

Chicago Engineers Foundation of the Union League Club  
65 W Jackson Blvd.  
Chicago, IL 60604

Subject: 2019 Annual Report

Please find attached your copy of the 2019 Annual Report for Chicago Engineers' Foundation of the Union League Club.

This report has been prepared by an independent certified public accountant and contains a summary of Chicago Engineers' Foundation of the Union League Club's financial activity for the thirteen-month period ended June 30, 2019 and year ended May 31, 2018.

To the best of my knowledge and belief, the information contained in this document is accurate and complete.

Sincerely,



Erik Cempel  
President  
Chicago Engineers' Foundation of the Union League Club

Date signed 08/07/2020

# Chicago Engineers' Foundation of the Union League Club

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Chicago Engineers' Foundation of the Union League Club (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and May 31, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the thirteen month period ended June 30, 2019 and year ended May 31, 2018 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 June 30, 2019 and May 31, 2018, and its activities for the thirteen months ended June 30, 2019 and year ended May 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of Chicago Engineers' Foundation of the Union League Club, as of May 31, 2018, were audited by other auditors whose report dated July 10, 2019, expressed an unmodified opinion on those statements.

*Michael Coghlan CPA*

Bloomington, IL  
July 24, 2020

**Chicago Engineers' Foundation of the Union League Club**  
**Statements of Financial Position**  
**June 30, 2019 and May 31, 2018**

	June 30, 2019			May 31, 2018		
	Without Donor Restrictons	With Donor Restrictons	Total	Without Donor Restrictons	With Donor Restrictons	Total
<b>ASSETS</b>						
Current Assets						
Cash	\$ 47,961	\$ -	\$ 47,961	\$ 72,003	\$ -	\$ 72,003
Contributions receivable	19,103	5,400	24,503	7,926	8,130	16,056
Accounts receivable	-	-	-	-	-	-
Total Current Assets	<u>67,064</u>	<u>5,400</u>	<u>72,464</u>	<u>79,929</u>	<u>8,130</u>	<u>88,059</u>
Other assets						
Investments	282,355	28,279	310,634	322,457	23,471	345,928
Long-term contributions receivable	0	13,600	13,600	-	4,200	4,200
Total Other Assets	<u>282,355</u>	<u>41,879</u>	<u>324,234</u>	<u>322,457</u>	<u>27,671</u>	<u>350,128</u>
<b>TOTAL ASSETS</b>	<u>\$ 349,419</u>	<u>\$ 47,279</u>	<u>\$ 396,698</u>	<u>\$ 402,386</u>	<u>\$ 35,801</u>	<u>\$ 438,187</u>
<b>LIABILITIES &amp; NET ASSETS</b>						
Current Liabilities						
Accounts payable	\$ 17,140	\$ -	\$ 17,140	\$ 3,460	\$ -	\$ 3,460
Incentive award commitments	62,300	-	62,300	122,400	-	122,400
Total Current Liabilities	<u>79,440</u>	<u>-</u>	<u>79,440</u>	<u>125,860</u>	<u>-</u>	<u>125,860</u>
Net Assets						
Unrestricted						
Board designated for incentive awards	269,979	-	269,979	276,526	-	276,526
Net assets with donor restrictions	-	47,279	47,279	-	35,801	35,801
Total Net Assets	<u>269,979</u>	<u>47,279</u>	<u>317,258</u>	<u>276,526</u>	<u>35,801</u>	<u>312,327</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 349,419</u>	<u>\$ 47,279</u>	<u>\$ 396,698</u>	<u>\$ 402,386</u>	<u>\$ 35,801</u>	<u>\$ 438,187</u>

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 Thirteen Months Ended June 30, 2019 and Year Ended May 31, 2018**

	June 30, 2019			May 31, 2018		
	Without Donor Restrictons	With Donor Restrictons	Total	Without Donor Restrictons	With Donor Restrictons	Total
<b>Support and Revenue</b>						
Contributions	\$ 145,261	\$ 21,252	\$ 166,513	\$ 93,172	\$ 26,847	\$ 120,019
Special events						
Gross proceeds	37,111	-	37,111	27,675	-	27,675
Direct expenses	(20,074)	-	(20,074)	(14,902)	-	(14,902)
Total Support and Revenue	162,298	21,252	183,550	105,945	26,847	132,792
In-kind contributions	1,083	-	1,083	3,400	-	3,400
Net assets released from restrictions	9,988	(9,988)	-	26,600	(26,600)	-
Total Support, Revenue and Releases	173,369	11,264	184,633	135,945	247	136,192
<b>Functional Expenses</b>						
Incentive awards and program services	152,850	-	152,850	121,300	-	121,300
Supporting services	18,846	-	18,846	51,450	-	51,450
Fund raising	8,890	-	8,890			
Total Functional Expenses	180,586	-	180,586	172,750	-	172,750
<b>Non-Operating Activities</b>						
Net investment returns	670	214	884	19,375	3,930	23,305
Total Non-Operating Activities	670	214	884	19,375	3,930	23,305
Change In Net Assets	(6,547)	11,478	4,931	(17,430)	4,177	(13,253)
Net Assets Beginning of Year	276,526	35,801	312,327	293,956	31,624	325,580
Net Assets End of Year	\$ 269,979	\$ 47,279	\$ 317,258	\$ 276,526	\$ 35,801	\$ 312,327

See accompanying notes to the financial statements

**Chicago Engineers' Foundation of the Union League Club**  
**Statements of Cash Flows**  
**For the Thirteen Months Ended June 30, 2019 and Year Ended May 31, 2018**

	<u>June 30, 2019</u>	<u>May 31, 2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,931	\$ (13,253)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(2,132)	(3,847)
(Gain) loss on investments, net	(884)	(23,305)
(Increase) decrease in:		
Contributions receivable	(8,447)	17,435
Increase (decrease) in:		
Accounts payable	13,680	3,431
Incentive award commitments	(60,100)	(1,400)
Net cash used by operating activities	<u>(52,952)</u>	<u>(20,939)</u>
<b>Cash Flows from Investing Activities</b>		
Transfers from investments	<u>36,178</u>	<u>9,824</u>
Net cash provided by investing activities	36,178	9,824
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for endowment	2,132	3,847
Long-term contributions receivable	<u>(9,400)</u>	<u>4,200</u>
Net cash provided (used) in financing activities	(7,268)	8,047
Net changes in cash	<u>(24,042)</u>	<u>(3,068)</u>
Beginning cash balances	72,003	75,071
Ending cash balances	<u>\$ 47,961</u>	<u>\$ 72,003</u>

See accompanying notes to the financial statements

**Chicago Engineers' Foundation of the Union League Club**  
**Statements of Functional Expenses**  
**For the Thirteen Months Ended June 30, 2019 and Year Ended May 31, 2018**

	2019				2018
	Program Services	Supporting Services	Fund Raising	Total	Total
Grants and awards	\$ 115,100	\$ -	\$ -	\$ 115,100	\$ 121,300
Executive Director fees	21,000	5,250	8,750	35,000	24,000
Accounting fees	-	10,230	-	10,230	3,613
Insurance	-	490	-	490	699
Meeting expenses	7,105	1,444	-	8,549	7,859
Occupancy	-	1,083	-	1,083	1,000
Office expenses	908	349	140	1,397	1,123
Other professional fees	1,575	-	-	1,575	2,131
Printing expenses	3,582	-	-	3,582	2,241
Public relations	1,812	-	-	1,812	4,084
Software	1,768	-	-	1,768	4,700
Total Functional Expenses	\$ 152,850	\$ 18,846	\$ 8,890	\$ 180,586	\$ 172,750

See accompanying notes to the 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.

#### **Change in Year End**

In October 2019, the Board of Directors approved the change in the CEF's year end from May 31, to June 30. Accordingly, these financial statements have been prepared for the 13 month period ending June 30, 2019 and year (12 month period) ending May 31, 2018.

#### **Contributions Receivable**

Contributions receivable consist 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, amounts pledged by individuals and other organizations and amounts collected from web site solicitations through PayPal. Contributions that are expected to be collected within one year as of June 30, 2019 and May 31, 2018 were \$24,503 and \$16,056, respectively. Contributions that are expected to be collected in one to five years as of June 30, 2019 and May 31, 2018 were \$13,600 and \$4,200, respectively. No provisions for uncollectible amounts are necessary.

#### **Investments**

Investments are stated at their fair value. 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

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### 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 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.

#### Net Assets

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, net assets with donor restrictions are released from net assets with donor restrictions and recognized as net assets without donor restrictions 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:

***Net assets without donor restrictions*** - Net assets that are not subject to donor-imposed stipulations.

***Net assets with donor restrictions*** - 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. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that will be maintained permanently. At June 30, 2019 and May 31, 2018, permanently restricted net assets were \$25,756 and \$26,933, respectively.

#### 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 are reported as donor restricted support that increases donor restricted net assets. 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.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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

#### **In-Kind Contributions**

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.

#### **Functional Allocation of Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, costs have been allocated among program, supporting and fund raising services, based on either a direct functional method, when applicable, or on a reasonable basis that is consistently applied. Supporting services include expenses that are not directly identifiable with any specific function but provide for the overall support and direction of CEF. The expenses that are allocated include Executive Director fees and office expenses. The Statement of Functional Expenses includes certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended May 31, 2018.

#### **Income Taxes**

CEF is a not-for-profit organization that is exempt from income tax 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. CEF has met the requirements of the 60 month advance ruling ending May 31, 2019 and is now classified as a public charity. There were no unrelated business income nor unrecognized tax benefits in the 13 month period ended June 30, 2019 and year ended May 31, 2018. The short period one month return ending June 30, 2019 and each of CEF's three prior year's annual 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 Adopted Accounting Standards**

During the period ended June 30, 2019, CEF adopted the Financial Accounting Standards Board (FASB) ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Certain amounts from the 2018 financial statements have been reclassified to conform to the ASU reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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

#### Recently Adopted Accounting Standards (Continued)

During the period ended June 30, 2019, CEF adopted the Financial Accounting Standards Board (FASB) 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 underlying principle of the new standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The adoption of this standard did not have a material impact on the measurement, nor on the recognition of revenue of contracts. Therefore, no cumulative adjustment has been made to the opening balance of net assets at the beginning of the 13 month period ended June 30, 2019.

During the period ended June 30, 2019, CEF adopted 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. The adoption of this standard did not have a material impact on the measurement, nor on the recognition of revenue from contracts. Therefore, no cumulative adjustment has been made to the opening balance of net assets at the beginning of the 13 month period ended June 30, 2019.

#### Note 2—Liquidity and Availability

Financial assets available within one year of the Statement of Financial Position dates for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 47,961	\$ 72,003
Contributions receivable	24,503	16,056
Investments	<u>310,634</u>	<u>345,928</u>
Total financial assets available within one year	383,098	433,987
Less: Amounts unavailable for general expenditures within one year due to net assets with donor restrictions	( 47,279)	( 35,801)
Less: Amounts unavailable to management without Board approval - Board designated reserve	( 269,979)	(276,526)
Total financial assets available to management for general expenditure within one year	<u>\$ 65,840</u>	<u>\$ 121,660</u>

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### Note 3: 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 consist primarily of the following at the Statement of Financial Position dates:

	2019	2018
Money market funds	\$ 3,997	\$ 42,303
Equity mutual funds	185,268	217,315
Fixed income mutual funds	107,461	73,588
Real estate mutual funds	13,908	12,722
Total investments	\$ 310,634	\$ 345,928

### Note 4: Board Designated Net Assets

Board designated net assets are classified as net assets without donor restrictions based on the absence of donor-imposed restrictions. 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 corpus to be maintained at the fair value of the original gift as of the gift date and the original value of subsequent gifts where the donor indicated that a portion of the fund be retained in perpetuity. Any portion of the endowment, including investment income, which is not classified as net assets with donor restrictions - perpetual in nature, is to be classified as net assets with donor restrictions - purpose restricted until it is appropriated for expenditure.

### Note 5: Net Assets Released from Donor Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by the passage of time are as follows:

	2019	2018
Passage of time	\$ 8,988	\$ 26,400
Satisfaction of purpose restrictions	1,000	200
Net assets released	\$ 9,998	\$ 26,600

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

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### **Note 6: In-Kind Contributions**

CEF receives donated facilities and utilities from the ULCC. The estimated annual fair market of the donated rent and utilities is \$1,083 for the 13 months ended June 30, 2019 and \$1,000 for year ended May 31, 2018. For the year ended May 31, 2018 CEF received donated marketing services from a marketing company owned by a Board member with an estimated fair market value of \$2,400. All donated services are reflected in the accompanying financial statements as both revenue and expense.

### **Note 7: 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 June 30, 2019 and May 31, 2018, Incentive Award Commitments were \$62,300 and \$122,400, respectively. Related expenses for Incentive Awards for the 13 months ended June 30, 2019 and year ended May 31, 2018, were \$114,800 and \$121,000, respectively.

### **Note 8: Subsequent Events**

The financial statements were available to be issued on July 24, 2020 with subsequent events evaluated through this date. Due to the Covid-19 virus the annual June incentive awards presentation has been delayed to July, and will be held virtually. No other subsequent events require disclosure.