The Chicago Council on Global Affairs

Financial Statements

Year Ended December 31, 2022

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

INDEPENDENT AUDITORS' 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 31, 2022, 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 31, 2022, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, The Chicago Council on Global Affairs, adopted Accounting Standards Update ("ASU") 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) and ASU 2016-02, *Leases* (Topic 842), as amended, on January 1, 2022. Our opinion is not modified with respect to this matter.

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.

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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.

Sassetti LLC

September 6, 2023
Oak Brook, Illinois

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
ASSETS			
Cash and cash equivalents	$ 1,188,014	$ -	$ 1,188,014
Investments	8,373,373	13,273,626	21,646,999
Accounts receivable	74,542	-	74,542
Pledges receivable, net	2,239,729	3,987,985	6,227,714
Prepaid expenses	471,940	-	471,940
Deferred compensation plan assets	321,248	-	321,248
Right-of-use asset - operating lease	5,904,865	-	5,904,865
Property and equipment, net	1,213,169	-	1,213,169
Total Assets	$ 19,786,880	$ 17,261,611	$ 37,048,491
LIABILITIES			
Accounts payable and accrued liabilities	$ 381,635	$ -	$ 381,635
Deferred revenue	103,250	-	103,250
Deferred compensation plan liabilities	321,248	-	321,248
Deferred rent	-	-	-
Lease incentive liability	-	-	-
Lease liability	7,010,025	-	7,010,025
Interfund balances	2,498,214	(2,498,214)	-
Total Liabilities	$ 10,314,372	$ (2,498,214)	$ 7,816,158
NET ASSETS			
Net assets without donor restrictions	9,472,508	-	9,472,508
Net assets with donor restrictions	-	19,759,825	19,759,825
Total Net Assets	9,472,508	19,759,825	29,232,333
Total Liabilities and Net Assets	$ 19,786,880	$ 17,261,611	$ 37,048,491

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributed income			
Membership donations - individual	$ 912,148	$ 18,125	$ 930,273
Membership donations - corporate	725,000	-	725,000
Contributions and grants	2,143,260	1,939,388	4,082,648
Special events	3,735,027	-	3,735,027
Earned income			
Admissions fees	12,087	-	12,087
Other earned income	357	-	357
Emerging Leaders participation fees	169,250	-	169,250
Leadership study mission	318,220	-	318,220
Investment return, net	(1,660,240)	(2,309,483)	(3,969,723)
Draw from Second Century Campaign	1,434,120	(1,434,120)	-
Net assets released from restrictions	3,088,974	(3,088,974)	-
Total Revenues and Other Support	10,878,203	(4,875,064)	6,003,139
EXPENSES			
Program services:			
Public programming and engagement	3,761,865	-	3,761,865
Pritzker Center on Global Cities	1,287,876	-	1,287,876
Lester Crown Center on US Foreign Policy	2,044,184	-	2,044,184
Center on Global Food and Agriculture	1,248,444	-	1,248,444
Black Chicago Tomorrow	255,963	-	255,963
	8,598,332	-	8,598,332
Program related services:			
Database services	354,953	-	354,953
Marketing and communications	551,220	-	551,220
	906,173	-	906,173
Support services:			
Fundraising	1,621,040	-	1,621,040
Special events	774,282	-	774,282
Management and general	2,032,661	-	2,032,661
	4,427,983	-	4,427,983
Total Expenses	13,932,488	-	13,932,488
CHANGE IN NET ASSETS	(3,054,285)	(4,875,064)	(7,929,349)
NET ASSETS			
Beginning of year	12,526,793	24,634,889	37,161,682
End of year	$ 9,472,508	$ 19,759,825	$ 29,232,333

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, 2022

	Program Services					Program Related Services		Support Services			
	Public Programming and Engagement	Center on Global Cities	Lester Crown Center on US Foreign Policy	Center on Global Food and Agriculture	Black Chicago Tomorrow	IT/Database Services	Marketing and Communications	Fundraising	Special Events	Management and General	Total
Salaries, payroll taxes and employee benefits	$ 1,910,530	$ 793,601	$ 1,119,945	$ 755,569	$ 192,217	$ 229,532	$ 98,464	$ 1,153,515	$ 90,715	$ 1,273,397	$ 7,617,485
Consulting fees/contract services	638,714	287,591	458,769	185,154	20,712	63,064	297,789	153,828	97,944	319,222	2,522,787
Depreciation and amortization	170,079	34,616	49,589	32,400	8,568	10,208	4,400	51,019	4,050	57,032	421,961
Marketing	46,584	19,412	18,928	10,314	1,445	14,618	122,571	9,806	2,242	9,616	255,536
Meetings	67,961	5,059	46,487	27,178	322	130	5,862	17,962	509,961	44,159	725,081
Miscellaneous	17,802	7,550	21,448	4,735	-	(6)	356	545	3,131	78,118	133,679
Occupancy	649,057	113,912	163,181	131,772	28,195	33,592	14,481	167,887	13,329	186,816	1,502,222
Office expenses	103,902	17,474	71,803	30,238	4,021	3,815	7,274	64,804	30,813	21,006	355,150
Travel	157,236	8,661	94,034	71,084	483	-	23	1,674	22,097	43,295	398,587
Total Functional Expenses	$ 3,761,865	$ 1,287,876	$ 2,044,184	$ 1,248,444	$ 255,963	$ 354,953	$ 551,220	$ 1,621,040	$ 774,282	$ 2,032,661	$ 13,932,488

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

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(7,929,349)
Adjustments to reconcile to net cash used in operating activities -		
Depreciation and amortization		421,961
Unrealized gains on investments		4,708,281
Realized gains on investments		27,977
Noncash lease expense		750,124
Changes in operating assets and liabilities -		
Prepaid expenses		84,208
Accounts receivable		(10,766)
Pledges receivable		661,442
Accrued liabilities		92,370
Deferred revenue		21,906
Lease liability		(781,635)
Net Cash Used in Operating Activities		(1,953,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(1,833,271)
Proceeds from sales of investments		2,032,351
Additions of property and equipment		(131,928)
Net Cash Provided by Investing Activities		67,152
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,886,329)
CASH AND CASH EQUIVALENTS -		
Beginning of year		3,074,343
End of year	$	1,188,014
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$	-
Cash paid for income taxes	$	-
NON-CASH OPERATING ACTIVITIES		
Adoption of ASU 842		
Right-of-use asset obtained in exchange for lease liability	$	5,119,638

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.

Adoption of Accounting Pronouncements - During the year ended December 31, 2022, the Council adopted Financial Accounting Standards Board's Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (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 guidance did not materially impact the Council's results of operations.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases*, requiring lessees to recognize a right-of use asset and a lease liability on the statement of financial position for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the statement of activities. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The Council adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which required lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The adoption of ASU No. 2016-02 increased the Council's total assets and liabilities by $5,119,638 based on a discounted calculation of the future lease payments. A risk-free borrowing rate of 1.51% as of the date of the adoption was used for the present value calculation of the future lease payments. There was no impact to the results of operations.

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, 2022. Bad debt expense for the year ended December 31, 2022 was $44,648.

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

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.

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.

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, 2022:

Recognized over time	$ 169,250
Recognized at a point-in-time	330,664

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, 2022 included advanced payments and deferred revenues of $103,250.

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 and benefits, 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, 2022.

Leases - The Council determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. As most leases do not provide an implicit rate, the Council has elected to use a risk-free borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Council does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less).

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 September 6, 2023.

3. 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, 2022, are as follows:

Cash and cash equivalents	$ 1,188,014
Accounts receivable	74,542
Pledges receivable within one year	4,020,751
Investments	21,646,999
Total financial assets available within one year	26,930,306
Less: amounts unavailable for general expenditures within one year, due to:	
Restriction by donors with purpose and/or time	(1,596,620)
Restriction by donors in perpetuity	(11,007,515)
Less: amounts unavailable to management without Board approval:	
Board designated unrestricted net assets	(4,579,542)
Total financial assets available to management for general expenditure within one year	$ 9,746,629

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 $4,579,542 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.

4. PLEDGES RECEIVABLE

Unconditional pledges at December 31, 2022 are receivable as follows:

Year ended December 31, 2023	4,020,751
2024	944,470
2025	885,106
2026	550,000
Total unconditional promises to give	6,400,327
Less discounts to net present value at 4.22%	(172,613)
Net unconditional pledges at December 31, 2022	$ 6,227,714

5. 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 December 31, 2022, 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.

6. INVESTMENTS

At December 31, 2022, investment return consisted of the following components:

Interest and dividends, net	$ 805,566
Realized gains	(27,977)
Unrealized losses	(4,708,281)
Investment management fees	(39,031)
	$ 3,969,723

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.

7. 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 level 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, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Common stock	$ 15,312,446	$ -	$ -	$ 15,312,446
Equities - ETF	1,438,840	-	-	1,438,840
Corporate bonds	1,495,586	-	-	1,495,586
Other fixed income	2,091,989	-	-	2,091,989
Real estate funds	200,808	-	-	200,808
Hedge funds	1,107,330	-	-	1,107,330
	$ 21,646,999	$ -	$ -	$ 21,646,999

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, 2022.

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.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Furniture and equipment	$ 1,782,033
Computer equipment	1,042,277
Leasehold improvements	332,671
	3,156,981
Less accumulated depreciation	(1,943,812)
	$ 1,213,169

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. 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, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Donor-restricted endowment funds	$ -	$ 11,675,478	$ 11,675,478
Board designated endowment funds	6,739,419	-	6,739,419
	$ 6,739,419	$ 11,675,478	$ 18,414,897

Changes in endowment net assets as of December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Beginning of the period	$ 9,873,563	$ 14,333,500	$ 24,207,063
Contributions	273,477	-	273,477
Change in pledge discount	3,105	(137)	2,968
Investment return, net	(1,649,481)	(1,999,076)	(3,648,557)
Amounts appropriated for expenditure	(1,761,245)	(658,809)	(2,420,054)
End of the period	$ 6,739,419	$ 11,675,478	$ 18,414,897

10. 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, 2022, net assets without donor restrictions consisted of the following:

Undesignated funds	$ 519,154
Management designated funds	2,213,935
Board designated funds	6,739,419
	$ 9,472,508

11. 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, 2022, net assets with donor restrictions were restricted as follows:

Amounts subject to expenditure for a specified purpose or period		
Marshall Bouton Fellowship	$	1,700,620
Lester Crown Center on US Foreign Policy		1,834,813
Global Food and Agriculture		1,744,712
Pritzker Forum		1,336,549
Global Cities		1,195,620
Black Chicago Tomorrow		109,337
Other programs		242,658
Time-restricted		90,625
Pledge discount		(170,587)
		8,084,347
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		9,822,964
Gus Hart Fellowship		915,829
Emerging Leaders Scholarship		350,432
Internship Program		588,278
Pledge discount		(2,025)
		11,675,478
Total net assets with donor restrictions	$	19,759,825

12. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Council leases office space in Chicago, Illinois under an operating lease. Under this lease, the Council is required to pay base rent payments and its prorated share of certain utilities and expenses. The lease provided for a $2,249,920 tenant improvement allowance and the buyout of the Council's prior lease liability valued at $2,020,497, reduced by the market value of actual and potential subleases, and discounted to a present value of $983,483. The lease expires June 30, 2031, and includes two extension terms of five years each. The renewal options have not been included in the measurement of the lease liability.

The right-of-use asset established at lease inception represents the Council's right to use the underlying assets for the lease term, and the lease liabilities represent the Council's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Council has made an accounting policy election to use a risk-free rate to discount future lease payments. The risk-free rate applied to calculate lease liabilities as of January 1, 2022, the date of the adoption of the lease pronouncement, was 1.51%.

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 incrementally based on a schedule set forth in the lease agreement. The balance of the letter of credit was $348,160 at December 31, 2022.

As of December 31, 2022, the remaining lease term for the Council's operating lease is approximately 8.5 years. Total occupancy expense under the lease agreement, including the Council's prorated share of certain utilities and expenses, was $1,456,318 for the year ended December 31, 2022.

Future minimum annual rental commitments, are as follows, for the fiscal years ended December 31:

2023	$	801,176
2024		821,205
2025		841,736
2026		862,779
2027		884,348
Thereafter		3,269,974
Total undiscounted cash flows	$	7,481,218
Less: present value discount		(471,193)
Total lease liabilities	$	7,010,025

13. 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 5% of gross salaries for qualified employees. For the year ended December 31, 2022, the Council contributed $214,333 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.

14. DEFERRED COMPENSATION

The Council has two 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, 2022, the Council contributed approximately $94,500 to the plans.

15. 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, 2022, the entire line of credit was unused and available to borrow.

The Council has 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 12). The letter of credit is gradually reduced over the life of the lease. At December 31, 2022, the availability on the line was $348,160. 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, 2022, no amounts had been drawn.

16. 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, 2022, 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, 2022.