The Chicago Council on Global Affairs

Financial Statements

Year Ended June 30, 2019

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

FINANCIAL STATEMENTS

JUNE 30, 2019

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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 June 30, 2019, 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.

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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 June 30, 2019, 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 2018 financial statements, and our report dated November 20, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

October 18, 2019
Oak Park, Illinois

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Net Assets without Donor Restrictions		Net Assets with Donor Restrictions		Totals 2019		Totals 2018	
ASSETS								
Cash and cash equivalents	$	2,096,328	$	964	$	2,097,292	$	3,464,072
Investments		8,242,097		10,730,611		18,972,708		14,487,714
Accounts receivable		39,867		-		39,867		19,691
Pledges receivable		2,397,524		8,488,657		10,886,181		8,094,359
Prepaid expenses		917,641		-		917,641		662,306
Deferred compensation plan assets		405,684		-		405,684		303,909
Property and equipment		3,267,219		-		3,267,219		3,580,824
Total Assets	$	17,366,360	$	19,220,232	$	36,586,592	$	30,612,875
LIABILITIES								
Accounts payable	$	163,624	$	-	$	163,624	$	978,649
Accrued liabilities		643,164		-		643,164		461,149
Deferred revenue		464,402		-		464,402		199,437
Deferred compensation plan liabilities		405,684		-		405,684		303,909
Deferred rent		348,503		-		348,503		249,678
Lease incentive liability		2,586,721		-		2,586,721		2,802,282
Interfund balances		1,186,942		(1,186,942)		-		-
Total Liabilities		5,799,040		(1,186,942)		4,612,098		4,995,104
NET ASSETS								
Net assets without donor restrictions -		11,567,320		-		11,567,320		14,146,664
Net assets with donor restrictions		-		20,407,174		20,407,174		11,471,107
Total Net Assets		11,567,320		20,407,174		31,974,494		25,617,771
Total Liabilities and Net Assets	$	17,366,360	$	19,220,232	$	36,586,592	$	30,612,875

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Totals 2019	Totals 2018
REVENUES AND OTHER SUPPORT				
Contributed income				
Membership donations - individual	$ 1,691,736	$ 45,000	$ 1,736,736	$ 1,807,493
Membership donations - corporate	1,225,000	25,000	1,250,000	1,312,500
Contributions and grants	2,869,989	16,239,953	19,109,942	14,462,477
Special events	-	-	-	1,761,048
Earned income				
Admissions fees	222,285	-	222,285	313,100
Other earned income	11,086	-	11,086	12,608
Emerging Leaders participation fees	167,000	-	167,000	-
Leadership study mission	379,635	-	379,635	537,124
Rental income	223,860	-	223,860	214,676
Investment return, net	356,343	240,354	596,697	1,114,124
Net assets released from restrictions	7,614,240	(7,614,240)	-	-
Total Revenues and Other Support	14,761,174	8,936,067	23,697,241	21,535,150
EXPENSES				
Program services:				
Public programs	1,588,938	-	1,588,938	1,776,458
Global food symposium	583,943	-	583,943	711,839
Private programs	330,241	-	330,241	335,010
Next generation	809,302	-	809,302	624,174
Pritzker Forum on Global Cities	2,336,926	-	2,336,926	2,181,896
Studies	5,281,797	-	5,281,797	4,571,593
Study missions	574,003	-	574,003	648,544
Black Chicago Tomorrow	368,328	-	368,328	244,979
	11,873,478	-	11,873,478	11,094,493
Program related services:				
Database and registration	542,756	-	542,756	601,223
Marketing and communications	1,364,343	-	1,364,343	1,167,286
	1,907,099	-	1,907,099	1,768,509
Support services:				
Fundraising	1,976,088	-	1,976,088	1,523,793
Special events	53,604	-	53,604	282,370
Management and general	1,530,249	-	1,530,249	2,340,870
	3,559,941	-	3,559,941	4,147,033
Total Expenses	17,340,518	-	17,340,518	17,010,035
CHANGE IN NET ASSETS	(2,579,344)	8,936,067	6,356,723	4,525,115
NET ASSETS				
Beginning of year	14,146,664	11,471,107	25,617,771	21,092,656
End of year	$ 11,567,320	$ 20,407,174	$ 31,974,494	$ 25,617,771

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services								Program Related Services		Support Services			Totals	
	Public Programs	Global Food Symposium	Private Programs	Next Generation	Pritzker Forum	Studies	Study Missions	Black Chicago Tomorrow	Database & Registration	Marketing and Communications	Fund - Raising	Special Events	Management and General	2019	2018
Salaries, payroll taxes and employee benefits	$ 652,119	$ 189,489	$ 191,818	$ 406,381	$ 742,223	$ 2,656,559	$ 69,296	$ 294,403	$ 204,275	$ 771,098	$ 1,079,310	$ 42,946	$ 999,710	$ 8,299,627	$ 8,282,140
Consulting fees/contract services	34,720	29,666	7,914	82,112	408,454	1,309,364	127,111	10,049	293,205	189,398	467,148	3,035	108,974	3,071,150	2,984,666
Depreciation and amortization	124,218	10,141	10,098	21,880	38,071	142,249	3,199	16,109	10,673	67,017	56,555	2,092	53,839	556,141	575,706
Marketing	10,818	4,720	774	24,950	24,314	16,337	-	-	-	188,913	23,301	-	192	294,319	329,057
Meetings	176,070	188,017	74,051	112,831	472,682	57,539	18,119	651	42	20,738	64,234	-	94,866	1,279,840	1,555,414
Miscellaneous	1,303	-	607	6,104	7,346	2,115	7,253	54	573	551	57,788	-	72,279	155,973	84,221
Occupancy	382,129	24,592	36,809	73,169	95,096	392,533	8,815	38,605	25,922	99,836	144,237	4,870	140,991	1,467,604	1,343,619
Office expenses	120,297	46,111	6,148	24,072	267,018	169,377	2,766	5,118	4,679	21,846	70,230	641	25,681	763,984	524,545
Travel	87,264	91,207	2,022	57,803	281,722	535,724	337,444	3,339	3,387	4,946	13,285	20	33,717	1,451,880	1,330,667
Total Expenses	$ 1,588,938	$ 583,943	$ 330,241	$ 809,302	$ 2,336,926	$ 5,281,797	$ 574,003	$ 368,328	$ 542,756	$ 1,364,343	$ 1,976,088	$ 53,604	$ 1,530,249	$ 17,340,518	$ 17,010,035

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,356,723	$ 4,525,115
Adjustments to reconcile to net cash		
provided by (used in) operating activities -		
Depreciation and amortization	556,141	575,706
Amortization of lease incentive liability	(215,561)	(215,561)
Unrealized losses (gains) on investments	299,166	(419,193)
Realized gains on investments	(248,544)	(226,062)
Changes in operating assets and liabilities -		
Prepaid expenses	(255,335)	41,352
Accounts receivable	(20,176)	114,716
Pledges receivable	(2,791,822)	(5,560,421)
Accounts payable	(815,025)	591,204
Accrued liabilities	182,015	(424,000)
Deferred revenue	264,965	(25,449)
Deferred rent	98,825	116,310
Net Cash Provided by (Used in) Operating Activities	3,411,372	(906,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,556,194)	(1,047,043)
Proceeds from sales of investments	5,020,578	1,046,302
Additions of property and equipment	(242,536)	(7,466)
Net Cash Used in Investing Activities	(4,778,152)	(8,207)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,366,780)	(914,490)
CASH AND CASH EQUIVALENTS -		
Beginning of year	3,464,072	4,378,562
End of year	$ 2,097,292	$ 3,464,072
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ 10,478	$ -

The accompanying notes are an integral part of these financial statements

1. NATURE OF THE ORGANIZATION

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.

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 June 30, 2019. Bad debt expense for the year ended June 30, 2019 was $50,017.

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 $332,000 at June 30, 2019. Amortization expense related to software implementation costs for the year ended June 30, 2019 was $119,450.

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.

Deferred revenues - Funds received in advance of program services or activities to be performed in future periods are recorded as deferred revenue.

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

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 June 30, 2019. During the year ended June 30, 2019, the Council incurred approximately $26,000 in unrelated business income taxes (“UBIT”) assessed on fringe benefits related to transportation benefits provided to employees. At June 30, 2019, a $15,340 provision for UBIT assessed on fringe benefits related to transportation benefits provided to employees is included in accrued expenses. The Council's Form 990, Return of Council Exempt from Income Tax, is subject to examination by the IRS, generally for three years after it is filed.

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 year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events - The Council has evaluated subsequent events through October 18, 2019, the date the financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Unconditional pledges at June 30, 2019 are receivable as follows:

Year ended June 30, 2020	$	4,984,976
2021		3,674,130
2022		1,262,535
2023		1,075,000
2024		50,000
Total unconditional promises to give		11,046,641
Less discounts to net present value at 1.7%		(160,460)
Net unconditional pledges at June 30, 2019	$	10,886,181

4. INVESTMENTS

At June 30, 2019, investments consisted of the following:

Mutual funds	Level 1	Level 2	Level 3	Total
Common stock	$ 12,651,135	$ -	$ -	$ 12,651,135
Equities - ETF	1,380,155	-	-	1,380,155
Corporate bonds	3,064,817	-	-	3,064,817
Real estate funds	928,292	-	-	928,292
Hedge funds	948,309	-	-	948,309
	$ 18,972,708	$ -	$ -	$ 18,972,708

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.

Investment return consists of the following components for the year ended June 30, 2019:

Interest and dividends, net	$	671,098
Realized gains		248,544
Unrealized gains		(299,166)
Investment management fees		(23,779)
	$	596,697

5. 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 June 30, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Common stock	$ 12,651,135	$ -	$ -	$ 12,651,135
Equities - ETF	1,380,155	-	-	1,380,155
Corporate bonds	3,064,817	-	-	3,064,817
Real estate funds	928,292	-	-	928,292
Hedge funds	948,309	-	-	948,309
	$ 18,972,708	$ -	$ -	$ 18,972,708

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 June 30, 2019.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Furniture and equipment	$ 1,802,542
Computer equipment	948,518
Leasehold improvements	2,571,594
	5,322,654
Less accumulated depreciation	2,055,435
	$ 3,267,219

7. 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 June 30, 2019, are as follows:

Cash and cash equivalents	$ 2,097,291
Accounts receivable	39,867
Pledges receivable within one year	4,984,976
Investments	18,972,708
Total financial assets available within one year	26,094,842
Less: amounts unavailable for general expenditures within one year, due to:	
Restriction by donors with purpose and/or time	(1,523,769)
Restriction by donors in perpetuity	(8,882,439)
Less: amounts unavailable to management without Board approval:	
Board designated unrestricted net assets	(7,942,500)
Total financial assets available to management for general expenditure within one year	$ 7,746,134

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 $750,000, which it could draw upon. Additionally, the Council has $7,942,500 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.

8. 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 June 30, 2019, designated funds consisted of $3,000,000 designated by management and $9,766,085 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.

At June 30, 2019, net assets with donor restrictions were restricted as follows:

Amounts subject to expenditure for a specified purpose or period	
Marshall Bouton Asia Fellowship	$ 1,606,907
Pritzker Forum	4,926,141
Global Cities	437,807
Black Chicago Tomorrow	335,433
1,000 Days Project	353,163
Other programs	1,030,000
Time-restricted	648,500
Pledge Discount	(112,940)
	9,225,011
Amounts restricted by donors to be substantially held in perpetuity, subject to the spending policies of the donor	
Lester Crown Center of US Foreign Policy	9,780,413
Gus Hart Fellowship	929,963
Emerging Leaders Scholarship	250,000
Internship Program	250,000
Pledge Discount	(28,213)
	11,182,163
Total net assets with donor restrictions	$ 20,407,174

9. 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 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.

Permanent endowment activity for the year ended June 30, 2019 is as follows:

Beginning of the year	$	3,302,202
Contributions		8,099,364
Change in pledge discount		(28,213)
Investment return, net		178,810
Amounts appropriated for expenditure		(370,000)
	$	11,182,163

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.

10. OPERATING LEASE COMMITMENTS

During the year ended June 30, 2016, the Council occupied space under a lease agreement due to expire 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 June 30, 2019.

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 $1,445,896 for the year ended June 30, 2019.

The required future minimum lease commitments are as follows:

Year ended	June 30, 2020	$ 734,787
	June 30, 2021	753,156
	June 30, 2022	771,985
	June 30, 2023	791,285
	June 30, 2024	811,067
	Thereafter	6,274,509
		$ 10,136,789

11. 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 June 30, 2019, the Council contributed $333,151 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.

12. 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 June 30, 2019, the Council contributed approximately $93,000 to the plans.

13. 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 June 30, 2019, the outstanding commitment was $850,000. Because the pledge is conditional, and does not yet meet existing revenue recognition criteria, it has not yet been recorded.

14. OTHER COMMITMENTS

During the year ended June 30, 2019, the Council renewed its $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 matures March 18, 2021. At June 30, 2019, 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 6). 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 June 30, 2019, no amounts had been drawn.

15. CONCENTRATIONS

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

As of June 30, 2019, pledges receivable and grants awarded from two donors made up approximately 54% of the Council’s total receivables and 54% of the Council’s total revenues, respectively.

16. CHANGE IN FISCAL YEAR

During the year ended June 30, 2019, the Council elected to change its fiscal year to December 31st. The change will be first effective for the six-month period ending December 31, 2019, and annually, thereafter.

17. CHANGE IN ACCOUNTING POLICIES

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.

The major changes include: (a) requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that non-profit entities that chose to prepare the statements of cash flows using the direct method must also present reconciliation (the indirect method). The new standard was adopted for the Council’s June 30, 2019 financial statements and applied retrospectively.

During the year ended June 30, 2019, the Council early adopted ASU 2018-15, Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. Under the new guidance, certain costs related to the implementation of a cloud computing arrangement classified as a service contract, such as testing and integration, are now required to be capitalized and amortized over the term of the arrangement. The amendments in the update were applied prospectively to all implementation costs incurred after the date of adoption. No amounts were restated as a result of the adoption of the standard.

18. 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, 2021 financial statements. Early adoption is permitted.

The FASB has issued ASU 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers. The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. A significant number of nonprofit revenue streams that would be considered revenue from contracts with a customer may fall within their purview of the ASU. Some of these include the following: memberships, subscriptions, products or services, royalty agreements, sponsorships, conferences and seminars, tuition, advertising, licensing, and federal and state grants and contracts, among others. Contribution revenue is specifically excluded from the scope of this update. The ASU will need to be applied either retrospectively to each prior period presented, or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The new standard will be effective for the Council's December 31, 2019 financial statements.

In June 2018, the 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 new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new standard will be effective for the Council’s December 31, 2019. Early adoption is permitted.

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