

**ASSOCIATED COLLEGES OF
ILLINOIS, INC.**

FINANCIAL STATEMENTS

**For the Years Ended
May 31, 2020 and 2019**

**ASSOCIATED COLLEGES OF
ILLINOIS, INC.**

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

Board of Trustees
Associated Colleges of Illinois, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Associated Colleges of Illinois, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Associated Colleges of Illinois, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Desmond & Akers, Ltd

September 15, 2020
Chicago, IL

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 216,619	\$ 138,819
Investments	1,118,857	1,022,913
Accounts receivable	177,000	12,500
Prepaid expenses	9,607	9,385
Total current assets	<u>1,522,083</u>	<u>1,183,617</u>
Property and equipment	4,331	3,529
Security deposit	2,000	2,000
Perpetual in nature investments	200,000	200,000
Total Assets	<u><u>\$ 1,728,414</u></u>	<u><u>\$ 1,389,146</u></u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 181,280	\$ 26,634
Accrued payroll	6,772	6,369
Scholarships and distributions payable	445,000	413,464
Paycheck protection program	65,000	-
Deferred revenue	12,500	-
Total current liabilities	<u>710,552</u>	<u>446,467</u>
Net Assets		
Without Donor Restrictions	429,783	437,451
With Donor Restrictions		
Purpose restricted	388,079	305,228
Perpetual in nature	200,000	200,000
Total net assets	<u>1,017,862</u>	<u>942,679</u>
Total Liabilities and Net Assets	<u><u>\$ 1,728,414</u></u>	<u><u>\$ 1,389,146</u></u>

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2020

	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
<u>Public Support and Revenue</u>				
Contributions	\$ 189,125	\$ 463,800	\$ -	\$ 652,925
Member and college assessments	648,600	-	-	648,600
Corporate partnerships	32,000	-	-	32,000
Investment income, net of broker fees \$6,815	10,297	8,370	-	18,667
Special events, net of direct benefit of \$2,500	4,550	39,792	-	44,342
Net unrealized and realized investment gain	87,245	42,931	-	130,176
Miscellaneous income	10,047	-	-	10,047
Net assets released from restrictions - satisfaction of scholarship restrictions	472,042	(472,042)	-	-
Total public support and revenue	<u>1,453,906</u>	<u>82,851</u>	<u>-</u>	<u>1,536,757</u>
<u>Expenses</u>				
Program services	986,468	-	-	986,468
Management and general	235,802	-	-	235,802
Fundraising	239,304	-	-	239,304
Total expenses	<u>1,461,574</u>	<u>-</u>	<u>-</u>	<u>1,461,574</u>
Change in net assets	(7,668)	82,851	-	75,183
Net assets, beginning of year	<u>437,451</u>	<u>305,228</u>	<u>200,000</u>	<u>942,679</u>
Net assets, end of year	<u>\$ 429,783</u>	<u>\$ 388,079</u>	<u>\$ 200,000</u>	<u>\$ 1,017,862</u>

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2019

	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
<u>Public Support and Revenue</u>				
Contributions	\$ 126,306	\$ 403,159	\$ -	\$ 529,465
Member and college assessments	634,017	-	-	634,017
Corporate partnerships	41,000	-	-	41,000
Investment income, net of broker fees \$6,170	13,428	8,450	-	21,878
Special events, net of direct benefit of \$26,144	24,091	41,819	-	65,910
Net unrealized and realized investment gain	11,112	2,212	-	13,324
Miscellaneous income	1,713	-	-	1,713
Net assets released from restrictions - satisfaction of scholarship restrictions	474,755	(474,755)	-	-
Total public support and revenue	<u>1,326,422</u>	<u>(19,115)</u>	<u>-</u>	<u>1,307,307</u>
<u>Expenses</u>				
Program services	935,350	-	-	935,350
Management and general	201,071	-	-	201,071
Fundraising	304,675	-	-	304,675
Total expenses	<u>1,441,096</u>	<u>-</u>	<u>-</u>	<u>1,441,096</u>
Change in net assets	(114,674)	(19,115)	-	(133,789)
Net assets, beginning of year	<u>552,125</u>	<u>324,343</u>	<u>200,000</u>	<u>1,076,468</u>
Net assets, end of year	<u>\$ 437,451</u>	<u>\$ 305,228</u>	<u>\$ 200,000</u>	<u>\$ 942,679</u>

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2020

	Program Services			Management and General	Fundraising	Total
	Grants and Services to Member Colleges and Universities	Peer Mentoring Program	Total Program Services			
Salaries and benefits	\$ 172,844	\$ -	\$ 172,844	\$ 94,453	\$ 175,018	\$ 442,315
Consultant and professional fees	24,555	53,413	77,968	102,991	30,428	211,387
Grants to member schools	527,500	91,000	618,500	-	-	618,500
Supplies	12,736	32,055	44,791	1,883	2,562	49,236
Occupancy	10,460	-	10,460	5,231	10,460	26,151
Membership dues and subscriptions	17,532	-	17,532	1,629	4,246	23,407
Insurance	3,891	-	3,891	6,406	3,891	14,188
Conference and meetings	29,695	-	29,695	2,102	4,141	35,938
Repairs and maintenance	2,999	-	2,999	2,393	2,743	8,135
Travel and lodging	4,283	67	4,350	424	1,049	5,823
Telephone	2,486	-	2,486	1,244	2,486	6,216
Postage and delivery	192	-	192	68	461	721
Miscellaneous	760	-	760	7,863	1,819	10,442
Depreciation and amortization	-	-	-	1,615	-	1,615
Bad debt	-	-	-	7,500	-	7,500
Total Expenses	\$ 809,933	\$ 176,535	\$ 986,468	\$ 235,802	\$ 239,304	\$ 1,461,574

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2019

	Program Services			Management and General	Fundraising	Total
	Grants and Services to Member Colleges and Universities	Peer Mentoring Program	Total Program Services			
Salaries and benefits	\$ 166,583	\$ -	\$ 166,583	\$ 85,321	\$ 180,886	\$ 432,790
Consultant and professional fees	14,876	54,445	69,321	78,658	89,338	237,317
Grants to member schools	494,950	96,250	591,200	-	-	591,200
Supplies	7,934	34,100	42,034	3,177	3,127	48,338
Occupancy	10,871	-	10,871	5,575	11,429	27,875
Membership dues and subscriptions	16,432	-	16,432	1,043	3,379	20,854
Insurance	3,398	-	3,398	6,323	3,595	13,316
Conference and meetings	26,453	131	26,584	4,633	5,665	36,882
Repairs and maintenance	4,006	-	4,006	3,619	4,155	11,780
Travel and lodging	2,080	77	2,157	532	64	2,753
Telephone	2,171	-	2,171	1,113	2,282	5,566
Postage and delivery	45	-	45	225	555	825
Miscellaneous	-	548	548	7,946	200	8,694
Depreciation and amortization	-	-	-	1,681	-	1,681
Bad debt	-	-	-	1,225	-	1,225
Total Expenses	\$ 749,799	\$ 185,551	\$ 935,350	\$ 201,071	\$ 304,675	\$ 1,441,096

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 75,183	\$ (133,789)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,615	1,681
Net unrealized and realized investment gain	(130,176)	(13,324)
Increase in assets		
Accounts receivable	(164,500)	(10,775)
Prepaid expenses	(222)	(330)
Increase (decrease) in liabilities		
Accounts payable	154,646	(1,807)
Accrued payroll	403	430
Scholarships and distributions payable	31,536	813
Deferred revenue	12,500	-
Net cash provided by (used in) operating activities	<u>(19,015)</u>	<u>(157,101)</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of property and equipment	(1,790)	(4,235)
Purchases of investments	(155,216)	(387,417)
Sales of investments	188,821	442,749
Net cash provided by investing activities	<u>31,815</u>	<u>51,097</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from paycheck protection program	65,000	-
Net cash used in financing activities	<u>65,000</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	77,800	(106,004)
Cash and cash equivalents, beginning of year	138,819	244,823
Cash and cash equivalents, end of year	<u>\$ 216,619</u>	<u>\$ 138,819</u>

See independent auditor's report and notes to financial statements.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Associated Colleges of Illinois, Inc. (Association) is a not-for-profit consortium of twenty-seven independent colleges and universities in the State of Illinois. The Association was incorporated in 1952. The purpose of the Association is to work with business, government and community leaders to enhance the strength of member institutions through collective action, help solve some of society's most pressing educational problems, and increase public understanding of the value and role of the Association's colleges and universities.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, accounts payable, and other liabilities.

Basis of Presentation

The Association is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, member assessments and related expenses associated with the core activities of the Association.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Association or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Association, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Risk Concentration

Cash and cash equivalents consist of bank deposits in federally insured accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

For purposes of the statement of cash flows, all highly liquid debt instruments, if any, purchased with an original maturity of three months or less are considered to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities as increases or decreases in unrestricted net assets except for investments in the Willmott Fund, which are reported as increases or decreases in temporarily restricted net assets.

Property and Equipment

Expenditures greater than \$1,000 for property and equipment are capitalized and stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment	5 years
Technology assets	3 years

Donations of any property and equipment are recorded at their estimated fair value as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Scholarships and Distributions to Member Colleges

The Statement of Activities reflects these distributions as grants and services to member colleges for the fiscal year in which the contributions were intended by the donor. Final distributions of contributions for fiscal year ending May 31, 2020 are made to the member colleges no later than the subsequent month.

Support and Revenue

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Concentration of Revenue Risk

During the fiscal years ending May 31, 2020 and 2019, the Association received approximately 42% and 48%, respectively, of its revenue from member assessments. Any negative change in the economy may have a significant effect on future member contributions and fundraising efforts.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ending May 31, 2020 and 2019, the Association did not receive any donated services meeting the above criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Association may receive in-kind contributions from various donors. It is the policy of the Association to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. For the years ended May 31, 2020 and 2019 the Association did not receive any in-kind contributions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of time incurred reported by staff.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Income Taxes

The Association was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private Foundation under Section 509(a)(1). The tax-exempt purpose of the Association and the nature in which it operates is described in the first paragraph of Note 1. The Association continues to operate in compliance with its tax-exempt purpose. The Association's annual information returns filed with the federal and state governments are subject to examination generally for three years after they have been filed.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the date the financial statements were available to be issued. The Association has evaluated subsequent events through September 15, 2020, which is the date the statements were available to be issued. See Note 11 for subsequent event occurring after year-end.

Accounting Standards Update

During 2020, the Association adopted Accounting Standards Update ("ASU") No. 2014-09 – Revenue from Contracts with Customers, collectively "ASC 606" which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The majority of the Association's revenue comes from assessments, investments and fundraising which does not fall within the scope of ASC 606.

Note 2 – Fair Value Measurements

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Association's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Generally Accepted Accounting Principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 2 – Fair Value Measurements (cont.)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities’ relationship to other benchmark quoted securities (Level 2 inputs).

The following is a description of the valuation methodologies used for the Association’s financial instruments measured at fair value. There have been no changes in the methodologies used at May 31, 2020 and 2019.

Mutual funds: Valued at the closing priced reported on the active market on which the individual securities are traded.

Note 3 – Investments

At May 31, the Association had investments with Fair Value measurements as follows:

	<u>Fair Value Measurements at May 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 805,087	\$ -	\$ -	\$ 805,087
Exchange traded products	513,770	-	-	513,770
	<u>\$ 1,318,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,318,857</u>

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 3 – Investments (cont.)

	Fair Value Measurements at May 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 749,746	\$ -	\$ -	\$ 749,746
Bond funds	374	-	-	374
Exchange traded products	472,793	-	-	472,793
	<u>\$ 1,222,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,913</u>

The Association's cost and fair value of its investments at May 31:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 627,955	\$ 805,087	\$ 632,458	\$ 749,746
Bond funds	-	-	431	374
Exchange traded products	465,473	513,770	461,469	472,793
	<u>\$ 1,093,428</u>	<u>\$ 1,318,857</u>	<u>\$ 1,094,358</u>	<u>\$ 1,222,913</u>

As of May 31, investment income is composed as follows:

	2020	2019
Dividends	\$ 25,482	\$ 28,048
Bank and investment fees	(6,815)	(6,170)
	<u>\$ 18,667</u>	<u>\$ 21,878</u>

Note 4 – Property and Equipment

As of May 31, property and equipment consist of the following:

	2020	2019
Technology assets	\$ 29,789	\$ 27,373
Less accumulated depreciation and amortization	(25,458)	(23,844)
Property and equipment, net	<u>\$ 4,331</u>	<u>\$ 3,529</u>

Depreciation and amortization expense totaled \$1,615 and \$1,681 for the years ending May 31, 2020 and 2019, respectively.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 5 – Purpose Restricted Net Assets

Purpose restricted net assets consist of the following as of May 31:

	<u>2020</u>	<u>2019</u>
Member Services	\$ -	\$ 22,384
Peer Mentoring	37,167	77,814
Career Mentoring	15,000	-
Scholarships	91,140	15,140
Boot Camp	27,214	14,000
Willmott Endowment	217,558	175,890
	<u>\$ 388,079</u>	<u>\$ 305,228</u>

Note 6 – Retirement Plan

The Association's employees with at least one year of employment may participate in a college retirement equity fund. This fund is administered by the Teachers Insurance and Annuity Association. The fund allows for discretionary contributions from the Association based on a fixed percentage of an employee's salary. For the years ended May 31, 2020 and 2019, no discretionary contribution was made by the Association to the fund.

Note 7 – Donor Restricted Endowments

	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>
<u>2020</u>		
Donor - restricted endowment net assets	<u>\$ 217,558</u>	<u>\$ 200,000</u>
<u>2019</u>		
Donor - restricted endowment net assets	<u>\$ 175,890</u>	<u>\$ 200,000</u>

Changes in donor-restricted endowment net assets for the year ended May 31, are as follows:

	<u>2020</u>	
	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>
Endowment net assets, beginning of year	\$ 175,890	\$ 200,000
Amounts appropriated for expenditure	(9,633)	-
Investment income	8,370	-
Realized and unrealized gain on investments	42,931	-
Endowment net assets, end of year	<u>\$ 217,558</u>	<u>\$ 200,000</u>

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 7 – Donor Restricted Endowments (cont.)

	2019	
	Purpose Restricted	Perpetual in Nature
Endowment net assets, beginning of year	\$ 174,796	\$ 200,000
Amounts appropriated for expenditure	(9,568)	-
Investment income	8,450	-
Realized and unrealized loss on investments	2,212	-
Endowment net assets, end of year	<u>\$ 175,890</u>	<u>\$ 200,000</u>

In accordance with ASC 958, *"Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds"*, the following disclosures are made in these financial statements.

Net assets perpetual in nature are exclusively comprised of donor-restricted endowment funds representing investments in perpetuity. The perpetual in nature amount has been stipulated by the donor and is subject to change from time to time. This Fund's investment income is expendable to support minority leadership through scholarships under the Illinois Partnership for Minority Achievement Program. Contributions received from the donor, over and above the permanently restricted amount are also recorded as temporarily restricted until expended towards scholarship payments.

The Association has adopted an investment policy that maximizes the total return consistent with an acceptable level of risk. The investment returns are monitored from time to time by the Board and the invested assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Donor-restricted endowment net assets are invested in a well-diversified asset mix, which includes money market accounts, certificates of deposit and equity investments held by a broker.

The Board of Trustees of the Association has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Association considers the following factors in making a determination of the amount to appropriate for current operations:

ASSOCIATED COLLEGES OF ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

Note 7 – Donor Restricted Endowments (cont.)

1. The duration and preservation of the Fund
2. The purposes of the Association 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 appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

Note 8 – Lease Commitments

The Association leases office space and equipment under non-cancellable operating arrangements. These leases expire at various dates through June 2023. The future minimum lease payment under these leases are as follows for the years ending May 31:

2021	\$ 33,259
2022	6,072
2023	<u>506</u>
	<u>\$ 39,837</u>

Rental expense for these leases included in the statements of activities for the year ended May 31, 2020 and 2019 was \$32,103 and \$34,494, respectively.

Note 9 – Financial Assets and Liquidity Resources

The Association regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its operations undertaken to support those activities to be general expenditures.

The Association has \$1,335,476 and \$1,161,732 at May 31, 2020 and 2019, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents and investments. At May 31, 2020 and 2019 \$388,079 and \$305,228, respectively, of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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Note 10 – Paycheck Protection Loan

On May 1, 2020, the Association received loan proceeds in the amount of approximately \$65,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Although the Association believes they have used the proceeds for purposes consistent with the PPP, to be conservative, the Association elected to follow ASC 470 and record the loan as a liability until the Association is legally released or the loan is repaid.

Note 11 – Subsequent Event

The Association’s operations could be significantly impacted by the novel coronavirus pandemic after the Associations fiscal year end of May 31, 2020. Management is maintaining operations to the extent possible however some operations will be affected.