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# Union League Boys and Girls Clubs

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**Financial Report**  
**December 31, 2017**

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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, 2017 and 2016 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, 2017 and 2016 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.

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 10, 2018 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 10, 2018

## Union League Boys and Girls Clubs

### Statement of Financial Position

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 295,594	\$ 382,422
Prepaid expenses and other assets	161	20,289
Receivables:		
Contributions - Net (Note 5)	314,012	245,154
Government grants and contracts - Net of allowance for doubtful accounts of \$21,248 in 2017 and 2016	247,602	216,342
Interest	481	2,237
Investments (Note 3)	9,783,412	9,274,129
Total current assets	10,641,262	10,140,573
<b>Other Assets</b>		
Long-term investments (Note 3)	2,488,004	2,408,832
Contributions receivable - Net (Note 5)	199,856	69,610
Cash surrender value life insurance	155,212	139,670
Beneficial interests in trusts (Note 3)	6,092,322	5,438,704
Other noncurrent assets	61,864	36,947
<b>Property and Equipment - Net (Note 6)</b>	<b>7,604,784</b>	<b>7,887,871</b>
Total noncurrent assets	16,602,042	15,981,634
Total assets	<b>\$ 27,243,304</b>	<b>\$ 26,122,207</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable - Trade	\$ 236,688	\$ 92,605
Line of credit (Note 7)	400,539	593,994
Accrued liabilities and other:		
Accrued payroll and payroll taxes	80,371	59,688
Accrued real estate taxes	4,811	4,206
Charitable gift annuity payable	-	4,840
Grant advances	-	23,998
Total current liabilities	722,409	779,331
<b>Deferred Compensation Liability</b>	<b>61,864</b>	<b>36,947</b>
Total liabilities	784,273	816,278
<b>Net Assets</b>		
Unrestricted:		
Undesignated	10,462,945	10,942,706
Board designated - Endowment	6,074,600	5,305,140
Temporarily restricted	1,341,160	1,210,547
Permanently restricted	8,580,326	7,847,536
Total net assets	26,459,031	25,305,929
Total liabilities and net assets	<b>\$ 27,243,304</b>	<b>\$ 26,122,207</b>

## Union League Boys and Girls Clubs

# Statement of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Other Support</b>								
Contributions	\$ 1,518,127	\$ 1,146,192	\$ 54,858	\$ 2,719,177	\$ 1,809,134	\$ 675,879	\$ 343,632	\$ 2,828,645
Government grants and contracts	964,866	-	-	964,866	747,662	-	-	747,662
Camp and membership fees	14,265	-	-	14,265	9,528	-	-	9,528
Special event revenue - Net of direct costs of \$116,095 and \$97,367 in 2017 and 2016, respectively	47,006	-	-	47,006	74,323	-	-	74,323
Income from trusts	175,945	-	-	175,945	185,733	-	-	185,733
Net realized and change in unrealized gains on investments	1,327,495	340,258	-	1,667,753	599,885	204,538	-	804,423
Investment income - Net (Note 4)	147,730	30,971	-	178,701	73,131	25,794	-	98,925
Change in fair value of beneficial interests in trusts	-	-	653,618	653,618	-	-	151,243	151,243
Change in cash surrender value of life insurance	1,085	-	24,314	25,399	1,096	-	13,039	14,135
Other income	27,984	-	-	27,984	11,625	-	-	11,625
Net assets released from restrictions	1,386,808	(1,386,808)	-	-	4,064,700	(4,064,700)	-	-
<b>Total revenue and other support</b>	<b>5,611,311</b>	<b>130,613</b>	<b>732,790</b>	<b>6,474,714</b>	<b>7,576,817</b>	<b>(3,158,489)</b>	<b>507,914</b>	<b>4,926,242</b>
<b>Expenses</b>								
Program services:								
Club operations	3,772,509	-	-	3,772,509	3,021,098	-	-	3,021,098
Camp operations	583,801	-	-	583,801	684,644	-	-	684,644
Scholarships	91,642	-	-	91,642	87,033	-	-	87,033
Support services:								
General administration	455,766	-	-	455,766	389,275	-	-	389,275
Fundraising	417,894	-	-	417,894	370,098	-	-	370,098
<b>Total expenses</b>	<b>5,321,612</b>	<b>-</b>	<b>-</b>	<b>5,321,612</b>	<b>4,552,148</b>	<b>-</b>	<b>-</b>	<b>4,552,148</b>
<b>Increase (Decrease) in Net Assets</b>	<b>289,699</b>	<b>130,613</b>	<b>732,790</b>	<b>1,153,102</b>	<b>3,024,669</b>	<b>(3,158,489)</b>	<b>507,914</b>	<b>374,094</b>
<b>Net Assets - Beginning of year</b>	<b>16,247,846</b>	<b>1,210,547</b>	<b>7,847,536</b>	<b>25,305,929</b>	<b>13,223,177</b>	<b>4,369,036</b>	<b>7,339,622</b>	<b>24,931,835</b>
<b>Net Assets - End of year</b>	<b>\$ 16,537,545</b>	<b>\$ 1,341,160</b>	<b>\$ 8,580,326</b>	<b>\$ 26,459,031</b>	<b>\$ 16,247,846</b>	<b>\$ 1,210,547</b>	<b>\$ 7,847,536</b>	<b>\$ 25,305,929</b>

See notes to financial statements.

# Union League Boys and Girls Clubs

## Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services											Support Services					
	Club One	Club Two	Barreto	Clemente	Juvenile Temporary Detention Center	Hammond	Stagg	Nicholson	Wentworth	TEAM		Scholarship	Total	Administrative	Fundraising	Total	Total
					Englewood					Camp							
Salaries	\$ 615,209	\$ 267,773	\$ 609,457	\$ 142,157	\$ 53,704	\$ 174,079	\$ 156,820	\$ 21,543	\$ 21,982	\$ 55,566	\$ 165,773	\$ -	\$ 2,284,063	\$ 197,870	\$ 205,299	\$ 403,169	\$ 2,687,232
401(k) contributions	4,895	1,483	7,652	1,573	522	522	1,329	-	-	-	2,017	-	19,993	5,005	2,961	7,966	27,959
Other employee benefits	22,912	11,767	27,351	11,392	4,239	11,903	12,228	34	29	8,566	17,509	-	127,930	19,955	34,887	54,842	182,772
Payroll taxes	54,430	24,109	54,454	12,570	4,536	15,341	13,512	1,675	1,808	4,543	12,985	-	199,963	7,618	15,553	23,171	223,134
<b>Total salaries and related expenses</b>	<b>697,446</b>	<b>305,132</b>	<b>698,914</b>	<b>167,692</b>	<b>63,001</b>	<b>201,845</b>	<b>183,889</b>	<b>23,252</b>	<b>23,819</b>	<b>68,675</b>	<b>198,284</b>	<b>-</b>	<b>2,631,949</b>	<b>230,448</b>	<b>258,700</b>	<b>489,148</b>	<b>3,121,097</b>
Professional fees	39,801	193	1,799	190	58	58	660	-	-	9,376	57,981	-	110,116	69,820	47,582	117,402	227,518
Supplies	91,725	43,735	132,009	14,175	3,800	17,900	25,546	8,505	13,388	20,805	77,275	-	448,863	16,045	11,198	27,243	476,106
Telecommunications	23,947	955	16,396	527	177	177	1,177	-	-	400	3,880	-	47,636	6,603	1,311	7,914	55,550
Postage and delivery	390	5	841	-	-	64	27	-	63	96	270	-	1,756	3,805	3,284	7,089	8,845
Occupancy expenses	144,756	-	65,345	-	-	-	-	-	-	-	56,771	-	266,872	34,200	-	34,200	301,072
Equipment rental and maintenance	26,392	8,235	9,938	1,046	451	1,046	1,091	-	-	-	9,819	-	58,018	(6,923)	11,673	4,750	62,768
Printing and publications	3,987	-	4,458	-	-	-	110	-	768	155	936	-	10,414	15,804	25,278	41,082	51,496
Transportation and travel	36,106	15,557	18,639	1,370	509	825	4,246	112	82	3,825	20,974	-	102,245	13,666	10,356	24,022	126,267
Conferences and meetings	12,500	5,818	7,440	1,328	1,109	1,109	1,409	-	-	102	8,050	-	38,865	18,803	10,428	29,231	68,096
Interest	12,054	-	-	-	-	-	327	-	-	-	-	-	12,381	-	-	-	12,381
Insurance - General	19,656	6,907	17,774	355	2,220	832	832	-	-	-	10,913	-	59,489	12,687	30	12,717	72,206
Membership dues	7,595	7,595	15,190	-	-	-	-	-	-	300	1,106	-	31,786	2,326	370	2,696	34,482
Other fundraising costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,740	34,740	34,740
Bank charges and fees	463	89	239	-	-	-	-	-	-	-	7	-	798	10,502	210	10,712	11,510
Public relations expense	75	-	-	-	-	-	-	-	-	-	-	-	75	45	365	410	485
Grants and assistance	-	-	-	-	-	-	-	-	-	-	-	91,642	91,642	-	-	-	91,642
Depreciation	217,852	10,878	161,591	983	-	427	-	-	-	-	136,325	-	528,056	3,303	-	3,303	531,359
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	24,314	-	24,314	24,314
Other expenses	5,026	410	345	-	-	-	-	-	-	-	1,210	-	6,991	318	2,369	2,687	9,678
<b>Total functional expenses</b>	<b>\$ 1,339,771</b>	<b>\$ 405,509</b>	<b>\$ 1,150,918</b>	<b>\$ 187,666</b>	<b>\$ 71,325</b>	<b>\$ 224,283</b>	<b>\$ 219,314</b>	<b>\$ 31,869</b>	<b>\$ 38,120</b>	<b>\$ 103,734</b>	<b>\$ 583,801</b>	<b>\$ 91,642</b>	<b>\$ 4,447,952</b>	<b>\$ 455,766</b>	<b>\$ 417,894</b>	<b>\$ 873,660</b>	<b>\$ 5,321,612</b>

## 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 Center	Hammond	Stagg	Camp	Scholarship	Total	Administrative	Fundraising	Total
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
<b>Total salaries and related expenses</b>	<b>404,155</b>	<b>216,752</b>	<b>731,245</b>	<b>157,688</b>	<b>66,893</b>	<b>155,660</b>	<b>145,463</b>	<b>218,388</b>	<b>-</b>	<b>2,096,244</b>	<b>186,873</b>	<b>232,882</b>	<b>2,515,999</b>
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
<b>Total functional expenses</b>	<b>\$ 995,092</b>	<b>\$ 306,870</b>	<b>\$ 1,135,426</b>	<b>\$ 174,147</b>	<b>\$ 71,401</b>	<b>\$ 165,211</b>	<b>\$ 172,951</b>	<b>\$ 684,644</b>	<b>\$ 87,033</b>	<b>\$ 3,792,775</b>	<b>\$ 389,275</b>	<b>\$ 370,098</b>	<b>\$ 4,552,148</b>



## Union League Boys and Girls Clubs

## Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,153,102	\$ 374,094
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	531,359	580,113
Provision for bad debts	24,000	12,266
Realized and change in unrealized gain from investments	(1,667,753)	(804,423)
Change in cash surrender value of life insurance	(15,542)	(14,135)
Donated investments	(151,469)	(127,898)
Change in fair value of beneficial interests in trusts	(653,618)	(151,243)
Contributions restricted for endowment	(54,858)	(343,632)
Changes in operating assets and liabilities which (used) provided cash:		
Contribution and grants receivable	(276,599)	3,307,029
Accrued interest receivable	1,756	1,270
Prepaid expenses and other assets	(4,789)	(18,779)
Accounts payable	144,083	(109,128)
Accrued liabilities and other assets	21,288	3,715
Deferred compensation and revenue	24,917	18,883
Grant advances	(23,998)	23,998
Net cash (used in) provided by operating activities	(948,121)	2,752,130
<b>Cash Flows from Investing Activities</b>		
Building improvement and purchase of property and equipment	(248,272)	(59,802)
Purchase of investments	(266,110)	(5,674,238)
Proceeds from sales and maturities of investments	1,496,877	2,599,322
Net cash provided by (used in) investing activities	982,495	(3,134,718)
<b>Cash Flows from Financing Activities</b>		
Payment of annuity installments	(4,840)	(4,916)
Collections of contributions restricted - Major gifts initiative	22,235	32,335
Borrowings from line of credit	100,000	593,994
Repayments on line of credit	(293,455)	(730,446)
Collection of contributions restricted for endowment	54,858	343,632
Net cash (used in) provided by financing activities	(121,202)	234,599
<b>Net Decrease in Cash</b>	(86,828)	(147,989)
<b>Cash - Beginning of year</b>	382,422	530,411
<b>Cash - End of year</b>	<u><u>\$ 295,594</u></u>	<u><u>\$ 382,422</u></u>
<b>Supplemental Disclosure of Cash Flow Information -</b>		
Interest paid in cash	\$ 8,846	\$ 9,582

**December 31, 2017 and 2016**

**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 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 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, 2017 and 2016.

***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.

***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.

**December 31, 2017 and 2016**

**Note 2 - Significant Accounting Policies (Continued)**

***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. 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 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 \$175,945 and \$185,733 was received from these trusts during the years ended December 31, 2017 and 2016, 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 \$653,618 and \$151,243 was recorded in the statement of activities and changes in net assets based on the fair value measurements as of December 31, 2017 and 2016, respectively.

***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 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, 2017 and 2016, ULBGC received approximately \$34,000 and \$51,000, 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.

December 31, 2017 and 2016

**Note 2 - Significant Accounting Policies (Continued)**

***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, 2017, 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 Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 has not yet determined which application method it will use. ULBGC's primary revenue stream is not expected to be significantly impacted by the ASU.

In August 2016, 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*. 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 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. ULBGC is currently evaluating the impact this standard will have on the financial statement, as it will likely have an impact on the way management and general administrative expenses are reported. ULBGC is currently gathering the appropriate information to implement these changes in a timely manner.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including May 10, 2018, 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, 2017 and 2016 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, 2017

	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, 2017
Investments:				
U.S. equity securities	\$ 10,479,557	\$ -	\$ -	\$ 10,479,557
U.S. mutual funds	2,960	-	-	2,960
U.S. money market mutual funds	254,300	-	-	254,300
Corporate bonds	-	1,527,463	-	1,527,463
U.S. government bonds	-	7,136	-	7,136
Beneficial interests in trusts	-	-	6,092,322	6,092,322
<b>Total investments</b>	<b>\$ 10,736,817</b>	<b>\$ 1,534,599</b>	<b>\$ 6,092,322</b>	<b>\$ 18,363,738</b>

December 31, 2017 and 2016

**Note 3 - Fair Value Measurements (Continued)**

	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	185,351	-	-	185,351
Corporate bonds	-	3,535,812	-	3,535,812
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
<b>Total investments</b>	<b>\$ 8,132,088</b>	<b>\$ 3,550,873</b>	<b>\$ 5,438,704</b>	<b>\$ 17,121,665</b>

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 2017 or 2016.

**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, 2017 and 2016.

**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. The 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, 2017 and 2016 are as follows:

	Beneficial Interests in Trusts
Balance at January 1, 2017	\$ 5,438,704
Change in fair value	653,618
Balance at December 31, 2017	<u>\$ 6,092,322</u>
	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>

December 31, 2017 and 2016

**Note 3 - Fair Value Measurements (Continued)**

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.

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 composed of the following:

	2017	2016
Interest and dividends	\$ 274,264	\$ 163,349
Investment fees	(95,563)	(64,424)
Total	<u>\$ 178,701</u>	<u>\$ 98,925</u>

**Note 5 - Contributions 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.

	2017	2016
Contributions	\$ 314,012	\$ 245,154
Major gifts initiative	45,461	69,610
Total	359,473	314,764
Receivable in less than one year	215,531	275,154
Receivable in one to four years	199,856	69,610
Subtotal	415,387	344,764
Less allowance for uncollectible contributions	(54,000)	(30,000)
Less allowance for net present value discount	(1,914)	-
Net balance	<u>\$ 359,473</u>	<u>\$ 314,764</u>

December 31, 2017 and 2016

**Note 6 - Property and Equipment**

The cost of property and equipment are summarized as follows:

	2017	2016	Depreciable Life - Years
Land and land improvements	\$ 378,890	\$ 378,890	-
Buildings and building improvements	11,677,736	11,666,934	3-30
Equipment	825,209	711,334	5-20
Furniture and fixtures	1,152,303	1,142,144	5-15
Construction in progress	113,436	-	-
Total cost	14,147,574	13,899,302	
Less accumulated depreciation	6,542,790	6,011,431	
Net amount	<u>\$ 7,604,784</u>	<u>\$ 7,887,871</u>	

Depreciation expense was \$531,359 for 2017 and \$580,113 for 2016.

As of December 31, 2017, the balance to complete commitments remaining under construction contracts is \$207,582.

**Note 7 - Line of Credit**

ULBGC had a \$2,000,000 line of credit available in 2017 and 2016. The outstanding borrowing balance was \$400,539 and \$593,994 as of December 31, 2017 and 2016, respectively. Borrowings under the BMO Harris line of credit bear interest at LIBOR plus 1.00 percent (2.56 and 1.77 percent as of December 31, 2017 and 2016, respectively) and are secured by ULBGC's investments held with BMO Harris. 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, 2018.

**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 or more years of continuous service. The plan provides discretionary employer contributions up to 3 percent of compensation. Contributions to the plan totaled \$27,958 and \$25,341 for the years ended December 31, 2017 and 2016, 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 as of December 31 are restricted as follows:

	2017	2016
Purpose restrictions - Program services	\$ 1,155,699	\$ 1,000,937
Time restricted - 5304 S Avers property	140,000	140,000
Time and purpose - Club One renovations	45,461	69,610
Total	<u>\$ 1,341,160</u>	<u>\$ 1,210,547</u>



**December 31, 2017 and 2016**

**Note 9 - Restricted Net Assets (Continued)**

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

	2017	2016
Donor-restricted endowment fund - General	\$ 1,910,919	\$ 1,851,747
Donor-restricted endowment fund - Scholarships	503,016	483,016
Donor-restricted endowment fund - Camp	74,069	74,069
Beneficial interest in trusts	6,092,322	5,438,704
Total	<u>\$ 8,580,326</u>	<u>\$ 7,847,536</u>

**Note 10 - Endowment**

ULBGC's endowment consists of 39 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:

- 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
- The investment policies of ULBGC

Notes to Financial Statements

December 31, 2017 and 2016

Note 10 - Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 102,709	\$ 2,488,004	\$ 2,590,713
Board-designated endowment funds	6,074,600	-	-	6,074,600
<b>Total funds</b>	<b>\$ 6,074,600</b>	<b>\$ 102,709</b>	<b>\$ 2,488,004</b>	<b>\$ 8,665,313</b>
Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 5,305,140	\$ 39,409	\$ 2,408,832	\$ 7,753,381
Investment return:				
Investment income	69,900	30,971	-	100,871
Change in cash surrender value	-	-	24,314	24,314
Net appreciation (realized and unrealized)	767,946	340,258	-	1,108,204
<b>Total investment return</b>	<b>837,846</b>	<b>371,229</b>	<b>24,314</b>	<b>1,233,389</b>
Contributions	-	-	54,858	54,858
Appropriation of endowment assets for expenditure	(394,580)	(307,929)	-	(702,509)
Other changes - Transfers	326,194	-	-	326,194
<b>Endowment net assets - End of year</b>	<b>\$ 6,074,600</b>	<b>\$ 102,709</b>	<b>\$ 2,488,004</b>	<b>\$ 8,665,313</b>
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
<b>Total</b>	<b>\$ 5,305,140</b>	<b>\$ 39,409</b>	<b>\$ 2,408,832</b>	<b>\$ 7,753,381</b>

**Note 10 - Endowment (Continued)**

	Changes in Endowment Net Assets for the Fiscal 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>

**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, 2017 and 2016.

**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, 2017 and 2016

**Note 11 - 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, 2017 and 2016. 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, 2017 and 2016, ULBGC had accounts receivable from Union League Club of Chicago totaling \$90,565 and \$87,011, respectively.

***Accounts Payable***

At December 31, 2017 and 2016, ULBGC had accounts payable to Union League Club of Chicago totaling \$77,292 and \$16,616, respectively.