
Union League Boys and Girls Clubs

Financial Report
December 31, 2019

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Independent Auditor's Report

To the Board of Trustees
Union League Boys and Girls Clubs

Report on the Financial Statements

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, 2019 and 2018 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Union League Boys and Girls Clubs

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020 on our consideration of Union League Boys and Girls Clubs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union League Boys and Girls Clubs' internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 28, 2020

Union League Boys and Girls Clubs

Statement of Financial Position

	December 31, 2019 and 2018	
	2019	2018
Assets		
Current Assets		
Cash	\$ 281,066	\$ 425,023
Prepaid expenses and other assets	67,679	135,387
Receivables:		
Contributions - Net (Note 6)	395,994	539,053
Interest	1,196	1,196
Government grants and contracts - Net of allowance for doubtful accounts of \$21,248 in 2019 and 2018	616,734	323,420
Total current assets	1,362,669	1,424,079
Investments (Note 4)	11,334,246	9,926,124
Other Assets		
Contributions receivable - Net (Note 6)	263,249	390,875
Cash surrender value life insurance	108,513	177,816
Beneficial interests in trusts (Note 4)	5,792,504	5,080,518
Property and Equipment - Net (Note 7)	7,228,081	7,544,197
Total noncurrent assets	24,726,593	23,119,530
Total assets	\$ 26,089,262	\$ 24,543,609
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Trade	\$ 134,526	\$ 208,137
Deferred revenue	1,137	5,000
Line of credit (Note 8)	601,548	700,539
Accrued liabilities and other:		
Accrued payroll and payroll taxes	105,639	76,014
Accrued real estate taxes	5,920	5,920
Total current liabilities	848,770	995,610
Deferred Compensation Liability	111,611	77,358
Total liabilities	960,381	1,072,968
Net Assets		
Without donor restrictions:		
Undesignated	10,361,699	10,110,884
Board designated - Endowment	4,192,381	4,270,144
With donor restrictions	10,574,801	9,089,613
Total net assets	25,128,881	23,470,641
Total liabilities and net assets	\$ 26,089,262	\$ 24,543,609

Union League Boys and Girls Clubs

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 1,901,118	\$ 815,964	\$ 2,717,082	\$ 1,631,819	\$ 1,332,802	\$ 2,964,621
Government grants and contracts	1,310,905	-	1,310,905	1,224,592	-	1,224,592
Camp and membership fees	18,400	-	18,400	11,448	-	11,448
Special event revenue	218,982	-	218,982	270,053	-	270,053
Income from trusts	231,875	-	231,875	219,009	-	219,009
Net realized and unrealized gains (losses) on investments	1,521,168	442,476	1,963,644	(1,037,378)	(258,321)	(1,295,699)
Investment income - Net (Note 5)	222,481	41,815	264,296	126,605	29,134	155,739
Change in fair value of beneficial interests in trusts	-	711,986	711,986	-	(608,912)	(608,912)
Other income	46,677	-	46,677	21,094	-	21,094
Change in cash surrender value of life insurance	1,056	(70,359)	(69,303)	1,078	21,526	22,604
Net assets released from restrictions	456,694	(456,694)	-	1,348,102	(1,348,102)	-
Total revenue, gains, and other support	5,929,356	1,485,188	7,414,544	3,816,422	(831,873)	2,984,549
Expenses						
Program services:						
Club operations	3,443,131	-	3,443,131	3,827,895	-	3,827,895
Camp	547,781	-	547,781	546,626	-	546,626
Scholarships	123,617	-	123,617	79,313	-	79,313
Support services:						
Administrative	1,021,191	-	1,021,191	788,949	-	788,949
Fundraising	620,584	-	620,584	730,156	-	730,156
Total expenses	5,756,304	-	5,756,304	5,972,939	-	5,972,939
Increase (Decrease) in Net Assets	173,052	1,485,188	1,658,240	(2,156,517)	(831,873)	(2,988,390)
Net Assets - Beginning of year	14,381,028	9,089,613	23,470,641	16,537,545	9,921,486	26,459,031
Net Assets - End of year	\$ 14,554,080	\$ 10,574,801	\$ 25,128,881	\$ 14,381,028	\$ 9,089,613	\$ 23,470,641

Year Ended December 31, 2019

	Program Services											Support Services				
	Club One	Club Two	Barreto	Clemente	Juvenile Temporary Detention Center	Hammond	Stagg	Nicholson	Wentworth	TEAM Englewood	Camp	Scholarships	Total	Administrative	Fundraising	Total
Salaries	\$ 463,126	\$ 223,220	\$ 622,150	\$ 112,284	\$ 33,873	\$ 128,759	\$ 162,821	\$ 65,007	\$ 66,220	\$ 77,897	\$ 138,768	\$ -	\$ 2,094,125	\$ 542,648	\$ 199,965	\$ 2,836,738
401(k) contributions	8,136	3,646	9,296	1,372	293	2,343	407	-	-	158	2,036	-	27,687	10,758	2,629	41,074
Other employee benefits	29,912	9,404	42,100	8,972	379	2,166	10,105	638	580	1,220	11,200	-	116,676	74,828	31,431	222,935
Payroll taxes	38,500	19,565	52,015	9,563	2,926	11,250	13,508	5,906	5,970	6,727	9,661	-	175,591	32,039	16,290	223,920
Total salaries and related expenses	539,674	255,835	725,561	132,191	37,471	144,518	186,841	71,551	72,770	86,002	161,665	-	2,414,079	660,273	250,315	3,324,667
Professional fees	-	-	47,561	-	-	-	-	23,500	-	-	58,491	-	129,552	129,965	98,406	357,923
Supplies	51,519	49,789	75,797	14,510	3,258	13,440	11,937	9,288	10,740	3,757	78,161	-	322,196	16,542	29,018	367,756
Telecommunications	16,114	-	11,692	430	-	200	650	350	-	600	5,084	-	35,120	11,703	200	47,023
Postage and delivery	93	38	911	-	-	-	-	-	-	30	329	-	1,401	1,769	6,413	9,583
Occupancy expenses	119,295	-	72,429	-	-	-	-	-	-	-	63,124	-	254,848	35,508	-	290,356
Equipment rental and maintenance	21,352	10,783	14,876	72	-	72	72	72	72	-	16,011	-	63,382	28,001	17,052	108,435
Printing and publications	-	-	-	-	-	-	78	-	91	-	2,444	-	2,613	4,555	23,279	30,447
Transportation and travel	13,514	18,323	18,774	7,570	40	1,825	5,398	1,741	4,894	1,760	12,044	-	85,883	29,104	12,780	127,767
Conferences and meetings	5,514	330	1,155	255	284	155	442	309	155	625	5,108	-	14,332	38,137	21,935	74,404
Interest	24,521	-	-	-	-	-	-	-	-	-	-	-	24,521	-	-	24,521
Insurance - General	26,955	6,978	18,768	386	1,266	1,015	448	308	308	274	12,524	-	69,230	14,787	-	84,017
Membership dues	8,799	8,737	17,536	63	-	-	125	-	-	-	2,565	-	37,825	1,638	483	39,946
Other fundraising costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,734	159,734
Bank charges and fees	389	359	431	-	-	-	-	-	-	-	-	-	1,179	15,450	-	16,629
Public relations expenses and ads	-	-	-	-	-	-	-	-	-	-	-	-	-	2,042	800	2,842
Depreciation	227,671	4,270	164,939	(823)	-	427	1,003	676	724	2,599	128,916	-	530,402	2,777	-	533,179
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	24,000	-	24,000
Other expenses	110	1,110	1,162	-	-	-	327	-	325	-	1,315	-	4,349	4,940	169	9,458
Grants and assistance	-	-	-	-	-	-	-	-	-	-	-	123,617	123,617	-	-	123,617
Total functional expenses	\$ 1,055,520	\$ 356,552	\$ 1,171,592	\$ 154,654	\$ 42,319	\$ 161,652	\$ 207,321	\$ 107,795	\$ 90,079	\$ 95,647	\$ 547,781	\$ 123,617	\$ 4,114,529	\$ 1,021,191	\$ 620,584	\$ 5,756,304

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services											Support Services				
	Club One	Club Two	Barreto	Clemente	Juvenile Temporary Detention Center	Hammond	Stagg	Nicholson	Wentworth	TEAM Englewood	Camp	Scholarships	Total	Administrative	Fundraising	Total
Salaries	\$ 566,896	\$ 242,606	\$ 654,269	\$ 114,814	\$ 15,742	\$ 155,697	\$ 129,940	\$ 77,684	\$ 101,220	\$ 145,382	\$ 153,368	\$ -	\$ 2,357,618	\$ 388,529	\$ 292,780	\$ 3,038,927
401(k) contributions	5,190	1,020	7,514	1,242	49	431	49	-	-	-	1,640	-	17,135	7,431	4,723	29,289
Other employee benefits	30,316	11,483	39,681	9,118	1,299	2,898	9,340	779	1,307	7,638	15,669	-	129,528	50,865	41,996	222,389
Payroll taxes	48,164	21,386	55,483	9,786	1,451	13,762	11,115	7,157	9,291	12,260	11,798	-	201,653	21,763	22,546	245,962
Total salaries and related expenses	650,566	276,495	756,947	134,960	18,541	172,788	150,444	85,620	111,818	165,280	182,475	-	2,705,934	468,588	362,045	3,536,567
Professional fees	19,200	-	53,389	-	-	-	1,920	-	-	-	51,299	-	125,808	96,314	105,894	328,016
Supplies	115,669	38,076	86,207	7,630	6,700	5,462	15,091	12,575	10,523	23,182	96,226	-	417,341	20,773	24,522	462,636
Telecommunication	23,516	-	12,854	600	-	-	900	450	325	400	3,725	-	42,770	9,839	-	52,609
Postage and delivery	353	19	1,265	-	-	-	-	170	-	-	197	-	2,004	3,053	5,981	11,038
Occupancy expenses	129,949	-	74,914	-	-	-	-	415	382	-	66,236	-	271,896	35,100	-	306,996
Equipment rental and maintenance	28,064	9,201	6,679	733	-	733	733	3,501	3,501	-	7,054	-	60,199	26,722	6,443	93,364
Printing and publications	-	-	-	-	-	-	-	-	-	-	-	99	99	9,016	20,249	29,364
Transportation and travel	33,254	13,855	16,766	2,919	-	500	10,311	3,302	1,036	2,861	17,515	-	102,319	31,968	18,877	153,164
Conferences and meetings	8,105	984	2,794	687	-	-	1,952	540	-	-	4,716	-	19,778	32,784	14,454	67,016
Interest	15,598	-	-	-	-	-	-	-	-	-	-	-	15,598	-	-	15,598
Insurance - General	25,081	6,493	17,465	359	1,178	945	417	287	287	255	11,654	-	64,421	13,758	-	78,179
Membership dues	7,995	7,995	16,110	-	-	-	-	-	-	-	4,109	-	36,209	1,725	-	37,934
Other fundraising costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	163,823	163,823
Bank charges and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	11,907	-	11,907
Public relations expenses and ads	5,000	-	-	-	-	-	-	-	-	-	100	-	5,100	531	6,340	11,971
Depreciation	221,286	8,998	167,143	2,419	-	427	665	338	362	359	100,645	-	502,642	2,255	-	504,897
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	24,000	-	24,000
Other expenses	656	770	401	-	-	-	-	-	-	-	675	-	2,502	616	1,528	4,646
Grants and assistance	-	-	-	-	-	-	-	-	-	-	-	79,214	79,214	-	-	79,214
Total functional expenses	\$ 1,284,292	\$ 362,886	\$ 1,212,934	\$ 150,307	\$ 26,419	\$ 180,855	\$ 182,433	\$ 107,198	\$ 128,234	\$ 192,337	\$ 546,626	\$ 79,313	\$ 4,453,834	\$ 788,949	\$ 730,156	\$ 5,972,939

Union League Boys and Girls Clubs

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,658,240	\$ (2,988,390)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	533,179	504,897
Provision for bad debts	24,000	24,000
Change in realized and unrealized (gain) loss from investments	(1,963,644)	1,295,699
Change in cash surrender value life insurance	69,303	(22,604)
Donated investments	(153,084)	(159,367)
Change in fair value of beneficial interests in trusts	(711,986)	608,912
Contributions restricted for endowment	(286,376)	(35,000)
Changes in operating assets and liabilities that (used) provided cash:		
Contribution and grants receivable	(46,629)	(515,878)
Accrued interest receivable	-	(715)
Prepaid expenses and other assets	67,708	(150,720)
Accounts payable	(73,611)	(28,551)
Accrued liabilities	29,625	(3,248)
Deferred compensation	34,253	15,494
Deferred revenue	(3,863)	5,000
Net cash used in operating activities	(822,885)	(1,450,471)
Cash Flows from Investing Activities		
Building improvement and purchase of property and equipment	(217,063)	(444,310)
Purchase of investments	(824,662)	(258,720)
Proceeds from sales and maturities of investments	1,533,268	1,545,038
Net cash provided by investing activities	491,543	842,008
Cash Flows from Financing Activities		
Borrowings from line of credit	150,000	300,000
Repayments from line of credit	(248,991)	-
Collection of contribution restricted for endowment	286,376	35,000
Proceeds from distributions of beneficial interests in trusts	-	402,892
Net cash provided by financing activities	187,385	737,892
Net (Decrease) Increase in Cash	(143,957)	129,429
Cash - Beginning of year	425,023	295,594
Cash - End of year	<u><u>\$ 281,066</u></u>	<u><u>\$ 425,023</u></u>

December 31, 2019 and 2018

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, Illinois and its summer camp located in Salem, Wisconsin.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of ULBGC are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ULBGC. These net assets may be used at the discretion of ULBGC's management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ULBGC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions, unless specifically restricted by the donor or by applicable state law.

Basis of Accounting

The 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.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation relating to the following:

ULBGC previously classified \$124,528 of special event costs as a part of revenue on the 2018 statement of activities and changes in net assets. This amount has been reclassified to show as an expense to conform with the 2019 presentation. The reclassification did not result in a change to net income for the year ended December 31, 2018.

In addition, ULBGC previously classified \$6,540,173 as investments within current assets on the 2018 statement of financial position. This amount has been reclassified to long term to conform with the 2019 presentation. The reclassification did not result in a change to total assets as of December 31, 2018.

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, 2019 and 2018.

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.

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

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 8 for further disclosure.

Receivables

Receivables within one year are carried at the 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 support without donor restrictions. 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. However, if a restriction is fulfilled for an individual gift in its entirety in the same period in which the contribution is received, ULBGC reports the support as without donor restrictions.

Beneficial Interest in Perpetual Trust

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 \$231,875 and \$219,009 was received from these trusts during the years ended December 31, 2019 and 2018, 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 under net assets with donor restrictions. Change in fair value of \$711,986 and \$(608,912) was recorded in the statement of activities and changes in net assets based on the fair value measurements as of December 31, 2019 and 2018, respectively.

Life Insurance Cash Surrender Value

ULBGC is the owner of certain life insurance policies on various donors, who have named ULBGC as beneficiary.

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

Donated Services and Assets

Certain donated services and assets are recognized as support in the statement of activities and changes in net assets. The value of donated services and assets is determined based on estimated fair value. During the years ended December 31, 2019 and 2018, ULBGC received approximately \$34,000 and \$38,000, respectively, of donated goods and services.

Use of 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 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 statements of activities and changes in net assets and functional expenses. Costs are charged to program and support services on an actual basis. In addition, management has determined that allocations for certain employees' salaries should be allocated between program and support services based on the time spent in each function. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Depreciation expense is allocated based upon the physical location of the corresponding asset. 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).

Adoption of New Accounting Pronouncement

As of December 31, 2019, ULBGC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The amount and timing of revenue recognized in 2019 was not significantly impacted as a result of adopting the standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 28, 2020, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, ULBGC's operations have not been significantly impacted, but ULBGC continues to monitor the situation. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while ULBGC's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In April, 2020, ULBGC received a Paycheck Protection Program term note through its primary bank of \$617,500. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. The note structure required officials to certify certain statements that permitted ULBGC to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if ULBGC uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will require ULBGC to pay back this amount in full by October 2021, under 18 equal monthly principal installment payments beginning in November 2020, with interest at 1.00 percent. ULBGC has the right to prepay any amount outstanding at any time without penalty.

Declines in Investment Values

Subsequent to year end, ULBGC's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investment fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 3 - Liquidity

The following reflects ULBGC's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2019	2018
Cash	\$ 281,066	\$ 425,023
Contributions and interest receivable	660,439	931,124
Government grants and contracts receivable	616,734	323,420
Investments	11,222,324	9,848,766
Financial assets - At year end	12,780,563	11,528,333
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Borrowings on line of credit	601,548	700,539
Net assets with donor restrictions	4,768,244	3,824,232
Board-designated endowments	4,192,381	4,270,144
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,218,390	\$ 2,733,418

Note 3 - Liquidity (Continued)

ULBGC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. ULBGC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, ULBGC invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. Included in short-term investments are board-designated endowments. These amounts are designated and, therefore, "not available," but they could be used if needed with approval from the board.

ULBGC also realizes there could be unanticipated liquidity needs. As of December 31, 2019, ULBGC has available credit on the line of credit described in Note 8 that could be used to meet liquidity needs.

Note 4 - 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, 2019 and 2018 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.

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, 2019

	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, 2019
Investments:				
U.S. equity securities	\$ 9,727,040	\$ -	\$ -	\$ 9,727,040
U.S. mutual funds	3,556	-	-	3,556
U.S. money market mutual funds	274,032	-	-	274,032
Corporate bonds	-	1,319,406	-	1,319,406
U.S. government bonds	-	10,212	-	10,212
Beneficial interests in trusts	-	-	5,792,504	5,792,504
Total investments	\$ 10,004,628	\$ 1,329,618	\$ 5,792,504	\$ 17,126,750

December 31, 2019 and 2018

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018			
	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, 2018
Investments:				
U.S. equity securities	\$ 8,349,073	\$ -	\$ -	\$ 8,349,073
U.S. mutual funds	2,808	-	-	2,808
U.S. money market mutual funds	171,141	-	-	171,141
Corporate bonds	-	1,395,819	-	1,395,819
U.S. government bonds	-	7,283	-	7,283
Beneficial interests in trusts	-	-	5,080,518	5,080,518
Total investments	\$ 8,523,022	\$ 1,403,102	\$ 5,080,518	\$ 15,006,642

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 2019 or 2018.

Level 1 Inputs

U.S. equity securities, U.S. mutual funds and U.S. money market mutual funds - Fair values were based on quoted market prices.

Level 2 Inputs

Estimated fair values for ULBGC's corporate bonds and U.S. government bonds were based on similar investments that are traded on the secondary market as of December 31, 2019 and 2018.

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. 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.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2019 and 2018 are as follows:

	Beneficial Interests in Trusts
Balance at January 1, 2019	\$ 5,080,518
Change in fair value	711,986
Balance at December 31, 2019	\$ 5,792,504

December 31, 2019 and 2018

Note 4 - Fair Value Measurements (Continued)

	Beneficial Interests in Trusts
Balance at January 1, 2018	\$ 6,092,322
Distributions	(402,892)
Change in fair value	(608,912)
Balance at December 31, 2018	<u>\$ 5,080,518</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.

Note 5 - Investments

Investment income is composed of the following:

	2019	2018
Interest and dividends	\$ 349,655	\$ 250,819
Investment fees	(85,359)	(95,080)
Total	<u>\$ 264,296</u>	<u>\$ 155,739</u>

Note 6 - Contributions and Major Gifts Receivable

In 2017, ULBGC launched a major gifts initiative for the opening of the Great Englewood Futures site. Contributions are recorded at fair value initially and present value thereafter. ULBGC discounted contributions due in more than one year using rates between 0.15 and 0.032 percent.

	2019	2018
Contributions	\$ 611,868	\$ 882,553
Major gifts initiative	47,375	47,375
Total	659,243	929,928
Receivable in less than one year	502,427	625,607
Receivable in one to four years	263,249	390,875
Subtotal	765,676	1,016,482
Less allowance for uncollectible contributions	(102,000)	(78,000)
Less allowance for net present value discount	(4,433)	(8,554)
Net balance	<u>\$ 659,243</u>	<u>\$ 929,928</u>

December 31, 2019 and 2018

Note 7 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2019	2018	Depreciable Life - Years
Land and land improvements	\$ 831,675	\$ 429,829	-
Buildings and building improvements	11,746,621	12,040,403	3-30
Equipment	1,020,958	922,832	5-20
Furniture and fixtures	1,209,693	1,198,820	5-15
Total cost	14,808,947	14,591,884	
Less accumulated depreciation	7,580,866	7,047,687	
Net amount	<u>\$ 7,228,081</u>	<u>\$ 7,544,197</u>	

Depreciation expense was \$533,179 for 2019 and \$504,897 for 2018.

Note 8 - Line of Credit

ULBGC had a \$2,000,000 line of credit available in 2019 and 2018. The outstanding borrowing balance was \$601,548 and \$700,539 as of December 31, 2019 and 2018, respectively. Borrowings under the BMO Harris line of credit bear interest at the London Interbank Offered Rate (LIBOR) plus 1.00 percent (3.50 and 2.56 percent as of December 31, 2019 and 2018, respectively) and are secured by all of ULBGC's investments held with Harris Associates L.P. BMO Harris may withdraw funds from the investments upon default. In addition, ULBGC is required to meet a restrictive covenant related to additional debt. The agreement expires on June 15, 2020, at which point management fully expects to extend.

Note 9 - 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 or more years of continuous service. The plan provides discretionary employer contributions up to 3 percent of compensation. Contributions to the plan totaled \$41,074 and \$29,288 for the years ended December 31, 2019 and 2018, 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.

December 31, 2019 and 2018

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2019	2018
Time and purpose restrictions:		
Program services - Purpose restricted	\$ 1,834,376	\$ 1,277,191
5304 S Avers property - Time restricted	140,000	140,000
Club One renovations - Time and purpose restricted	47,375	47,375
Total	2,021,751	1,464,566
Net assets to be maintained in perpetuity:		
Donor-restricted endowment fund - General	1,963,800	1,957,444
Donor-restricted endowment fund - Scholarships	722,553	513,016
Donor-restricted endowment fund - Camp	74,193	74,069
Beneficial interest in trusts	5,792,504	5,080,518
Total	8,553,050	7,625,047
Total with donor restrictions	\$ 10,574,801	\$ 9,089,613

Note 11 - Donor-restricted and Board-designated Endowments

ULBGC's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ULBGC is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of ULBGC had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ULBGC considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. ULBGC has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, ULBGC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of ULBGC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ULBGC

Notes to Financial Statements

December 31, 2019 and 2018

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

- The investment policies of ULBGC

Endowment Net Asset Composition by Type of Fund as of December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,192,381	\$ -	\$ 4,192,381
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,760,545	2,760,545
Accumulated investment gains	-	280,112	280,112
Total	\$ 4,192,381	\$ 3,040,657	\$ 7,233,038

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 4,270,144	\$ 2,390,070	\$ 6,660,214
Investment return:			
Investment income	79,481	41,815	121,296
Change in cash surrender value	-	(70,359)	(70,359)
Net appreciation (realized and unrealized)	841,030	442,476	1,283,506
Total investment return	920,511	413,932	1,334,443
Contributions	-	286,376	286,376
Appropriation of endowment assets for expenditure	(811,435)	(49,721)	(861,156)
Other changes - Transfers	(186,839)	-	(186,839)
Endowment net assets - End of year	\$ 4,192,381	\$ 3,040,657	\$ 7,233,038

Endowment Net Asset Composition by Type of Fund as of December 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,270,144	\$ -	\$ 4,270,144
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,544,530	2,544,530
Accumulated investment losses	-	(154,460)	(154,460)
Total	\$ 4,270,144	\$ 2,390,070	\$ 6,660,214

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 6,074,600	\$ 2,590,713	\$ 8,665,313
Investment return:			
Investment income	71,688	29,134	100,822
Change in cash surrender value	-	21,526	21,526
Net depreciation (realized and unrealized)	(635,626)	(258,321)	(893,947)
Total investment return	(563,938)	(207,661)	(771,599)
Contributions	-	35,000	35,000
Appropriation of endowment assets for expenditure	(1,205,518)	(27,982)	(1,233,500)
Other changes - Transfers	(35,000)	-	(35,000)
Endowment net assets - End of year	\$ 4,270,144	\$ 2,390,070	\$ 6,660,214

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 SPMIFA requires ULBGC to retain as a fund of perpetual duration. As of December 31, 2019, there were no funds with deficiencies. As of December 31, 2018, deficiencies of this nature existed in 39 donor-restricted endowment funds, which together have an original gift value of \$2,401,031, a current fair value of \$2,181,379, and a deficiency of \$219,652. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

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 SPMIFA requires ULBGC to retain a fund of perpetual duration.

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 composed 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.

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.

December 31, 2019 and 2018

Note 12 - Related Party Transactions

All ULBGC trustees are Union League Club of Chicago members.

In-kind Donation

Union League Club of Chicago donated administrative office space to ULBGC, which is valued at approximately \$34,000 for both years ended December 31, 2019 and 2018. 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.

Accounts Receivable

At December 31, 2019 and 2018, ULBGC had accounts receivable from Union League Club of Chicago for contributions from members totaling \$79,170 and \$145,503, respectively.

Accounts Payable

At December 31, 2019 and 2018, ULBGC had accounts payable to Union League Club of Chicago for expenses incurred by ULBGC at the Union League Club of Chicago (such as parking, meeting expenses, and special event expenses) totaling \$1,898 and \$86,833, respectively.