

**CHICAGO STATE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

**JACK ROBERTSON, CPA, PLLC
Certified Public Accountant**

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MEMBER
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chicago State Foundation
9501 S. King Drive
Chicago, IL 60628

We have audited the accompanying statement of net position of Chicago State Foundation (Foundation) as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 and where applicable, 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 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 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 are presented fairly, in all material respects, the net position of the Foundation, as of June 30, 2022, and the changes in its net positions and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 12, 2022 on our consideration of the Foundation's internal controls over financial reporting and on our tests of 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 Foundation's internal controls over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Jack Robertson

Darien, Illinois
December 12, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The purpose of this analysis is to provide an objective and easy to read analysis of the Foundation's financial activities based on currently known facts decisions, and/or conditions. The attached Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements are required by GASB (Governmental Accounting Standards Board) Statement No 35 *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. GASB Statement No 37 *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

These statements are presented in a "business-type activities" format that is a change from a "funds-group" format. The business-type activities format was developed to provide the reader with statements that could better indicate the available economic resources of the entity.

The Statement of Net Position indicates assets available for current use (current assets) and those assets to be held (noncurrent assets). This statement also indicates which liabilities are due within one year (current liabilities) and those due in a year or more (noncurrent liabilities). Net Position, located at the bottom of the statement, is grouped by those assets available for unrestricted uses, assets restricted by the donor (or outside entity) for a certain purpose which can be used for current expenditures (expendable), or are to be held (nonexpendable. i.e., endowments), and those assets which are an investment in capital assets. During this period, the Chicago State Foundation (Foundation) had a decrease in net position of \$3,072,495 as indicated on the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Net Position as of June 30, 2022 and 2021:

Assets	2022	2021
Current Assets	246,588	499,747
Non-Current Assets	7,666,008	9,752,340
Total Assets	<u>\$ 7,912,596</u>	<u>\$ 10,252,087</u>
 Liabilities & Net Position		
Current Liabilities	925,417	192,412
Long-term Liabilities	-	-
Total Liabilities	<u>925,417</u>	<u>192,412</u>
Net Position	<u>6,987,179</u>	<u>10,059,676</u>
Total Liabilities & Net Position	<u>\$ 7,912,596</u>	<u>\$ 10,252,088</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The Statement of Revenues, Expenses, and Changes in Net Position basically indicates the activity for the period and its net effect on net position. The activity from operations is shown first. As stated in the Notes to the financial statements, Operating Revenues include activities that have the characteristics of exchange transactions. In an exchange transaction both parties receive a material benefit from the transaction, such as the Foundation receiving contract payments for services. Since the primary purpose of the Foundation is to raise contributions and donations for the benefit of Chicago State University (University), most of its activity is reported in the Operating sections. Nonoperating revenues (expenses) are listed after Operating activities. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Other nonoperating revenues are defined in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as investment revenues and capital expenditures. Other revenues, expenses, gains and losses are the last grouping of transactions. This grouping indicates contributions received for capital assets (such as equipment and buildings) and additions to permanent endowments as required by GASB Statement No. 34.

Condensed Statement of Revenues, Expenses and Changes in Net Position
for the years ended June 30, 2022 and 2021:

	2022	2021
Total Operating revenues	2,497,192	1,929,325
Total Operating expenses	4,469,614	2,220,114
Operating income (loss)	\$ (1,972,422)	\$ (290,789)
-		
Total Non-operating revenues	\$ (1,129,427)	\$ 1,331,561
Income before other revenues, expenses, gains/losses	\$ (3,101,849)	\$ 1,040,773
Other revenues, (expenses), gains and (losses)	29,352	1,000,000
Increase in Net Position	\$ (3,072,497)	\$ 2,040,773
Net Position, Beginning of year	10,059,676	8,018,903
Net Position, End of year	\$ 6,987,179	\$ 10,059,676

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

During fiscal year 2022, the Foundation experienced a \$567,867 increase in operating revenues compared to fiscal year 2021. Endowment contributions of \$29,352 were received in 2022 and \$1,000,000 for fiscal year 2021. Contributions of \$29,352 and \$1,000,000 for 2022 and 2021, respectively, were reported as part of non-operating revenue on the statement of revenues, expenses, and changes in net position.

The Foundation had an increase in scholarships and donations of \$2,407,352 and recognized \$459,668 for in-kind support and expenses from the University for the fiscal year ended June 30, 2022.

The Statement of Cash Flows primary purpose is to provide relevant information about the cash receipts and cash payments of the Foundation during the period. The Foundation is required to use the direct method presentation for this statement, which indicates the cash effects categorized, by operations, noncapital financing transactions, capital and related financing transactions, and investing transactions. For the period ended June 30, 2022, the Foundation had a decrease of cash and cash equivalents in the amount of \$90,283.

FACTS, DECISIONS OR CONDITIONS AFFECTING THE FUTURE

The Board of Trustees of the University and the Board of Directors of the Foundation have entered into a master contract formalizing cooperation between the entities and authorizing the Foundation to assist the University in achieving its education, research, and service goals and responsibilities. To assist the University, the Foundation has agreed to conduct fundraising activities and to solicit charitable gifts on behalf of the University. To assist the Foundation, the University has agreed to provide facilities, services, and resources in accordance with budgets approved from time to time by the University and the Foundation.

In July 2019, the Foundation finalized a grant agreement for one million dollars for capital support to the University for a Child Care Center. The University and the Foundation agreed to provide operating funds, totaling \$700,000 payable over three fiscal years beginning with the initial year of operations. The University's and Foundation's share of operating funds provided would be \$400,000 and \$300,000, respectively, for each of the first three years of operations upon completion of the Center.

The Foundation has established a spending policy whereas the Foundation will appropriate for spending 1.5 percent of the 12-quarter average market value of each endowment fund measured as of the previous December 31, of the current fiscal year. The amounts computed will represent funds transferable from the restricted expendable fund to the unrestricted fund net position.

In August 2020, the Chicago State University's president received confirmation from an endowment donor to restructure its donor endowment agreement, the restructured agreement resulted in transferring funds from the nonexpendable net position to the restricted expendable net position of approximately \$0 and \$590,000 in fiscal year 2022 and 2021, respectively.

FINANCIAL STATEMENTS

CHICAGO STATE FOUNDATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022
With Comparative Totals as of June 30, 2021

	2022	2021
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 160,938	\$ 251,221
Cash and Cash Equivalents - Restricted	-	-
PrePaid Expenses	15,600	23,526
Other Receivables	70,050	225,000
Total Current Assets	246,588	499,747
<u>Non-Current Assets</u>		
Endowment Investments	7,644,688	9,731,021
Equipment	21,320	21,320
Total Non-Current Assets	7,666,008	9,752,340
TOTAL ASSETS	\$ 7,912,596	\$ 10,252,087
LIABILITIES AND NET POSITION		
<u>Current Liabilities</u>		
Accounts Payable	\$ 91,705	\$ 1,000
Accrued Expenses	819,953	20,716
Deferred Revenue	1,150	153,750
Capital Lease	12,609	16,945
Total Current Liabilities	925,417	192,412
Total Liabilities	925,417	192,412
<u>Net Position</u>		
Restricted for:		
Non-expendable:		
Scholarships, direct programs, and academic support	4,757,024	5,789,654
Expendable:		
Scholarships, direct programs and academic support	2,887,664	3,749,402
Unrestricted:		
Operations	(666,220)	520,620
Investment in capital assets	8,710	
Total unrestricted	(657,510)	520,620
Total Net Position	6,987,179	10,059,676
TOTAL LIABILITIES AND NET POSITION	\$ 7,912,596	\$ 10,252,087

The accompanying notes are an integral part of the financial statements

CHICAGO STATE FOUNDATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
With Comparative Totals for the year ended June 30, 2021

	2022	2021
OPERATING REVENUES		
Contributions - Unrestricted	\$ 669,740	\$ 491,738
Other operating revenue - Unrestricted	175,211	149,841
Contributions - Temporarily Restricted	1,097,943	882,092
Other operating revenue - Temporarily Restricted	94,630	(87)
CSU In-Kind Contribution	459,668	405,741
Total Operating Revenues	2,497,192	1,929,325
OPERATING EXPENSES		
University Programs and Scholarships	3,296,135	888,783
Stipends	-	6,290
Professional Fees	234,458	382,888
Donations to CSU	7,500	178,130
Software Subscription & Maintenance	45,698	52,695
Insurance	3,632	802
Supplies	4,602	18,844
Dues	-	3,290
Printing	2,059	110
Travel Expenses	-	6,000
Conferences	-	4,834
Catering and Luncheons	-	7,071
Special Events	160,435	52,996
Management Fees	235,797	196,896
Other Expenses	19,628	14,745
CSU In-Kind Expense	459,668	405,741
Total Expenses	4,469,614	2,220,114
NON OPERATING REVENUE AND (EXPENSES)		
Investment income	(1,129,427)	1,331,561
Income before other revenues, expenses, gains, and losses	(3,101,849)	1,040,773
OTHER REVENUES, (EXPENSES), GAINS, and (LOSSES)		
Endowment contribution	29,352	1,000,000
CHANGE IN NET POSITION	(3,072,497)	2,040,773
BEGINNING NET POSITION	10,059,676	8,018,903
ENDING NET POSITION	\$ 6,987,179	\$ 10,059,676

The accompanying notes are an integral part of the financial statements

CHICAGO STATE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Grants and donations	\$ 1,930,558	\$ 1,302,928
Event sales and other income	269,841	149,755
Payments to vendors, direct program expenses	19,195	(857,278)
Payments for scholarships	(3,296,134)	(895,073)
Advances to students	-	-
	<hr/>	<hr/>
Net cash used by operating activities	(1,076,540)	(299,668)
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Endowment contributions	29,352	1,000,000
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	29,352	1,000,000
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest and dividends on investments	260,650	145,013
Proceeds from sales and maturities of investments	2,158,181	5,364,115
Purchase of investments and other	(1,461,926)	(6,404,218)
	<hr/>	<hr/>
Net cash (used) provided by investing activities	956,905	(895,090)
	<hr/>	<hr/>
Net (decrease) increase in cash	(90,283)	(194,758)
	<hr/>	<hr/>
Cash and cash equivalents - beginning of the year	251,221	445,979
	<hr/>	<hr/>
Cash and cash equivalents - end of the year	\$ 160,938	\$ 251,221
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Net Operating Gains(losses) to		
Net Cash used by Operating Activities:		
Operating gains(losses)	\$ (1,972,422)	\$ (290,789)
Adjustments to reconcile net operating loss to net cash		
used by operating activities:		
Net change in assets and liabilities included in operating activities:		
Receivables	162,876	(70,902)
Accounts payable & other liabilities	733,005	62,023
Due to CSU	-	-
	<hr/>	<hr/>
Net cash provided (used) by operating activities	\$ (1,076,540)	\$ (299,668)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1 – Nature of Organization

The Chicago State Foundation, (Foundation) formerly The University Foundation at Chicago State, is an Illinois non-profit corporation, incorporated March 24, 2015, and was created for the principal purpose of aiding Chicago State University (University), State Entity 608, in achieving its instruction, research, extension, and public service objectives. The Foundation is a "University Related Organization" under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, as amended in 1997. Note 7 describe related party transactions between the Foundation and the University.

For financial reporting purposes, the Foundation is a component unit of the University, which is a component unit of the State of Illinois. The financial balances and activities included in these financial statements are also included in the University's financial statements and the State's Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are not subject to the State of Illinois appropriation process nor held in the State Treasury.

Note 2 – Significant Accounting Policies

Financial Statement Presentation

For financial reporting purposes the Foundation is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Foundation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed.

The Foundation prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements Nos. 35, 37, and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

In accordance with GASB Statement No. 20, and amended by GASB Statement No. 62, the Foundation is required to follow all applicable GASB pronouncements. In addition, the Foundation applies all applicable Financial Accounting Standards Board (FASB) Statements and

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Interpretations Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures Issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Foundation elected not to apply FASB pronouncements issued after the applicable date.

GASB Statement No. 40 *Deposit and Investment Risk Disclosures* were implemented in fiscal year 2005. In summary, GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks to which those investments are exposed. Investments exposed to credit risk, custodial credit risk, concentration of credit risk (5% of total net position), interest rate risk, and foreign currency risk must be disclosed, and the government reporting unit is required to describe their deposit or investment policies (or the lack of a policy) that relate to the risks stated above if they are subject to them.

In June 2011, GASB Issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provision of this Statement was effective for periods beginning after December 15, 2011. Additionally, Statement No. 63 renames the statement of net assets as the statement of net position. The statement of net position should report all assets deferred outflows of resources liabilities deferred Inflows of resources, and net position.

Net Position

Net position is comprised of three categories: (1) net position unrestricted, (2) net position restricted non-expendable, and (3) net position restricted expendable. Each component of net position is reported separately on the statement of net position.

Net Position - Unrestricted

Net Position - Unrestricted includes resources (unrestricted gifts and investment earnings) that are expendable for any purpose in operating the Foundation. The Foundation's Board has designated certain resources for specific expenditure purposes.

Net Position - Restricted (Nonexpendable)

Net Position - Restricted (Nonexpendable) – represents endowments which contain assets that are subject to the restrictions of donors that require that the principal of such gifts be invested in perpetuity and that only the interest and dividends be utilized. Endowment funds earned interest and dividends required to be added to the principal balance is reported as a part of the net position restricted nonexpendable.

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Net Position - Restricted (Expendable)

Net Position - Restricted (Expendable) is used to account for resources that are restricted by parties outside the University for specific current operating purposes. The endowment funds' earned interest, dividends, and realized/unrealized gains or losses that are available for scholarships and academic support, are reported in the Net Position - Restricted (Expendable).

Revenue Recognition All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions are recognized as revenue when received or when a commitment is received.

Contributions and grants received are recorded as unrestricted, restricted (expendable) or restricted (nonexpendable) revenue depending on the existence and/or nature of any donor restrictions.

Revenues are classified as Operating Revenues if they have the characteristics of exchange transactions, such as contract revenue with the University. Typically, non-operating revenues include revenues that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and by GASB Statement No. 34 which would include grants classified as non-exchange transaction, contributions, and investment income.

The Foundation includes contribution revenue and grant revenue as operating revenue, as the Foundation's primary purpose is to secure contributions and donations on behalf of the University.

Fair Value Measurement

GASB Statement No. 72, Fair Value Measurement and Application, clarified the definition of fair value for financial reporting purposes and requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. Disclosures required to be organized by type asset or liability reported at fair value.

Investments

The Foundation has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with GASB Statement No. 72.

GASB Statement No. 72 defines 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 maybe used to measure fair value:

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

- Level 2: Significant other observable inputs other than Level 1 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 an entity's own assumptions about the assumption that market participants would use in pricing an asset or liability

Investments are stated at fair value in accordance with GASB Statement No. 31. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Foundation has adopted this policy for all invested funds, whether Federal or other funds.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use.

Fixed Assets

Furniture, fixtures, and equipment are recorded at cost at the date of acquisition or fair market value at the date of the donation. These purchases or donations are then transferred to the University at their fair market value and are included as In-kinds Chicago State University on the Statement of Revenues, Expenses and Changes in Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Income Tax Status

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income. The Foundation had no unrelated business income during fiscal year 2022, and therefore, no provisions for federal or state income taxes have been made in the accompanying financial statements. Contributions made to the Foundation are deductible by donors as provided in Section 170 of the code.

Comparative Totals

Comparative totals have been presented in the accompanying basic financial statements to provide an understanding of changes in the Foundation's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized comparative totals were derived.

Administrative Fees

The Foundation generally transfers from the Expendable Restricted Funds to the Unrestricted Fund a 10% administrative fee on the Expendable Restricted Fund monetary gifts as they are received. Such fees transferred during the fiscal year 2022 amounted to \$137,910.

Note 3 - Cash and Cash Equivalents

June 30, 2022, the Foundation had cash and cash equivalents totaling \$160,938. For deposit accounts, custodial credit risk is the risk that in the event of the failure of the bank, the Foundation will not be able to recover the value of its deposits. At June 30, 2022, the Foundation did not have a deposit account with a financial institution that exceeded FDIC coverage.

The carrying amount and bank balance of the Foundation's deposits at June 30, 2022 were:

<u>Deposit Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in Bank	<u>\$160,938</u>	<u>\$195,816</u>
Total Cash & Cash Equivalents	<u>\$160,938</u>	<u>\$195,816</u>

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 4 – Investments

The carrying value (and market value) of the investment portfolio of the Foundation at June 30, 2022 is as follows:

	<u>Fair Value FY22</u>
Money Funds & Other	3,052,399
US Treasury & Agency Obligations	1,620,152
Common Stock	1,891,328
Corporate Debt Securities	1,080,809
	<u>\$ 7,644,688</u>

The following table presents trust investments measured and recorded at fair value on the Foundations Statement of Net Position as of June 30, 2022:

<u>Asset Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Funds & Other	3,052,399	-	-	3,052,399
US Treasury & Agency Obligations	1,620,152	-	-	1,620,152
Common Stock	1,891,328	-	-	1,891,328
Corporate Debt Securities	-	1,080,809	-	1,080,809
			\$	
Total Assets at Fair Value	<u>\$6,563,879</u>	<u>\$1,080,809</u>	-	<u>\$7,644,688</u>

The fair values of equity securities are based on an observable unadjusted quoted market prices in an active market. Therefore, these investments have been categorized as Level 1 in the fair value hierarchy. Concentration of credit risk is the risk of loss attributed to the magnitude of an agency's investment in a single issuer. All investments are insured or registered and held by the Foundation or its agent in the Foundation's name. The Foundation does not have a policy limiting its exposure to concentrations of credit risk.

The maturities of the debt security investment portfolio (market value) at June 30, 2022 were as follows:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>more than 10 years</u>	<u>Total</u>
Treasury Obligations	258,804	981,710	379,638	-	1,620,152
Corporate	-	474,291	606,518	-	1,080,809
Total Debt Security Investments	<u>\$ 258,804</u>	<u>\$ 1,456,001</u>	<u>\$ 986,156</u>	<u>\$ -</u>	<u>\$ 2,700,961</u>

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligation. The Foundation's statement of investment objectives and guidelines states that investments in non-convertible fixed-income securities other than short-term securities will be restricted to issues with a maximum fixed or expected average maturity of ten years and will be made primarily in (1) securities issued or guaranteed by the U.S government or its agencies (2)

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

marketable issues of non-nuclear utility companies rated at the time of purchase within the three highest grades assigned by Moody's Investor Services, Inc. (Aaa, Aa or A) or by Standard & Poor's (AAA, AA or A) and (3) bond mutual funds which invest primarily in bonds with rating of A and higher.

The Standard & Poor's and Moody's Investors Service credit rating of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2022 is as follows:

Investment Type	Credit Rating	Fair Value (nearest thousand)
Corporate debt securities	AA+	\$ -
Corporate debt securities	AA	63
Corporate debt securities	A+	258
Corporate debt securities	A-	189
Corporate debt securities	BBB+	497
Corporate debt securities	BBB	66
U.S. Treasury bonds	Not Rated	<u>1,615</u>
	Total	\$ 2,688

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Foundation does not have a policy limiting its exposure to foreign currency risks. The Foundation has no exposure to foreign currency risk (valued in U.S. dollars).

Investment returns for the year ended June 30, 2022 were as follows:

Interest and dividends		109,423
Net realized and unrealized gains		<u>(1,238,850)</u>
Total	\$	<u><u>(1,129,427)</u></u>

Note 5- Endowment

The Foundation assumes responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2022, \$7,644,688 of endowment trust funds were invested and managed by Morgan Stanley.

The Foundation Board resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be provided to the restricted expendable funds.

Gains or losses on sales of endowment investments are retained and reported as part of the net position restricted expendable. Although not required by law, it is the intent of the Foundation to maintain the corpus of both donor restricted endowment funds and endowment funds designated by the Foundation board.

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the historical value of donor restricted endowment gifts unless the donor stipulates otherwise. Nonexpendable restricted net position equal the original value of the gifts as permanent endowment.

The following is the composition of endowment trust investments at market value as of June 30, 2022:

Donor-Restricted Endowments:	
Nonexpendable	4,757,024
Expendable	2,887,664
Restricted Expendable	-
Unrestricted Expendable	(657,509)
Total	<u><u>\$ 6,987,179</u></u>

The following is a reconciliation of the endowment trust investments at June 30, 2022:

	<u>Nonexpendable</u>	<u>Expendable</u>
Beginning Balance:	\$ 5,789,655	\$ 3,749,402
Contributions	29,352	-
Investment income (loss)	(1,254,902)	268,697
Expenses	(97,988)	-
Transfers In (out)	290,907	(1,130,435)
Ending Balance:	<u><u>\$ 4,757,024</u></u>	<u><u>\$ 2,887,664</u></u>

The foundation net assets composition by type as of June 30, 2022 is as follows:

	<u>Nonexpendable</u>	<u>Expendable</u>	<u>Total</u>
Endowment Funds Donor			
Restricted Endowment Funds	4,757,024	-	4,757,024
Restricted Funds	-	2,887,664	2,887,664
Unrestricted Funds	-	(657,509)	(657,509)
Total Funds	<u><u>\$ 4,757,024</u></u>	<u><u>\$ 2,230,485</u></u>	<u><u>\$ 6,987,179</u></u>

Investment Return for the Year Ended June 30,2022 -14%

Revenue recognition in the GASB reporting model calls for pledges to endowments to be recognized when payments are received.

Based on the Foundation's spending policy adopted in September 2019, the Foundation appropriated for spending 1.5 percent of the 12-quarter average market value of each endowment fund measured as of the previous December 31 of the current fiscal year.

**CHICAGO STATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

A total of \$117,470 was appropriated during fiscal year ended June 30, 2022 to be spent in fiscal year 2022.

Note 6 – Accounts Payable and Accrued Expenses

Accounts Payables and Accrued Expenses totaled \$911,658 at June 30, 2022.

Note 7 – Related Parties

The University and Foundation under the terms of the “Memorandum of Understanding” (MOU), effective May 14, 2019, specifies the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982, as amended in 1997 by the Legislative Audit Commission. Under the terms of the MOU the Foundation is to be provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. The Foundation does not directly pay the University for these services that had a fair value of \$459,668 for the year ended June 30, 2022. The Foundation reciprocates by providing fund raising and other services benefiting the University. These services resulted in Foundation expenditures in the amount of \$4,009,945 for the year ended June 30, 2022. Included in that amount were scholarships and stipends benefiting the University and its students totaling \$3,296,135.

Note 8 – Non-Cash Transactions

Non-cash transactions have been excluded on the Statement of Cash Flows. During the year ended June 30, 2022, the Foundation’s investments experienced a net unrealized loss of \$1,129,427. The Foundation also recognized \$459,668 for in-kind support from the University for the year ended June 30, 2022.

Note 9 – Subsequent Events

Management has performed an analysis of activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through December 12, 2022.

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MEMBER
ILLINOIS C.P.A.
SOCIETY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Chicago State Foundation
Chicago, Illinois

We have audited the financial statements of Chicago State Foundation ("CSF") as of and for the year ended June 30, 2022 and have issued our report thereon dated December 12, 2022. We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered CSF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS
BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CSF's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jack Robertson

Darien, Illinois
December 12, 2022