receivable

Accounts receivable consist primarily of 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 secondly amounts collected from web site solicitations through PayPal. Amounts due from ULCC as of May 31, 2018 and 2017 were \$5,942 and \$9,777, respectively. No provisions for uncollectible amounts are necessary.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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 by law.

#### **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 included 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 valued on Level 1 inputs.

#### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes would be reported as temporarily restricted or permanently restricted support that would increase those net asset classes. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the contributions are made.

#### **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

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

CEF is not-for-profit organization that is exempt from income 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, 2018 and 2017. 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.

#### Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. CEF is currently evaluating the impact of the provisions of ASC 606.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities ("Update")*. The Update reduces the number of net assets classes from three or two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. CEF is currently in the process of determining the impact of the new standard, and has not elected to early implement the amendments.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. CEF is still evaluating the impact of the provisions of ASU Topic 958.



# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

The financial statements were available to be issued on July 10, 2019 with subsequent events evaluated through this date. No subsequent events require disclosure.

### Note 2: Investments

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

Investments consists primarily of the following at May 31:

	2018	2017
Money market funds	\$ 42,303	\$ 51,679
Equity mutual funds	217,315	196,450
Fixed income mutual funds	73,588	75,912
Real estate mutual funds	12,722	12,606
Total	\$ 345,928	\$ 336,647

### Note 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 reimbursements 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. At May 31, 2018 and 2017, temporarily restricted net assets were \$12,330 and \$12,000 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 used of the assets are available to CEF. At May 31, 2018 and 2017, permanently restricted net assets were \$23,471 and \$19,624, respectively.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### **Note 4: 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 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 5: In-Kind Donations**

CEF receives donated facilities and utilities from the ULCC. The estimated annual fair market of the donated rent and utilities is \$1,000 each year. For the year ended May 31, 2017, CED received donated services from a temporarily staffing agency with an estimated fair market value of \$1,575. For the years ended May 31, 2018 and 2017, CEF received donated marketing services from a marketing company owned by a Board member with an estimated fair market value of \$2,400 and \$7,408, respectively. All donated services are reflected in the accompanying financial statements as both revenue and expense.

### **Note 6: Incentive Award Commitments**

Incentive award commitments and related expense consist of college scholarships granted by CEF to Chicago area students with career aspirations in the engineering field. At and for the year ended May 31, 2018 and 2017, Incentive Award Commitments and related expense were \$121,300 and \$123,800, respectively.