The Chicago Council on Global Affairs

Financial Statements
Year Ended December 31, 2021

Sassetti
CERTIFIED PUBLIC ACCOUNTANTS

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of The Chicago Council on Global Affairs (a nonprofit organization), which comprise the statement of financial position as of December 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Chicago Council on Global Affairs and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Council on Global Affairs' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chicago Council on Global Affairs' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Council on Global Affairs' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Chicago Council on Global Affairs' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

June 30, 2022
Oak Brook, Illinois

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Totals 2021	Totals 2020
ASSETS				
Cash and cash equivalents	$ 3,074,343	$ -	$ 3,074,343	$ 2,991,271
Investments	10,999,228	15,583,109	26,582,337	24,235,646
Accounts receivable	63,776	-	63,776	73,242
Pledges receivable, net	1,233,400	5,655,756	6,889,156	10,404,363
Prepaid expenses	556,148	-	556,148	569,013
Deferred compensation plan assets	243,106	-	243,106	140,948
Property and equipment, net	2,928,146	-	2,928,146	3,220,347
Total Assets	$ 19,098,147	$ 21,238,865	$ 40,337,012	$ 41,634,830
LIABILITIES				
Accounts payable and accrued liabilities	$ 289,265	$ -	$ 289,265	$ 334,664
Deferred revenue	81,344	-	81,344	71,000
Deferred compensation plan liabilities	243,106	-	243,106	140,948
Deferred rent	513,794	-	513,794	460,674
Lease incentive liability	2,047,821	-	2,047,821	2,263,382
Interfund balances	3,396,024	(3,396,024)	-	-
Total Liabilities	6,571,354	(3,396,024)	3,175,330	3,270,668
NET ASSETS				
Net assets without donor restrictions	12,526,793	-	12,526,793	12,437,911
Net assets with donor restrictions	-	24,634,889	24,634,889	25,926,251
Total Net Assets	12,526,793	24,634,889	37,161,682	38,364,162
Total Liabilities and Net Assets	$ 19,098,147	$ 21,238,865	$ 40,337,012	$ 41,634,830

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Totals 2021	Totals 2020
REVENUES AND OTHER SUPPORT				
Contributed income				
Membership donations - individual	$ 1,039,343	$ 102,500	$ 1,141,843	$ 1,294,650
Membership donations - corporate	800,000	25,000	825,000	650,000
Contributions and grants	2,026,009	842,470	2,868,479	6,411,931
Special events	872,966	475,000	1,347,966	1,254,015
Earned income				
Admissions fees	16,326	-	16,326	22,420
Other earned income	347	-	347	9,007
Emerging Leaders participation fees	151,500	-	151,500	71,000
Rental income	-	-	-	54,468
Investment return, net	1,667,874	2,200,324	3,868,198	2,589,403
Draw from Second Century Campaign	1,825,594	(1,825,594)	-	-
Net assets released from restrictions	3,111,062	(3,111,062)	-	-
Total Revenues and Other Support	11,511,021	(1,291,362)	10,219,659	12,356,894
EXPENSES				
Program services:				
Public programming and engagement	1,905,173	-	1,905,173	2,700,124
Pritzker Center on Global Cities	1,470,249	-	1,470,249	1,927,120
Lester Crown Center on US Foreign Policy	1,569,715	-	1,569,715	1,229,844
Center on Global Food and Agriculture	1,103,106	-	1,103,106	1,199,698
Black Chicago Tomorrow	391,471	-	391,471	402,902
	6,439,714	-	6,439,714	7,459,688
Program related services:				
Database services	474,772	-	474,772	545,617
Event planning and production	635,048	-	635,048	-
Marketing and communications	1,304,168	-	1,304,168	1,272,577
	2,413,988	-	2,413,988	1,818,194
Support services:				
Fundraising	1,288,575	-	1,288,575	1,484,219
Special events	47,511	-	47,511	268,042
Management and general	1,232,351	-	1,232,351	1,524,562
	2,568,437	-	2,568,437	3,276,823
Total Expenses	11,422,139	-	11,422,139	12,554,705
CHANGE IN NET ASSETS	88,882	(1,291,362)	(1,202,480)	(197,811)
NET ASSETS				
Beginning of year	12,437,911	25,926,251	38,364,162	38,561,973
End of year	$ 12,526,793	$ 24,634,889	$ 37,161,682	$ 38,364,162

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, 2021, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	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	Event Planning and Production	Marketing and Communications	Fundraising	Special Events	Management and General	2021	2020
Salaries, payroll taxes and employee benefits	$ 1,013,392	$ 809,829	$ 910,886	$ 645,319	$ 288,971	$ 161,340	$ 253,567	$ 669,468	$ 1,040,969	$ 38,524	$ 930,327	$ 6,762,592	$ 7,296,093
Consulting fees/contract services	109,146	202,990	324,209	194,819	11,050	301,311	56,453	338,393	111,665	4,515	127,663	1,782,214	1,850,812
Depreciation and amortization	60,817	45,511	52,511	36,972	16,745	9,062	127,738	130,029	59,268	2,335	53,496	594,484	529,153
Marketing	8,261	31,954	-	500	-	-	8,552	133,591	6,025	-	931	189,814	252,530
Meetings	40,505	170,392	(1,577)	5,356	14	-	174,434	(1,496)	23,197	-	14,948	425,773	768,855
Miscellaneous	1,739	128	272	611	-	-	-	250	1,406	65	75,742	80,213	206,839
Occupancy	602,530	191,921	214,115	183,971	69,237	-	-	-	-	-	191	1,261,965	1,261,458
Office expenses	66,640	17,488	55,223	39,814	5,014	3,059	14,217	33,933	44,639	2,072	16,013	298,112	305,970
Travel	2,143	36	14,076	(4,256)	440	-	87.00	-	1,406	-	13,040	26,972	82,995
Total Functional Expenses	$ 1,905,173	$ 1,470,249	$ 1,569,715	$ 1,103,106	$ 391,471	$ 474,772	$ 635,048	$ 1,304,168	$ 1,288,575	$ 47,511	$ 1,232,351	$ 11,422,139	$ 12,554,705

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,202,480)	$ (197,811)
Adjustments to reconcile to net cash provided by operating activities -		
Depreciation and amortization	594,484	529,153
Amortization of lease incentive liability	(215,561)	(215,561)
Unrealized gains on investments	(1,749,823)	(2,040,298)
Realized gains on investments	(1,232,834)	(174,208)
Changes in operating assets and liabilities -		
Prepaid expenses	12,865	173,478
Accounts receivable	9,466	(40,497)
Pledges receivable	3,515,207	4,069,434
Accrued liabilities	(45,399)	100,493
Deferred revenue	10,344	(134,606)
Deferred rent	53,120	71,719
Net Cash (Used in) Provided by Operating Activities	(250,611)	2,141,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,533,699)	(3,005,856)
Proceeds from sales of investments	5,169,665	1,254,197
Additions of property and equipment	(302,283)	(575,485)
Net Cash Provided by (Used in) Investing Activities	333,683	(2,327,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83,072	(185,848)
CASH AND CASH EQUIVALENTS -		
Beginning of year	2,991,271	3,177,118
End of year	$ 3,074,343	$ 2,991,270
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

The accompanying notes are an integral part of these financial statements

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 program 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.

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, 2021. Bad debt expense for the year ended December 31, 2021 was $172.

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

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 $69,000 at December 31, 2021. Amortization expense related to software implementation costs for the year ended December 31, 2021 was $83,259.

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

Contributions – The Council recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with without donor restrictions. Promises to give that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. See Note 4 for conditional contributions.

Exchange transactions - 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.

While Accounting Standards Update (ASU) 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.

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, 2021:

Recognized over time	$ 151,500
Recognized at a point-in-time	16,673

Any amounts not earned at the end of the year are classified as deferred. Amounts collected in advance of the program period are reflected as advanced payment liabilities. Contracted balances at December 31, 2021 included advanced payments and deferred revenues of $81,344.

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, 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, 2021.

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, 2020, from which the summarized information was derived.

3. PLEDGES RECEIVABLE

Unconditional pledges at December 31, 2021 are receivable as follows:

Year ended December 31, 2022		2,728,596
2023		2,731,362
2024		1,052,803
2025		435,804
Total unconditional promises to give		6,948,565
Less discounts to net present value at 0.98%		(59,409)
Net unconditional pledges at December 31, 2021	$	6,889,156

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, 2021, 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 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, 2021, investment return consisted of the following components:

Interest and dividends, net	$	926,581
Realized losses		1,232,834
Unrealized gains		1,749,823
Investment management fees		(41,040)
	$	3,868,198

Investments represent the Council's share of the collective investment pools managed by the custodian, 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 bare 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 following summarizes the classification of investments by classification and methods of valuation in accordance with the requirements of Topic 820 at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Common stock	$ 19,426,235	$ -	$ -	$ 19,426,235
Equities - ETF	1,805,130	-	-	1,805,130
Corporate bonds	2,754,382	-	-	2,754,382
Other fixed income	1,178,723	-	-	1,178,723
Real estate funds	265,327	-	-	265,327
Hedge funds	1,152,540	-	-	1,152,540
	$ 26,582,337	$ -	$ -	$ 26,582,337

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, 2021.

The value of securities or other investments may be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate and price fluctuations. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the value of the investments.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021:

Furniture and equipment	$	1,926,233
Computer equipment		1,070,562
Leasehold improvements		2,582,591
		5,579,386
Less accumulated depreciation		(2,651,240)
	$	2,928,146

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. The board designated endowment is reported as without donor 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 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.

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.

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Donor-restricted endowment funds	$ -	$ 14,333,499	$ 14,333,499
Board designated endowment funds	9,873,563	-	9,873,563
	$ 9,873,563	$ 14,333,499	$ 24,207,062

Changes in endowment net assets as of December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Beginning of the period	$ 10,384,528	$ 12,967,627	$ 23,352,155
Contributions	25,000	-	25,000
Change in pledge discount	(1,223)	(1,150)	(2,373)
Investment return, net	1,569,215	1,911,418	3,480,633
Amounts appropriated for expenditure	(2,103,957)	(544,396)	(2,648,353)
End of the period	$ 9,873,563	$ 14,333,499	$ 24,207,062

9. OPERATING LEASE COMMITMENTS

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, 2021.

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 $1,208,570 for the year ended December 31, 2021.

The required future minimum lease commitments are as follows:

Year ended December 31, 2022	$	781,635
December 31, 2023		801,176
December 31, 2024		821,205
December 31, 2025		841,736
December 31, 2026		862,779
Thereafter		4,154,322
	$	8,262,853

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. Effective January 1, 2021, the match was reduced to 5% for qualified employees. For the year ended December 31, 2021, the Council contributed $217,929 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, 2021, the Council contributed approximately $94,500 to the plans.

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. 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. At December 31, 2021, the entire line of credit was unused and available to borrow.

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 9). The letter of credit is gradually reduced over the life of the lease. At December 31, 2021, 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, 2021, 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, 2021, pledges receivable from four donors made up approximately 75% of the Council’s total receivables. There were no revenue concentrations for the year ended December 31, 2021.

14. NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated funds are net assets without donor restrictions set aside at the discretion of the board or management for a specific purpose and/or timing of use. Upon fulfillment of the designated purpose and/or timing of use, the funds are transferred to undesignated funds. Negative undesignated fund balances represent amounts borrowed from management or board designated funds to fund deficits in prior years.

At December 31, 2021, net assets without donor restrictions consisted of the following:

Management designated funds	$ 2,653,230
Board designated funds	9,873,563
	$ 12,526,793

15. NET ASSETS WITH DONOR RESTRICTIONS

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.

At December 31, 2021, net assets with donor restrictions were restricted as follows:

Amounts subject to expenditure for a specified purpose or period		
Marshall Bouton Fellowship	$	2,004,421
Lester Crown Center on US Foreign Policy		1,736,914
Global Food and Agriculture		1,874,242
Pritzker Forum		2,121,141
Global Cities		781,673
Black Chicago Tomorrow		293,637
1,000 Days		158,824
Other programs		1,314,853
Time-restricted		70,100
Pledge discount		(54,416)
		10,301,389
Amounts restricted by donors to be substantially held in perpetuity, subject to the spending policies of the donor		
Lester Crown Center on US Foreign Policy		12,111,893
Gus Hart Fellowship		1,114,577
Emerging Leaders Scholarship		366,047
Internship Program		742,870
Pledge discount		(1,887)
		14,333,500
Total net assets with donor restrictions	$	24,634,889

16. 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 Council’s financial assets available for general expenditure within one year of the statement of financial position date of December 31, 2021, are as follows:

Cash and cash equivalents	$ 3,074,343
Accounts receivable	63,776
Pledges receivable within one year	2,728,596
Investments	26,582,337
Total financial assets available within one year	32,449,052
Less: amounts unavailable for general expenditures within one year, due to:	
Restriction by donors with purpose and/or time	(2,019,448)
Restriction by donors in perpetuity	(14,082,922)
Less: amounts unavailable to management without Board approval:	
Board designated unrestricted net assets	(8,773,563)
Total financial assets available to management for general expenditure within one year	$ 7,573,119

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 $8,773,563 in Board designated net assets set aside for Council needs beyond one year, that do not have donor restrictions. These funds, with Board approval, could be made available for current operations, if necessary.

17. 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.

The FASB has issued ASU 2020-07, Not-for-Profit Entities (Topic 958), which clarified the current standard and requires a not-for-profit to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the Statement of Activities, disaggregated by category that depicts the type of nonfinancial assets. The standard also required additional disclosures. The standard is effective for the fiscal year ending December 31, 2022.

The Council is currently evaluating the impact of the adoption of the above standard on its financial statements.

18. 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 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 2022.

19. SUBSEQUENT EVENTS

The Council has evaluated subsequent events which occurred after the balance sheet date through the date the financial statements were available to be issued of June 30, 2022. See discussion of the COVID-19 pandemic in Note 18. The pandemic is ongoing and any future impact on the Council cannot be determined.