

Union League Boys and Girls Clubs

**Financial Report
December 31, 2016**

Union League Boys and Girls Clubs

Contents

Report Letter	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

Independent Auditor's Report

To the Board of Trustees
Union League Boys and Girls Clubs

We have audited the accompanying financial statements of Union League Boys and Girls Clubs (ULBGC), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union League Boys and Girls Clubs as of December 31, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 26, 2017

Union League Boys and Girls Clubs

Statement of Financial Position

	December 31, 2016	December 31, 2015
Assets		
Assets		
Cash	\$ 382,422	\$ 530,411
Prepaid expenses and other assets	57,236	38,457
Receivables:		
Major gifts initiative - Net (Note 5)	69,610	95,382
Contributions - Net (Note 5)	245,154	3,554,503
Government grants and contracts - Net of allowance for doubtful accounts of \$21,248 and \$3,367 in 2016 and 2015, respectively	216,342	232,851
Interest	2,237	3,507
Investments (Note 3)	7,727,309	4,269,762
Other Assets		
Restricted investments (Note 3)	3,955,652	3,405,962
Cash surrender value life insurance	139,670	125,535
Beneficial interests in trusts (Note 3)	5,438,704	5,287,461
Property and Equipment - Net (Note 6)	7,887,871	8,408,182
Total assets	\$ 26,122,207	\$ 25,952,013
Liabilities and Net Assets		
Liabilities		
Accounts payable - Trade	\$ 92,605	\$ 201,733
Line of credit (Note 7)	593,994	730,446
Accrued liabilities and other:		
Accrued payroll and payroll taxes	59,688	56,537
Deferred compensation	36,947	18,064
Accrued real estate taxes	4,206	3,642
Charitable gift annuity payable	4,840	9,756
Grant advances	23,998	-
Total liabilities	816,278	1,020,178
Net Assets		
Unrestricted:		
Undesignated	10,942,706	11,483,260
Board designated - Endowment	5,305,140	1,739,917
Temporarily restricted	1,210,547	4,369,036
Permanently restricted	7,847,536	7,339,622
Total net assets	25,305,929	24,931,835
Total liabilities and net assets	\$ 26,122,207	\$ 25,952,013

Union League Boys and Girls Clubs

Statement of Activities and Changes in Net Assets

	Year Ended							
	December 31, 2016				December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support								
Contributions	\$ 1,809,134	\$ 675,512	\$ 343,632	\$ 2,828,278	\$ 3,263,429	\$ 3,655,026	\$ 120,000	\$ 7,038,455
Major gifts initiative revenue	-	367	-	367	77	25,336	-	25,413
Government grants and contracts	747,662	-	-	747,662	835,015	-	-	835,015
Camp and membership fees	9,528	-	-	9,528	15,793	-	-	15,793
Specials events - Net of direct costs of \$97,367 and \$77,240 in 2016 and 2015, respectively	74,323	-	-	74,323	143,077	-	-	143,077
Income from trusts	185,733	-	-	185,733	190,607	-	-	190,607
Net realized and change in unrealized gains (losses) on investments	599,885	204,538	-	804,423	(212,950)	(84,395)	-	(297,345)
Investment income - Net (Note 4)	73,131	25,794	-	98,925	60,261	29,749	-	90,010
Change in fair value of beneficial interests in trusts	-	-	151,243	151,243	-	-	(338,166)	(338,166)
Change in cash surrender value of life insurance	1,096	-	13,039	14,135	966	-	(18,275)	(17,309)
Other income	11,625	-	-	11,625	179,148	-	-	179,148
Net assets released from restrictions	4,064,700	(4,064,700)	-	-	684,905	(684,905)	-	-
Total revenue and other support	7,576,817	(3,158,489)	507,914	4,926,242	5,160,328	2,940,811	(236,441)	7,864,698
Expenses								
Program services:								
Club operations	3,021,098	-	-	3,021,098	3,095,198	-	-	3,095,198
Camp operations	684,644	-	-	684,644	625,053	-	-	625,053
Scholarships	87,033	-	-	87,033	70,859	-	-	70,859
General administration	389,275	-	-	389,275	402,802	-	-	402,802
Fundraising	370,098	-	-	370,098	339,745	-	-	339,745
Total expenses	4,552,148	-	-	4,552,148	4,533,657	-	-	4,533,657
Change in Net Assets	3,024,669	(3,158,489)	507,914	374,094	626,671	2,940,811	(236,441)	3,331,041
Net Assets - Beginning of year	13,223,177	4,369,036	7,339,622	24,931,835	12,596,506	1,428,225	7,576,063	21,600,794
Net Assets - End of year	\$ 16,247,846	\$ 1,210,547	\$ 7,847,536	\$ 25,305,929	\$ 13,223,177	\$ 4,369,036	\$ 7,339,622	\$ 24,931,835

Union League Boys and Girls Clubs

Statement of Functional Expenses Year Ended December 31, 2016

	Program Services									Support Services			
	Club One	Club Two	Barreto	Clemente	Juvenile Temporary Detention	Hammond	Stagg	Camp	Scholarship	Total	Administrative	Fundraising	Total
					Center								
Salaries	\$ 352,976	\$ 187,563	\$ 624,895	\$ 131,952	\$ 56,640	\$ 131,922	\$ 120,718	\$ 181,948	\$ -	\$ 1,788,614	\$ 153,982	\$ 192,691	\$ 2,135,287
401(k) contributions	3,042	1,300	9,559	1,702	598	598	1,819	1,205	-	19,823	3,288	2,230	25,341
Other employee benefits	11,105	8,533	34,440	11,258	4,334	9,593	11,393	19,436	-	110,092	24,272	22,574	156,938
Payroll taxes	37,032	19,356	62,351	12,776	5,321	13,547	11,533	15,799	-	177,715	5,331	15,387	198,433
Total salaries and related expenses	404,155	216,752	731,245	157,688	66,893	155,660	145,463	218,388	-	2,096,244	186,873	232,882	2,515,999
Professional fees	31,469	180	1,115	207	58	58	223	50,756	-	84,066	60,491	34,171	178,728
Supplies	100,840	37,013	85,675	12,527	1,000	6,118	20,294	98,009	-	361,476	15,174	3,471	380,121
Telecommunications	15,225	188	18,984	744	94	94	644	3,053	-	39,026	4,424	953	44,403
Postage and delivery	902	-	1,675	-	-	-	-	708	-	3,285	1,950	4,346	9,581
Occupancy expenses	121,565	1,000	59,469	-	-	-	-	67,752	-	249,786	34,200	-	283,986
Equipment rental and maintenance	10,853	9,134	9,191	543	326	543	543	15,240	-	46,373	5,847	9,682	61,902
Printing and publications	507	1,807	1,799	-	-	110	339	5,405	-	9,967	4,282	26,628	40,877
Transportation and travel	28,451	11,754	24,653	918	325	1,109	4,095	26,169	-	97,474	15,264	7,207	119,945
Conferences and meetings	13,867	2,346	7,879	125	125	125	56	4,773	-	29,296	17,014	14,556	60,866
Interest	9,582	-	-	-	-	-	-	-	-	9,582	-	-	9,582
Insurance - General	25,589	7,546	18,279	412	2,580	967	967	10,995	-	67,335	12,415	-	79,750
Membership dues	7,456	7,456	15,275	-	-	-	-	1,862	-	32,049	2,045	370	34,464
Other fundraising costs	-	-	-	-	-	-	-	-	-	-	-	35,627	35,627
Bank charges and fees	44	-	17	-	-	-	-	-	-	61	1,065	-	1,126
Public relations expense	140	-	-	-	-	-	-	-	-	140	115	155	410
Grants and assistance	-	-	-	-	-	-	-	-	87,033	87,033	-	-	87,033
Depreciation	223,572	10,694	159,325	983	-	427	327	181,234	-	576,562	3,551	-	580,113
Bad debt expense	-	-	-	-	-	-	-	-	-	-	24,000	-	24,000
Other expenses	875	1,000	845	-	-	-	-	300	-	3,020	565	50	3,635
Total functional expenses	\$ 995,092	\$ 306,870	\$ 1,135,426	\$ 174,147	\$ 71,401	\$ 165,211	\$ 172,951	\$ 684,644	\$ 87,033	\$ 3,792,775	\$ 389,275	\$ 370,098	\$ 4,552,148

Union League Boys and Girls Clubs

Statement of Functional Expenses Year Ended December 31, 2015

	Program Services										Support Services			
	Club One	Pickard	Club Two	Barreto	Clemente	Juvenile Temporary Detention Center	Hammond	Stagg	Camp	Scholarship	Total	Administrative	Fundraising	Total
Salaries	\$ 391,450	\$ 45,903	\$ 241,030	\$ 607,005	\$ 127,400	\$ 44,336	\$ 118,928	\$ 124,471	\$ 166,148	\$ -	\$ 1,866,671	\$ 160,543	\$ 158,533	\$ 2,185,747
401(k) contributions	3,971	-	1,843	6,654	1,174	428	518	1,202	808	-	16,598	3,125	2,831	22,554
Other employee benefits	26,020	2,151	14,539	33,715	10,179	3,468	6,850	9,909	19,799	-	126,630	22,174	23,754	172,558
Payroll taxes	42,158	5,607	25,787	64,222	13,554	4,569	12,702	12,837	15,220	-	196,656	7,375	12,825	216,856
Total salaries and related expenses	463,599	53,661	283,199	711,596	152,307	52,801	138,998	148,419	201,975	-	2,206,555	193,217	197,943	2,597,715
Professional fees	14,656	-	873	4,993	336	150	150	336	51,568	-	73,062	55,614	20,899	149,575
Supplies	74,119	-	31,221	81,831	7,864	1,000	26,838	20,942	83,741	-	327,556	23,130	9,734	360,420
Telecommunications	14,575	-	389	14,693	500	-	130	628	3,290	-	34,205	2,877	1,244	38,326
Postage and delivery	268	-	42	777	76	-	6	20	171	-	1,360	3,509	6,611	11,480
Occupancy expenses	141,210	-	-	58,266	-	-	-	-	59,515	-	258,991	34,200	-	293,191
Equipment rental and maintenance	6,834	-	5,552	10,270	348	-	302	650	7,680	-	31,636	3,046	9,625	44,307
Printing and publications	2,604	-	824	1,329	460	-	305	380	853	-	6,755	3,027	22,010	31,792
Transportation and travel	32,234	-	11,325	16,794	230	138	957	1,483	14,026	-	77,187	14,450	9,368	101,005
Conferences and meetings	9,339	-	2,101	3,495	195	85	85	85	6,240	-	21,625	18,966	4,445	45,036
Interest	9,476	-	-	-	-	-	-	-	-	-	9,476	-	-	9,476
Insurance - General	22,309	1,862	6,586	18,145	320	1,862	573	573	13,323	-	65,553	12,210	-	77,763
Membership dues	7,108	-	6,976	13,943	60	-	-	-	1,784	-	29,871	1,031	514	31,416
Other fundraising costs	-	-	-	-	-	-	-	-	62	-	62	116	46,649	46,827
Bank charges and fees	11	-	-	-	-	-	-	-	-	-	11	9,716	-	9,728
Public relations expense	220	-	-	-	-	-	25	-	200	-	445	-	-	445
Grants and assistance	-	-	-	-	-	-	-	-	-	70,859	70,859	-	-	70,859
Depreciation	222,075	740	9,022	159,541	860	-	214	164	180,022	-	572,638	3,394	-	576,032
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	24,000	-	24,000
Other expenses	60	-	847	1,753	-	-	-	-	603	-	3,263	298	10,703	14,264
Total functional expenses	\$ 1,020,697	\$ 56,263	\$ 358,957	\$ 1,097,426	\$ 163,556	\$ 56,036	\$ 168,583	\$ 173,680	\$ 625,053	\$ 70,859	\$ 3,791,110	\$ 402,801	\$ 339,745	\$ 4,533,657

Union League Boys and Girls Clubs

Statement of Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
Cash Flows from Operating Activities		
Change in net assets	\$ 374,094	\$ 3,331,041
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	580,113	576,032
Provision for bad debts	12,266	-
Realized and change in unrealized (loss) gain from investments	(804,423)	297,345
Change in cash surrender value of life insurance	(14,135)	17,309
Donated investments	(127,898)	(160,908)
Change in fair value of beneficial interests in trusts	(151,243)	338,166
Contributions restricted for endowment	(343,632)	(120,000)
Changes in operating assets and liabilities which provided (used) cash:		
Contribution and grants receivable	3,307,029	(3,258,258)
Accrued interest receivable	1,270	(1,487)
Prepaid expenses and other assets	(18,779)	18,747
Accounts payable	(109,128)	42,805
Accrued liabilities and other assets	3,715	(56,022)
Deferred compensation and revenue	18,883	17,514
Grant advances	23,998	-
Net cash provided by operating activities	2,752,130	1,042,284
Cash Flows from Investing Activities		
Building improvement and purchase of property and equipment	(59,802)	(119,496)
Purchases of investments	(5,674,238)	(2,261,244)
Proceeds from sales and maturities of investments	2,599,322	1,388,322
Net cash used in investing activities	(3,134,718)	(992,418)
Cash Flows from Financing Activities		
Payment of annuity installments	(4,916)	(2,365)
Collections of contributions restricted - Major gifts initiative	32,335	100,673
Borrowings from line of credit	593,994	-
Repayments on line of credit	(730,446)	(53,285)
Collection of contributions restricted for endowment	343,632	120,000
Net cash provided by financing activities	234,599	165,023
Net (Decrease) Increase in Cash	(147,989)	214,889
Cash - Beginning of year	530,411	315,522
Cash - End of year	<u>\$ 382,422</u>	<u>\$ 530,411</u>
Supplemental Disclosure of Cash Flow Information - Interests paid in cash	<u>\$ 9,582</u>	<u>\$ 9,476</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Business

Union League Boys and Girls Clubs (ULBGC), located in Chicago, Illinois, is a not-for-profit corporation that provides social, educational, physical, and vocational development for boys and girls at its sites located in Chicago and its summer camp located in Salem, Wisconsin.

Note 2 - Significant Accounting Policies

Classification of Net Assets - Net assets of ULBGC are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting ULBGC's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Basis of Accounting - The accompanying financial statements of ULBGC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash - Cash consists of cash on hand and cash in banks, which at times may exceed federally insured limits. ULBGC believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2016 and 2015.

Investments - Investments are reported on the statement of financial position at fair value. Investment income, including net realized and unrealized gains (losses), is recognized on the statement of activities and changes in net assets. Realized gains and losses are determined based on specific identification of securities sold.

ULBGC's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these factors, it is reasonably possible that changes in the value of investments will occur in the near term and materially affect the amounts reported in the financial statements.

Part of investments that were classified as restricted upon request of the bank represent the collateral per line of credit agreement with BMO Harris. See Note 7 for further disclosure.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Receivables - Receivables within one year are carried at original granted amount. Contributions and grants to be received over more than one year are recorded at the present value of their estimated future cash flows. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. All government grants and contracts are expected to be collectible within one year.

Property and Equipment - Property and equipment are recorded at cost and depreciated over estimated useful lives using the straight-line method. Costs of repairs and maintenance are charged to expense as incurred.

Public Support and Revenue Recognition - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets. Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Beneficial Interests in Trusts - ULBGC was named an income beneficiary for various beneficial interests in perpetual trusts. Under the terms of the perpetual trusts, ULBGC has the irrevocable right to receive a portion of the trusts' annual net income based on the percentage of the trust allocated to ULBGC, but does not own or control the assets held in the trusts and does not have the right to distribute the trust assets. Payments from these trusts range between 12 to 100 percent of the net income generated by these trusts.

Income from all trusts is recorded at the time the payment is received. Income of \$185,733 and \$190,607 was received from these trusts during the years ended December 31, 2016 and 2015, respectively.

The interest in the trusts is stated at the estimated fair value of the assets based on the percentage of the trusts designated to ULBGC applied to the total fair value of the trusts, which is based primarily on quoted market prices of the trusts' underlying assets. ULBGC's share of the trusts' assets is included in the statement of financial position as beneficial interests in trusts and is classified as permanently restricted net assets. Change in fair value of \$151,243 and (\$338,166) was recorded in the statement of activities and changes in net assets based on the fair value measurements as of December 31, 2016 and 2015, respectively.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Life Insurance Cash Surrender Value - ULBGC is the owner of certain life insurance policies on various donors, who have named ULBGC as beneficiary.

Grant Advances - Funds received by ULBGC in advance of providing services are recorded as a liability until services are performed.

Donated Goods and Services - Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During the years ended December 31, 2016 and 2015, the organization received approximately \$51,000 and \$38,000, respectively, of goods and services.

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

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Tax Status - ULBGC is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by ULBGC and recognize a tax liability if ULBGC has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by ULBGC and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Upcoming Accounting Change - Not-for-profit Entities Financial Reporting Model - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

ULBGC, including required disclosures about the liquidity and availability of resources. The new standard is effective for ULBGC's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis.

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards (ASU) No. Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for ULBGC's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. ULBGC's primary revenue stream is not expected to be significantly impacted by the ASU.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 26, 2017, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about ULBGC's assets measured at fair value on a recurring basis at December 31, 2016 and 2015 and the valuation techniques used by ULBGC to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that ULBGC has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. ULBGC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Investments				
U.S. equity securities	\$ 7,738,049	\$ -	\$ -	\$ 7,738,049
U.S. mutual funds	2,363	-	-	2,363
U.S. money market mutual funds	-	3,721,163	-	3,721,163
Real estate investment trust	206,325	-	-	206,325
U.S. government bonds	-	15,061	-	15,061
Beneficial interests in trusts	-	-	5,438,704	5,438,704
Total investments	<u>\$ 7,946,737</u>	<u>\$ 3,736,224</u>	<u>\$ 5,438,704</u>	<u>\$ 17,121,665</u>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Investments				
U.S. equity securities	\$ 4,897,046	\$ -	\$ -	\$ 4,897,046
U.S. mutual funds	2,141	-	-	2,141
U.S. money market mutual funds	-	2,150,522	-	2,150,522
Corporate bonds	-	415,155	-	415,155
Municipal bonds	-	203,916	-	203,916
U.S. government bonds	-	6,944	-	6,944
Beneficial interests in trusts	-	-	5,287,461	5,287,461
Total investments	<u>\$ 4,899,187</u>	<u>\$ 2,776,537</u>	<u>\$ 5,287,461</u>	<u>\$ 12,963,185</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

ULBGC's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the year of the change in circumstances that caused the transfer. There were no transfers during 2016 or 2015.

Level 2 Inputs - Estimated fair values for ULBGC's money market funds, corporate bonds, municipal bonds, certificates of deposit, U.S. Treasury securities, and U.S. government bonds were based on similar investments that are traded on the secondary market as of December 31, 2016 and 2015.

Level 3 Inputs - The beneficial interests in trusts are stated at fair value, which is based on the percentage of the trusts designated to ULBGC applied to the total fair value of the trusts, which is based on quoted market prices of the underlying assets. Changes in the fair value of the underlying assets, as determined by the trustees that hold and manage these assets, are recognized in the statement of activities and changes in net assets in the period in which they occur. Valuation technique is using the trust investment statement and the significant unobservable inputs are the market value of the trust assets.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2016 and 2015 are as follows:

	Beneficial Interests in Trusts
Balance at January 1, 2016	\$ 5,287,461
Change in fair value	151,243
Balance at December 31, 2016	<u>\$ 5,438,704</u>
	Beneficial Interests in Trusts
Balance at January 1, 2015	\$ 5,625,627
Change in fair value	(338,166)
Balance at December 31, 2015	<u>\$ 5,287,461</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

ULBGC has processes in place to select the appropriate valuation technique and assess the unobservable inputs contained in the Level 3 fair value measurements. These processes include obtaining the quarterly investment statements from trustees and calculating the fair value of beneficial interests in trusts based on ULBGC's interests in trusts.

Note 4 - Investments

Investment income is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 163,349	\$ 147,428
Investment fees	<u>(64,424)</u>	<u>(57,418)</u>
Total	<u>\$ 98,925</u>	<u>\$ 90,010</u>

Note 5 - Contribution and Major Gifts Initiative Receivable

In 2011, ULBGC launched a major gifts initiative for the renovation and expansion of Club One. Contributions are recorded at fair value initially and present value thereafter. ULBGC discounted contributions due in more than one year using rates between .15 and .032 percent.

	<u>2016</u>	<u>2015</u>
Contributions	\$ 245,154	\$ 3,554,503
Major gifts initiative	<u>69,610</u>	<u>95,382</u>
Total	<u>\$ 314,764</u>	<u>\$ 3,649,885</u>
Receivable in less than one year	\$ 275,154	\$ 3,584,203
Receivable in one to four years	<u>69,610</u>	<u>101,965</u>
Subtotal	344,764	3,686,168
Less allowance for uncollectible contributions	(30,000)	(35,915)
Less allowance for net present value discount	<u>-</u>	<u>(368)</u>
Net balance	<u>\$ 314,764</u>	<u>\$ 3,649,885</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 6 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2016	2015	Depreciable Life - Years
Land and land improvements	\$ 378,890	\$ 378,890	-
Buildings and building improvements	11,666,934	11,637,328	3-30
Equipment	711,334	681,138	5-20
Furniture and fixtures	1,142,144	1,142,144	5-15
Total cost	13,899,302	13,839,500	
Less accumulated depreciation	<u>(6,011,431)</u>	<u>(5,431,318)</u>	
Net amount	<u>\$ 7,887,871</u>	<u>\$ 8,408,182</u>	

Depreciation expense was \$580,113 for 2016 and \$576,032 for 2015.

Note 7 - Line of Credit

ULBGC had a \$2,000,000 line of credit available in 2016 and 2015. On September 9, 2016, ULBGC established a line of credit with BMO Harris and borrowed on that line to pay off the Citibank line of credit on September 19, 2016. The outstanding borrowing balance was \$593,994 and \$730,446 as of December 31, 2016 and 2015, respectively. Borrowings under the BMO Harris line of credit bear interest at LIBOR plus 1.00 percent (1.77 percent as of December 31, 2016) and are secured by ULBGC's investments held with BMO Harris, which amounted to \$7,379,015 as of December 31, 2016. Borrowings under the Citibank line of credit bore interest at LIBOR plus 1.00 percent (1.20 percent as of December 31, 2015) and were secured by ULBGC's investments held with Pershing Advisors Solutions LLC, which amounted to \$4,182,689 as of December 31, 2015. In addition, ULBGC is required to meet a restrictive covenant related to additional debt. The agreement expires on June 15, 2017.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 8 - Employee Benefit Plan

As of January 1, 2013, a new plan was spun off of the Union League of Chicago's 401(k) Plan and was restated as Union League Boys and Girls Clubs Employee 401(k) savings plan. The plan covers all employees with one and more year of continuous service. The plan provides discretionary employer contributions up to 3 percent of compensation. Contributions to the plan totaled \$25,341 and \$22,553 for the years ended December 31, 2016 and 2015, respectively.

Effective August 1, 2015, ULBGC adopted a 457(b) deferred compensation plan for select employees. According to the 457(b) plan, the participants are eligible to make salary reduction contributions. The amounts will be maintained on ULBGC's books in a designated account and will remain the sole property of ULBGC and be available to satisfy the claims of all general creditors of ULBGC. The assets and corresponding liability of the 457(b) plan are recorded in the statement of financial position as investments and deferred compensation, respectively.

Note 9 - Restricted Net Assets

Temporarily restricted net assets at December 31 are restricted as follows:

	2016	2015
Purpose restrictions - Program services	\$ 1,000,937	\$ 937,226
Time and purpose - Club One renovations	69,610	115,183
Time restricted - 5304 S Avers property	140,000	140,000
Time restricted - Bequest	-	3,176,627
Total	<u>\$ 1,210,547</u>	<u>\$ 4,369,036</u>

Permanently restricted net assets at December 31 are restricted as follows:

	2016	2015
Donor-restricted endowment fund - General	\$ 1,851,747	\$ 1,695,076
Donor-restricted endowment fund - Scholarships	483,016	283,016
Donor-restricted endowment fund - Camp	74,069	74,069
Beneficial interests in trusts	5,438,704	5,287,461
Total	<u>\$ 7,847,536</u>	<u>\$ 7,339,622</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 10 - Endowment

ULBGC's endowment consists of 36 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The assets of the endowment are reported as investments and cash surrender value life insurance on the statement of financial position.

Interpretation of Relevant Law

The board of trustees of ULBGC has interpreted the 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, ULBGC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ULBGC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ULBGC 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 purpose of ULBGC 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) Other resources of ULBGC
- (7) The investment policies of ULBGC

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 39,409	\$ 2,408,832	\$ 2,448,241
Board-designated endowment funds	5,305,140	-	-	5,305,140
Total funds	<u>\$ 5,305,140</u>	<u>\$ 39,409</u>	<u>\$ 2,408,832</u>	<u>\$ 7,753,381</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 10 - Endowment (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 1,739,917	\$ 31,635	\$ 2,052,161	\$ 3,823,713
Investment return:				
Investment income	22,449	25,794	-	48,243
Change in cash surrender value	-	-	13,039	13,039
Net appreciation (realized and unrealized)	178,013	204,538	-	382,551
Total investment return	200,462	230,332	13,039	443,833
Contributions	-	-	343,632	343,632
Transfer to endowment	3,511,702	-	-	3,511,702
Appropriation of endowment assets for expenditure	(431,467)	(222,558)	-	(654,025)
Other changes - Transfers	284,526	-	-	284,526
Endowment net assets - End of year	<u>\$ 5,305,140</u>	<u>\$ 39,409</u>	<u>\$ 2,408,832</u>	<u>\$ 7,753,381</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 31,635	\$ 2,052,161	\$ 2,083,796
Board-designated endowment funds	1,739,917	-	-	1,739,917
Total funds	<u>\$ 1,739,917</u>	<u>\$ 31,635</u>	<u>\$ 2,052,161</u>	<u>\$ 3,823,713</u>

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 10 - Endowment (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 2,387,856	\$ 110,695	\$ 1,950,436	\$ 4,448,987
Investment return:				
Investment income	36,275	29,749	-	66,024
Change in cash surrender value	-	-	(18,275)	(18,275)
Net appreciation (realized and unrealized)	(102,910)	(84,395)	-	(187,305)
Total investment return	(66,635)	(54,646)	(18,275)	(139,556)
Contributions	-	-	120,000	120,000
Appropriation of endowment assets for expenditure	(506,300)	(29,414)	-	(535,714)
Other changes - Transfers	(75,004)	5,000	-	(70,004)
Endowment net assets - End of year	<u>\$ 1,739,917</u>	<u>\$ 31,635</u>	<u>\$ 2,052,161</u>	<u>\$ 3,823,713</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ULBGC to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The long-term investment objective for the endowment funds is to generate sufficient income to support its programs, while preserving the related principal. The endowment funds, as approved by the board of trustees, are invested in a manner that is intended to achieve a net return that is at least as good as a portfolio comprised of 70 percent marketable equity securities.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ULBGC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ULBGC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Union League Boys and Girls Clubs

Notes to Financial Statements December 31, 2016 and 2015

Note 10 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

ULBGC has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's fair value. Based on the long-term objectives stated above, ULBGC will only spend the endowment fund to support its programs, while preserving the related principal.

Note 11 - Related Party Transactions

All ULBGC trustees are Union League Club of Chicago members.

Union League Club of Chicago donated administrative office space to ULBGC, which is valued at approximately \$34,000 for both years ended December 31, 2016 and 2015. The amount is reported as unrestricted contribution revenue in the statement of activities and changes in net assets and included in occupancy expenses in the statement of functional expenses.