



# The Chicago Council on Global Affairs

Financial Statements  
Year Ended December 31, 2020



**Sassetti**



CERTIFIED PUBLIC ACCOUNTANTS

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-20



The Board of Directors  
The Chicago Council on Global Affairs  
Chicago, Illinois

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS** (a nonprofit organization) which are comprised of the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses 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 CHICAGO COUNCIL ON GLOBAL AFFAIRS** as of December 31, 2020, 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.

## Report on Summarized Comparative Information

We have previously audited **THE CHICAGO COUNCIL ON GLOBAL AFFAIRS**'s financial statements for the six-month period ended December 31, 2019, and our report dated April 7, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the six-month period ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sassetti LLC*

May 26, 2021  
Oak Park, Illinois

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019

	Totals			
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Year Ended December 31, 2020	Six-Months Ended December 31, 2019
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,990,307	\$ 964	\$ 2,991,271	\$ 3,177,118
Investments	11,017,473	13,218,173	24,235,646	20,269,483
Accounts receivable	73,242	-	73,242	32,745
Pledges receivable, net	2,032,715	8,371,648	10,404,363	14,473,797
Prepaid expenses	569,013	-	569,013	742,491
Deferred compensation plan assets	140,948	-	140,948	480,109
Property and equipment, net	3,220,347	-	3,220,347	3,174,014
<b>Total Assets</b>	<b>\$ 20,044,045</b>	<b>\$ 21,590,785</b>	<b>\$ 41,634,830</b>	<b>\$ 42,349,757</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,454	\$ -	\$ 1,454	\$ 48,059
Accrued liabilities	333,210	-	333,210	186,112
Deferred revenue	71,000	-	71,000	205,606
Deferred compensation plan liabilities	140,948	-	140,948	480,109
Deferred rent	460,674	-	460,674	388,955
Lease incentive liability	2,263,382	-	2,263,382	2,478,943
Interfund balances	4,335,466	(4,335,466)	-	-
<b>Total Liabilities</b>	<b>7,606,134</b>	<b>(4,335,466)</b>	<b>3,270,668</b>	<b>3,787,784</b>
<b>NET ASSETS</b>				
Net assets without donor restrictions	12,437,911	-	12,437,911	12,369,834
Net assets with donor restrictions	-	25,926,251	25,926,251	26,192,139
<b>Total Net Assets</b>	<b>12,437,911</b>	<b>25,926,251</b>	<b>38,364,162</b>	<b>38,561,973</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,044,045</b>	<b>\$ 21,590,785</b>	<b>\$ 41,634,830</b>	<b>\$ 42,349,757</b>

The accompanying notes are an integral part of these financial statements.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Totals	
			2020	2019
<b>REVENUES AND OTHER SUPPORT</b>				
Contributed income				
Membership donations - individual	\$ 1,294,550	\$ 100	\$ 1,294,650	\$ 1,044,124
Membership donations - corporate	625,000	25,000	650,000	775,000
Contributions and grants	2,317,119	4,094,812	6,411,931	8,428,056
Special events	1,229,015	25,000	1,254,015	1,321,029
Earned income				
Admissions fees	22,420	-	22,420	76,880
Other earned income	9,007	-	9,007	824
Emerging Leaders participation fees	71,000	-	71,000	141,500
Leadership study mission	-	-	-	384,935
Rental income	54,468	-	54,468	101,541
Investment return, net	1,053,718	1,535,685	2,589,403	1,296,590
Draw from Second Century Campaign	1,462,500	(1,462,500)	-	-
Net assets released from restrictions	4,483,985	(4,483,985)	-	-
Total Revenues and Other Support	<u>12,622,782</u>	<u>(265,888)</u>	<u>12,356,894</u>	<u>13,570,479</u>
<b>EXPENSES</b>				
Program services:				
Public programming and engagement	2,700,124	-	2,700,124	956,800
Pritzker Center on Global Cities	1,927,120	-	1,927,120	344,813
Lester Crown Center on US Foreign Policy	1,229,844	-	1,229,844	-
Center on Global Food and Agriculture	1,199,698	-	1,199,698	67,394
Black Chicago Tomorrow	402,902	-	402,902	236,519
Private programs	-	-	-	194,493
Next generation	-	-	-	397,852
Studies	-	-	-	1,677,876
Study missions	-	-	-	415,413
	<u>7,459,688</u>	<u>-</u>	<u>7,459,688</u>	<u>4,291,160</u>
Program related services:				
Database services	545,617	-	545,617	282,391
Marketing and communications	1,272,577	-	1,272,577	702,983
	<u>1,818,194</u>	<u>-</u>	<u>1,818,194</u>	<u>985,374</u>
Support services:				
Fundraising	1,484,219	-	1,484,219	803,920
Special events	268,042	-	268,042	203,337
Management and general	1,524,562	-	1,524,562	699,209
	<u>3,276,823</u>	<u>-</u>	<u>3,276,823</u>	<u>1,706,466</u>
Total Expenses	<u>12,554,705</u>	<u>-</u>	<u>12,554,705</u>	<u>6,983,000</u>
CHANGE IN NET ASSETS	68,077	(265,888)	(197,811)	6,587,479
<b>NET ASSETS</b>				
Beginning of year	<u>12,369,834</u>	<u>26,192,139</u>	<u>38,561,973</u>	<u>31,974,494</u>
End of year	<u>\$ 12,437,911</u>	<u>\$ 25,926,251</u>	<u>\$ 38,364,162</u>	<u>\$ 38,561,973</u>

The accompanying notes are an integral part of these financial statements.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019

	Program Services					Program Related Services			Support Services		Totals	
	Public Programming and Engagement	Center on Global Cities	Lester Crown Center on US Foreign Policy	Center on Global Food and Agriculture	Black Chicago Tomorrow	Database Services	Marketing and Communications	Fundraising	Special Events	Management and General	Year Ended December 31, 2020	Six Months Ended December 31, 2019
Salaries, payroll taxes and employee benefits	\$ 1,468,514	\$ 883,112	\$ 783,116	\$ 698,559	\$ 327,720	\$ 216,315	\$ 694,144	\$ 1,054,403	\$ 110,106	\$ 1,060,104	\$ 7,296,093	\$ 3,620,022
Consulting fees/contract services	185,738	387,888	246,799	231,433	13,309	288,143	133,516	85,621	99,604	178,761	1,850,812	1,012,143
Depreciation and amortization	190,538	45,419	39,914	36,164	17,063	10,967	69,067	56,747	5,945	57,329	529,153	278,242
Marketing	13,469	3,955	8,500	35,925	-	-	172,973	16,752	-	956	252,530	116,477
Meetings	140,218	473,071	2,455	12,613	62	-	83,066	24,662	5,000	27,708	768,855	424,692
Miscellaneous	63,654	962	50	299	-	-	40	51,931	32,304	57,599	206,839	48,449
Occupancy	527,002	106,767	92,590	115,981	40,022	25,793	83,987	132,006	13,485	123,825	1,261,458	714,141
Office expenses	88,216	19,722	46,962	32,047	4,515	3,044	35,784	59,243	1,598	14,839	305,970	196,967
Travel	22,775	6,224	9,458	36,677	211	1,355	-	2,854	-	3,441	82,995	571,867
<b>Total Functional Expenses</b>	<b>\$ 2,700,124</b>	<b>\$ 1,927,120</b>	<b>\$ 1,229,844</b>	<b>\$ 1,199,698</b>	<b>\$ 402,902</b>	<b>\$ 545,617</b>	<b>\$ 1,272,577</b>	<b>\$ 1,484,219</b>	<b>\$ 268,042</b>	<b>\$ 1,524,562</b>	<b>\$ 12,554,705</b>	<b>\$ 6,983,000</b>

The accompanying notes are an integral part of these financial statements.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020, AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2019

	Year Ended December 31, 2020	Six-Months Ended December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (197,811)	\$ 6,587,479
Adjustments to reconcile to net cash provided by operating activities -		
Depreciation and amortization	529,153	278,242
Amortization of lease incentive liability	(215,561)	(107,778)
Unrealized gains on investments	(2,040,298)	(918,880)
Realized (gains) losses on investments	(174,208)	33,605
Changes in operating assets and liabilities -		
Prepaid expenses	173,478	175,150
Accounts receivable	(40,497)	7,122
Pledges receivable	4,069,434	(3,587,616)
Accounts payable	(46,605)	(115,565)
Accrued liabilities	147,098	(457,052)
Deferred revenue	(134,606)	(258,796)
Deferred rent	71,719	40,452
Net Cash Provided by Operating Activities	<u>2,141,296</u>	<u>1,676,363</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,005,856)	(2,210,887)
Proceeds from sales of investments	1,254,197	1,799,387
Proceeds from sale of equipment	-	2,200
Additions of property and equipment	(575,485)	(187,237)
Net Cash Used in Investing Activities	<u>(2,327,143)</u>	<u>(596,537)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(185,847)	1,079,826
<b>CASH AND CASH EQUIVALENTS -</b>		
Beginning of year	<u>3,177,118</u>	<u>2,097,292</u>
End of year	<u>\$ 2,991,271</u>	<u>\$ 3,177,118</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



# THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 1. NATURE OF THE COUNCIL

#### Organization's Mission and Goals

##### **Mission**

**THE CHICAGO COUNCIL ON GLOBAL AFFAIRS** (the "Council") is an independent, nonpartisan organization that provides insight on critical global issues, advances policy solutions, and fosters dialogue on what is happening in the world and why it matters to people in Chicago, the United States, and around the globe.

##### **Goals**

As the premier, nonpartisan global affairs organization in America's heartland, we believe an informed, engaged public with access to fact-based and balanced views on global issues helps to ensure effective US engagement and supports a more inclusive, equitable, and secure world. Founded in 1922, the Chicago Council on Global Affairs takes no institutional policy positions and is committed to:

- Engaging the informed and interested public in global affairs by curating relevant, timely content on critical issues and providing a balanced forum for challenging, thoughtful dialogues with global leaders, influencers, and experts.
- Influencing discourse and decisions on important US foreign policy and national security issues by researching public opinion and producing original policy analysis.
- Elevating global cities as central actors shaping world affairs—politically, economically, socially, and culturally— by identifying and advancing city-based solutions and policy recommendations for critical global challenges.
- Advancing a sustainable, safe, nutritious, and equitable global food system by building understanding of the challenges facing the most vulnerable producers and consumers and illuminating opportunities to influence policy debates.
- Building a diverse and inclusive community of globally minded members and donors and positioning the next generation to take global leadership roles by engaging them in the Council's mission and all we do.

The Council's primary sources of revenue are membership dues, donations from individuals, corporate contributions, grants from private organizations, special events, and meeting admission fees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

The financial statements are presented on a comparative basis showing the year under audit ended December 31, 2020 as to the previous audited six-month period ended December 31, 2019. During the year ended June 30, 2019, the Council elected to change its fiscal year to December 31<sup>st</sup>, beginning with the six-month period ending December 31, 2019.

Classification of Net Assets – Under generally accepted accounting principles, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The net assets of the Council are reported in the two self-balancing groups as follows:

*Net Assets without Donor Restrictions:* Net assets without donor restrictions are for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management's discretion.

*Net Assets with Donor Restrictions:* Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Council reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - The Council considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Pledges Receivable - Pledges are recognized as revenues in the period pledged. Pledges are recorded at net realizable value if expected to be collected in more than one year. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Management provides probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management did not consider an allowance for doubtful accounts necessary at December 31, 2020. Bad debt expense for the year ended December 31, 2020 was \$137,957.

Investments - Investments in mutual funds (consisting of investments in bonds, common stocks and other marketable equity securities) are reported at fair market value.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

Prepaid expenses – Included in prepaid expense are cloud-based software implementation costs of approximately \$570,000, which are being amortized over the life of the service contract. The balance, net of amortization, was approximately \$152,000 at December 31, 2020. Amortization expense related to software implementation costs for the year ended December 31, 2020 was \$119,453.

Property and Equipment - All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using primarily the straight - line method. Estimated useful lives used are three years for computers and software, five and ten years for furniture, equipment and database, and term of lease for leasehold improvements.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Revenue Recognition – In June 2018, the FASB issued 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any restrictions. Conditional promises to give are not recognized as revenue until such conditions are fulfilled.

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 customers. The guidance uses a principles-based approach for determining revenue recognition and eliminates the transaction and industry specific guidance. The new guidance establishes a five-step approach for the recognition of revenue and allows for both retrospective and modified retrospective methods of adoption.

Management recognizes revenue as the Council transfers control of deliverables (products, solutions and services) to the Council's customers in an amount reflecting the consideration to which management expects to be entitled. To recognize revenues, management applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. The Council accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Management applies judgment in determining the customer's ability and intention to pay based on a variety of factors including the customer's historical payment experience.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, The Council has applied this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Council reasonably expects that the effect of applying this guidance to the portfolio would not differ materially from applying the guidance to individual contracts (or performance obligations) within the portfolio. As a result of the implementation of Topic 606, The Council has not modified the presentation of the financial statements but has enhanced related revenue recognition disclosures.

The Council's earned revenue is derived primarily from the facilitation of various programs other activities. Admission fee and leadership study mission revenue is recognized when the event or trip occurs. Emerging leaders fee revenue is recognized as the program occurs. Based on payment terms, all such revenue is collected prior to revenue recognition.

The following summarizes the timing of earned revenue for the year ended December 31, 2020:

Recognized over time	\$ 71,000
Recognized at a point-in-time	31,427

Any amounts not earned at the end of the year are classified as deferred. Amounts collected in advance of the program time frame are reflected as advanced payment liabilities. Contracted balances at December 31, 2020 and 2019 included advanced payments and deferred revenues of \$71,000 and \$205,606, respectively.

Disclosure is not required for performance obligations that meet any of the following criteria:

- 1) contracts with a duration of one year or less as determined under ASC 606,
- 2) contracts for which an organization recognizes revenues based on the right to invoice for services performed,
- 3) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 606-10-32-40 have been met, or
- 4) variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Most of the Council's performance obligations meet one or more of these exceptions and therefore are not disclosed.

The incremental costs to obtain a contract should be capitalized if the entity expects to recover those costs (i.e., the net cash flows of the contract and expected renewals will cover the costs). However, an entity may elect a practical expedient that allows it to expense the incremental costs to obtain a contract if the amortization period for those costs would otherwise be one year or less. As a practical expedient,

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

management has elected to expense the incremental costs that would not have been incurred if the contract was not obtained.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort reported by staff on a monthly basis. Expenses allocated include salaries, payroll taxes, occupancy, depreciation, communications and supplies.

Income Tax - The Council is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Council's management believes there were no uncertain tax positions for the year ended December 31, 2020.

Comparative Financial Statement Disclosure - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Council's financial statements for the period ended December 31, 2019, from which the summarized information was derived.

3. PLEDGES RECEIVABLE

Unconditional pledges at December 31, 2020 are receivable as follows:

	Year ended December 31, 2021	\$ 3,818,716
	2022	3,070,290
	2023	2,581,362
	2024	952,803
		<hr/>
Total unconditional promises to give		10,423,171
Less discounts to net present value at 1.62%		(18,808)
		<hr/>
Net unconditional pledges at December 31, 2020		\$ 10,404,363

4. CONDITIONAL PLEDGES RECEIVABLE

The Council has been notified that it is the intent of certain individuals to name the Council in their wills or trust instruments for amounts totaling \$1,000,000. The donors have stipulated that any donations they make to the Council prior to their deaths should reduce the payment upon death. As of the December 31, 2020, the outstanding commitment was \$805,000. Because the pledge is conditional, and does not yet meet existing revenue recognition criteria, it has not yet been recorded.

The Council is also the named beneficiary of a donor's retirement account in the amount of \$250,000, payable upon death. The planned gift is intended to be the final payment of an endowment fund

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

established by the donor at the Council. Because the pledge is conditional, and does not yet meet existing revenue recognition criteria, it has not yet been recorded.

5. INVESTMENTS

At December 31, 2020, investment return consisted of the following components:

Interest and dividends, net	\$	405,740
Realized losses		174,208
Unrealized gains		2,040,298
Investment management fees		<u>(30,843)</u>
	\$	<u>2,589,403</u>

Investments represent the Council's share of the collective investment pools managed by the above entities, and bear a pro rata return on the experience of the individual pools.

6. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles, as established by FASB Accounting Standards Codification Topic 820, define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Council considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Topic 820 also establishes a fair value hierarchy that requires the Council to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement.

Topic 820 establishes three levels of inputs that may be used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

The following summarizes the classification of investments by classification and methods of valuation in accordance with the requirements of Topic 820 at December 31, 2020:

<u>Mutual funds</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 16,814,045	\$ -	\$ -	\$ 16,814,045
Equities - ETF	1,745,457	-	-	1,745,457
Corporate bonds	3,298,839	-	-	3,298,839
Other fixed income	600,756	-	-	600,756
Real estate funds	700,447	-	-	700,447
Hedge funds	1,076,102	-	-	1,076,102
	<u>\$ 24,235,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,235,646</u>

A description of the valuation techniques applied to the Council's major categories of assets and liabilities measured at fair value on a recurring basis as follows:

*Mutual funds:* The net asset value of all other mutual funds is based on quoted market prices published on a national securities exchange and stated at the last reported sales price on the day of valuation.

There have been no changes in the above valuation techniques for the year ended December 31, 2020.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020:

Furniture and equipment	\$ 1,831,146
Computer equipment	885,621
Leasehold improvements	2,582,591
	<u>5,299,358</u>
Less accumulated depreciation	(2,079,011)
	<u>\$ 3,220,347</u>

8. ENDOWMENT POLICY

The Council's endowment consists of various individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Management of the Council has interpreted the State of Illinois' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies donor-restricted endowment funds (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 endowment fund that is not classified in as a permanent endowment is classified as restricted until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence described by UPMIFA.

In accordance with the UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Council and the donor-restricted endowment 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) The investment policies of the Council
- (7) The direction of the donor

Return Objectives and Risk Parameters

The Council's investment policy seeks to achieve a long-term rate of return on its investments, sufficient to offset or exceed inflation, required spending, investment management fees, expenses and taxes over a full market cycle. Endowed assets include donor restricted funds that the Council will hold in perpetuity or for a donor specified period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Council's investment policy requires the Council's portfolio to be diversified among various asset classes with the goal of reducing volatility of return and among various issues of securities, to reduce non-systematic, single issuer, principal risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Council appropriates distributions based on the direction of the donor and the earnings of the investment, while seeking to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth and investment return.



THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

Permanent endowment activity for the year ended December 31, 2020 is as follows:

Beginning of the period	\$	11,743,776
Contributions		206,900
Change in pledge discount		26,022
Investment return, net		1,355,429
Amounts appropriated for expenditure		<u>(364,500)</u>
End of the period	\$	<u>12,967,627</u>

Board Designated Endowment

The Council follows the same investment policy for its board-designated endowment as it does for its permanent endowment. The Council's investment policy seeks to achieve a long-term rate of return on its investments, sufficient to offset or exceed inflation, required spending, investment management fees, expenses and taxes over a full market cycle. To satisfy its long-term rate-of-return objectives, the Council's investment policy requires the Council's portfolio to be diversified among various asset classes with the goal of reducing volatility of return and among various issues of securities, to reduce non-systematic, single issuer, principal risk. The Council appropriates distributions from its board designated endowment funds at the discretion of its board of directors, who annually review and approve spending rates based on market earnings and the funding needs of the Council.

9. OPERATING LEASE COMMITMENTS

During the year ended June 30, 2016, the Council occupied space under a lease agreement that expires on March 30, 2020. The Council is also required to pay its pro rata share of certain utilities and taxes. During July 2016, the Council vacated this space and moved to a new location. The Council's obligation associated with this lease, net of sublease income, has been assumed by its new lessor.

On December 16, 2015, the Council entered into a lease agreement for new space that commenced on July 1, 2016 and expiring fifteen years thereafter. Under the new lease agreement, the Council is required to pay base rent payments, as summarized below, and its pro rata share of certain utilities and expenses. The agreement also provides for lease incentives in the form of a tenant improvement allowance of \$2,249,920 for the new space and the assumption of the Council's required lease payments under its previous lease agreement, including direct expenses and taxes up to \$2,020,497. During the year ended June 30, 2017, in accordance with generally accepted accounting principles, the Council recorded a \$3,233,403 lease incentive liability, which includes the cost of the tenant improvements and the estimated loss for the prior lease incentive of \$983,483. The loss was recorded at the value of the minimum payments (including rent, property taxes and certain maintenance costs) required under the previous lease less both secured and estimated sublease rentals, discounted to present value based on a credit adjusted risk free rate of 3.51%. The lease incentive liability is being amortized on a straight-line basis as an offset to rent expense over the life of the new lease. Amortization of the lease incentive liability was \$215,561 for the year ended December 31, 2020.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

Additionally, the new lease agreement requires the Council to deposit a letter of credit with the lessor. A graduated annual reduction in the letter of credit commences July 1, 2019, and continues until July 1, 2027, when it is reduced to \$50,000 through the remainder of the lease term. The total amount of rental payments due over the lease term is being charged to rent expense on a straight-line basis over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is included in the liabilities in the accompanying statements of financial position. Occupancy expense totaled \$1,210,109 for the year ended December 31, 2020.

The required future minimum lease commitments are as follows:

Year ended December 31, 2021	\$	762,571
December 31, 2022		781,635
December 31, 2023		801,176
December 31, 2024		821,205
December 31, 2025		841,736
Thereafter		5,017,101
	\$	<u>9,025,424</u>

10. RETIREMENT AGREEMENTS

The Council maintains a tax - sheltered annuity retirement plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full - time employees who, if they elect to participate, are eligible to participate in employer contributions after one year of service. Employees may make contributions to the plan equal to the maximum amount allowed by the Internal Revenue Code. The Council matches 100% of up to 7.5% of gross salaries for qualified employees. For the year ended December 31, 2020, the Council contributed \$307,650 to the plan.

In addition, the Council has certain retirement arrangements with certain other key employees, which are non-qualified under the provisions of the Internal Revenue Code. As such, Council contributions for these arrangements are currently taxable to the employees.

11. DEFERRED COMPENSATION

During the year ended June 30, 2016, the Council established deferred compensation plans under section 457(b) and 457(f) of the Internal Revenue Code for the benefit of a single participant. The Council's monthly contributions to the plans are made according to provisions set forth in the plan documents. During the year ended December 31, 2020, the Council contributed approximately \$94,500 to the plans, and approximately \$376,000 of the fully vested balance was withdrawn by the participant.

# THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 12. OTHER COMMITMENTS

The Council had a \$750,000 line of credit with a commercial bank. Interest is payable based on a floating rate of 2.4% plus the LIBOR rate, as adjusted quarterly. The line of credit originally matured on March 18, 2021. At December 31, 2020, the entire line of credit was unused and available to borrow. On May 25, 2021, the Council renewed the line of credit at \$500,000 with same lender. Interest is payable on a floating rate of 0.5% plus the prime rate. The line matures on May 25, 2026. The lender retains the right to convert the line to a term loan at any time prior to and at maturity, if there are amounts outstanding.

During the year ended June 30, 2016, the Council secured a standby irrevocable letter of credit of up to \$900,000 with a commercial bank, as required under the lease agreement dated December 16, 2015 (see Note 6). The letter of credit is gradually reduced over the life of the lease. At December 31, 2020, the availability on the line was \$680,000. The letter of credit automatically annually renews through October 31, 2031, unless the lender notifies the Council ninety days before the expiration date in writing. At December 31, 2020, no amounts had been drawn.

### 13. CONCENTRATIONS

The Council maintains its cash balances at certain financial institutions. The balances may, at times, exceed federally insured credit limits.

As of December 31, 2020, pledges receivable from four donors made up approximately 77% of the Council's total receivables. One donor made up approximately 14% of the Council's total revenues for the year ended December 31, 2020.

### 14. NET ASSETS

Designated funds are restricted as to purpose and/or timing of use at the discretion of the board or management. Upon release of restrictions, the funds are transferred to undesignated net assets without donor restrictions. At December 31, 2020, designated funds consisted of \$3,320,726 designated by management and \$10,384,528 designated by the board, for future Council initiatives.

Net assets with donor restrictions are restricted as to purpose and/or timing of use. Upon release of restrictions, the funds are transferred to net assets without donor restrictions.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

At December 31, 2020, net assets with donor restrictions were restricted as follows:

<u>Amounts subject to expenditure for a specified purpose or period</u>	
Marshall Bouton Fellowship	\$ 1,805,588
Lester Crown Center on US Foreign Policy	2,494,698
Global Food and Agriculture	2,919,004
Pritzker Forum	3,375,041
Global Cities	1,169,596
Black Chicago Tomorrow	661,062
Other programs	334,221
Time-restricted	215,602
Pledge discount	(16,188)
	<u>12,958,624</u>
<u>Amounts restricted by donors to be substantially held in perpetuity, subject to the spending policies of the donor</u>	
Lester Crown Center on US Foreign Policy	10,894,573
Gus Hart Fellowship	1,018,548
Emerging Leaders Scholarship	312,374
Internship Program	742,869
Pledge discount	(737)
	<u>12,967,627</u>
Total net assets with donor restrictions	<u>\$ 25,926,251</u>

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures over the next twelve-month period, the Council considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

The Council's financial assets available for general expenditure within one year of the statement of financial position date of December 31, 2020, are as follows:

Cash and cash equivalents	\$ 2,991,271
Accounts receivable	73,242
Pledges receivable within one year	3,818,716
Investments	24,235,646
Total financial assets available within one year	<u>31,118,875</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restriction by donors with purpose and/or time	(1,730,588)
Restriction by donors in perpetuity	(11,952,814)
Less: amounts unavailable to management without Board approval:	
Board designated unrestricted net assets	<u>(10,016,721)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 7,418,752</u>

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and obligations come due. To help manage unanticipated liquidity needs, the Council has a committed line of credit of \$500,000, which it could draw upon. Additionally, the Council has \$10,384,528 in Board designated net assets that do not have donor restrictions. These funds, with Board approval, could be made available for current operations, if necessary.

16. RECENT ACCOUNTING PRONOUNCEMENTS

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 balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Council's December 31, 2022 financial statements. Early adoption is permitted. The Council is currently evaluating the impact of the adoption of the above standard on its financial statements.

17. COVID-19 PANDEMIC UNCERTAINTIES

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

response. The Council cannot predict how financial, legal and regulatory responses to concerns about COVID-19 or other major public health issues will impact the Council's operations. Additionally, the Council's workforce may also be affected, which could result in an adverse impact on the Council's ability to conduct operations. The magnitude, timing, and duration of any such potential financial impacts cannot be reasonably estimated at this time. The effects of the pandemic are expected to continue into fiscal 2021.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events which occurred after the balance sheet date through the date the financial statements were available to be issued of May 26, 2021. See discussion of the COVID-19 pandemic in Note 17. The pandemic is ongoing and future impact on the Organization cannot be determined.