

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)**

FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2014



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Associated Colleges of Illinois, Inc. as of May 31, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

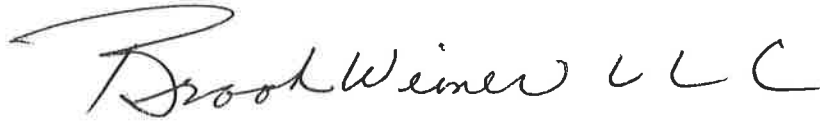
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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, 2014, 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.

A handwritten signature in cursive script that reads "Brook Weiner L.L.C." The signature is written in black ink and is positioned centrally on the page.

Chicago, Illinois
September 3, 2014

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
STATEMENT OF FINANCIAL POSITION
MAY 31, 2014**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,606,722
Investments at fair value		560,790
Accounts receivable, net		25,984
Prepaid expenses and other assets		<u>32,256</u>

Total current assets		<u>2,225,752</u>
----------------------	--	------------------

PROPERTY AND EQUIPMENT, NET

46,728

TOTAL ASSETS

\$ 2,272,480

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	57,985
Scholarships and distributions payable		<u>436,000</u>

Total current liabilities		<u>493,985</u>
---------------------------	--	----------------

NET ASSETS

Unrestricted		746,383
Temporarily restricted		832,112
Permanently restricted		<u>200,000</u>

Total net assets		<u>1,778,495</u>
------------------	--	------------------

TOTAL LIABILITIES AND NET ASSETS

\$ 2,272,480

See Accountants' Report and Notes to Financial Statements

ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
MAY 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Grants and Contributions	\$ 13,329	\$ 1,151,870	\$ -	\$ 1,165,199
Member college assessments	541,100	-	-	541,100
Net realized and unrealized gain on investments and interest income	66,086	29,818	-	95,904
Other income	98,150	-	-	98,150
Total revenue	<u>718,665</u>	<u>1,181,688</u>	<u>-</u>	<u>1,900,353</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose restrictions	<u>989,944</u>	<u>(989,944)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,708,609</u>	<u>191,744</u>	<u>-</u>	<u>1,900,353</u>
EXPENSES				
Program services:				
Grants and Services to Member Colleges and Universities	698,222	-	-	698,222
College Readiness and Completion Initiative	281,703	-	-	281,703
College to Career program	253,784	-	-	253,784
Total Program services	<u>1,233,709</u>	<u>-</u>	<u>-</u>	<u>1,233,709</u>
Administration	205,380	-	-	205,380
Fundraising	164,177	-	-	164,177
Total expenses	<u>1,603,266</u>	<u>-</u>	<u>-</u>	<u>1,603,266</u>
CHANGE IN NET ASSETS	105,343	191,744	-	297,087
NET ASSETS - BEGINNING OF YEAR	<u>641,040</u>	<u>640,368</u>	<u>200,000</u>	<u>1,481,408</u>
NET ASSETS - END OF YEAR	<u>\$ 746,383</u>	<u>\$ 832,112</u>	<u>\$ 200,000</u>	<u>\$ 1,778,495</u>

See Accountants' Report and Notes to Financial Statements

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
STATEMENT OF CASH FLOWS
MAY 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 297,087
to net cash provided in operating activities	
Depreciation	18,299
Net unrealized gain on investments	(84,780)
Changes in operating assets and liabilities	
(Increase) in accounts receivable	(12,027)
Decrease in unconditional promises to give	25,500
Decrease in prepaid expenses and other assets	13,304
Increase in accounts payable	45,095
Increase in scholarships and distributions payable	34,536
(Decrease) in other current liabilities	<u>(1,470)</u>
Net cash provided by operating activities	<u>335,544</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(26,195)
Proceeds from sale of investments	<u>48,057</u>
Net cash provided by investing activities	<u>21,862</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	357,407
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,249,315</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ <u>1,606,722</u></u>

See Accountants' Report and Notes to Financial Statements

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

NATURE OF OPERATIONS

Associated Colleges of Illinois, Inc. (the "Association") is a not-for-profit consortium of twenty-two 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations based on the recommendations of the *Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities"*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, namely, unrestricted, temporarily restricted and permanently restricted. Support that is restricted by donors as being available only in future accounting periods is reported as restricted support. Additionally, conditional promises to give or pledges, are recognized when the conditions of the promise or pledge has been substantially met by the organization.

Accounting Method

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Thus, revenue is recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash reserves held in brokerage accounts.

Unconditional Promise to Give

Unconditional promises to give are donor pledges in support of various programs undertaken by the Association. All pledges receivable are expected to be collected in accordance with the terms of the pledge agreement and are receivable in less than one year and recognized as revenue in the period received at their fair values.

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

Investments

Under ASC 958, "Investments", marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Certificates of deposit with maturities greater than three months when purchased are carried at cost, which approximates fair value. Unrealized gains and losses are included in the change in net assets in the accompanying financial statements.

Property and Equipment

Property and equipment are 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:

Auto, Office equipment	5 years
Technology assets	3 years

Donations of 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.

The Association performs a review for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. They have been no impairment in the current period under audit.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Association provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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 years ending in May are made to the member colleges by no later than the subsequent month.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Revenue

In accordance with ASC 958, "Accounting for Contributions Received and Contributions Made", grants and other contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. All donor-restricted grants and other contributions of cash and other assets are reported as an increase in temporarily restricted assets and are transferred to unrestricted net assets as the restrictions are met.

Pledged amounts, whether conditional or unconditional promises to give are perpetually reviewed by Management, on a case-by-case basis with regard to revenue recognition, collectability and, where applicable, to ensure that donor-imposed restrictions are satisfied on a timely basis.

The Association records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue. The balance in amounts drawn against government grants represents amounts received under the cost reimbursable contract that will be expended in accordance with the grant/contract period.

Earnings on endowment contributions and investments that are permanently restricted by the donor when available for distribution are recorded in temporarily restricted net assets. When purpose restrictions are accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the Statement of Activities as released from restrictions.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

In accordance with ASC 740, "Accounting for Uncertainty in Income Taxes", a tax position is recognized as a benefit only if it is more than 50% likely that the tax position would be upheld in a tax examination. No tax benefit is recorded for tax positions that are 50% or less likely to be upheld in a tax examination. No tax benefit has been recognized in the financial statements of the Association for the years ended May 31, 2014.

ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Income Taxes (continued)

The Association recognizes interest and penalties related to unrecognized tax benefits as interest and income tax expense, respectively. For the years ended May 31, 2014, the Association had no amounts accrued for interest or penalties.

The Association files tax returns in the U.S. federal jurisdiction and Illinois state jurisdiction. The Association is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2011.

Fair Value Measurements

Under ASC 820, "Fair Value Measurements", fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The Association's significant financial instruments are cash and cash equivalents, accounts receivable, unconditional promise to give, investments, accounts payable and other current assets and liabilities. The carrying values of these financial instruments recorded in the accompanying statement of financial position approximate fair value.

ASC 820 establishes a tri-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities as follows:

- Level 1 : Fair value is derived from accessible unadjusted quoted prices in active markets for identical assets or liabilities. Investments, at year end (only equity securities), have been valued using level 1 inputs.
- Level 2 : Fair value is derived from observable inputs that include: quoted market prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset or liability's life. Currently, the Association does not hold level 2 assets or liabilities.
- Level 3 : Fair value is derived from unobservable inputs, calculated by the use of pricing models and/ or discounted cash flow methodologies and, may require significant management judgment or estimation. The Association does not currently hold any Level 3 assets or liabilities.

The fair value inputs can vary between securities as they are affected by a wide variety of factors, including, the security type, market liquidity, etc. To the extent, valuation is based upon models or inputs that are less observable or unobservable, the determination of fair value requires more judgment.

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

NOTE B – NET ASSETS

The Association has three categories of net assets

Unrestricted net assets – this category includes unrestricted contributions that are free of donor-imposed restrictions. Such resources represent expendable funds available for operations under the discretionary control of the Board of Directors. Revenue is earned within the current operating cycle and matched with corresponding expenses.

Temporarily restricted net assets – this category includes contributions having donor-imposed restrictions that are removed by either the passage of time or the satisfaction of the donors intended purpose (i.e. completion of a program or the purchase of building). Assets are released and transferred to unrestricted net assets as the donor-imposed restrictions are met.

Permanently restricted net assets – this category represents contributions bearing donor-imposed restrictions that can never be removed, such as an endowment fund.

NOTE C – PROPERTY AND EQUIPMENT

As of May 31, 2014, property and equipment consist of the following

Auto	\$ 20,966
Office equipment	10,823
Technology assets	<u>128,569</u>
	160,358
Less accumulated depreciation	<u>(113,630)</u>
Property and equipment, net	\$ <u>46,728</u>

NOTE D – TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended May 31, 2014. The temporarily restricted net assets released during the year were as follows:

Purpose restrictions	
Programs	\$ 629,443
Scholarships	<u>360,501</u>
Total net assets released from restrictions	\$ <u>989,944</u>

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

NOTE E – RESTRICTIONS ON TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods

Programs	\$ 544,384
Scholarships	115,344
For subsequent years' activities	<u>172,384</u>
 Total temporarily restricted net assets	 \$ <u>832,112</u>

In accordance with Note G, the temporarily restricted portion of the donor-restricted endowment net assets of \$172,384 has been included in the amounts reflected above.

NOTE F – LEASE COMMITMENTS

During 2010, the Association executed lease for use of office space. The lease was amended during the year to extend the termination date to July 31, 2018.

The future minimum lease payment under the above lease is as follows:

2015	\$ 23,072
2016	23,649
2017	24,240
2018	<u>4,057</u>
Total	\$ <u>75,018</u>

Rent expense for the year ended May 31, 2014 was \$22,783.

NOTE G – DONOR RESTRICTED ENDOWMENTS

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.

Permanently restricted net assets are exclusively comprised of donor-restricted endowment funds representing investments in perpetuity. The permanently restricted 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. Following is the composition of donor-restricted endowment net assets as at May 31, 2014 which comprises of both temporarily restricted and permanently restricted net assets.

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

NOTE G – DONOR RESTRICTED ENDOWMENTS (CONTINUED)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment net assets	\$ <u>172,384</u>	\$ <u>200,000</u>

Changes in donor-restricted endowment net assets for the year ended May 31, 2014 is given below

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 204,066	\$ 200,000
Contributions		
Amounts appropriated for expenditure	(61,500)	-
Investment income	9,611	-
Realized and unrealized loss on Investments	<u>20,207</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>172,384</u>	\$ <u>200,000</u>

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 broker.

The Board of Directors 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 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. In accordance with UPMIFA, the Association considers the following factors in making a determination of the amount to appropriate for current operations:

- (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

**ASSOCIATED COLLEGES OF ILLINOIS, INC.
(A NOT-FOR-PROFIT ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014**

NOTE H – CONCENTRATIONS OF RISK

The Association maintains its cash in various bank accounts, which, at times, exceed federally insured limits. The cash and cash equivalents and investments held in brokerage accounts are not insured nor guaranteed by FDIC. The uninsured balances totaled approximately \$1,068,559 at May 31, 2014. Management deems the related financial institutions to be financially sound and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE I – 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 year ended May 31, 2014, no discretionary contribution was made by the Association to the fund.

NOTE J – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 3, 2014 the date the financial statements are available to be issued, as defined by FASB ASC Topic 855, "Subsequent Events".