



**METROPOLITAN PLANNING
COUNCIL**

Financial Statements
December 31, 2021 and 2020

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN PLANNING COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Metropolitan Planning Council

Opinion

We have audited the accompanying financial statements of Metropolitan Planning Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Planning Council as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metropolitan Planning Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Metropolitan Planning Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Metropolitan Planning Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metropolitan Planning Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sassetti LLC

Oak Brook, Illinois

May 25, 2022

METROPOLITAN PLANNING COUNCIL
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,758,847	\$ 3,071,295
Grants receivable	30,150	298,500
Unconditional promises to give	1,098,750	474,800
Prepaid expenses	38,354	49,739
Total Current Assets	3,926,101	3,894,334
OTHER ASSETS		
Investments	15,673,570	14,022,501
Unconditional promises to give, long-term	200,000	-
Property and equipment, net	419,664	488,110
Security deposit	23,745	23,745
Total Other Assets	16,316,979	14,534,356
Total Assets	\$ 20,243,080	\$ 18,428,690
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 46,043	\$ 71,591
Accrued expenses	189,424	254,898
Deferred rent, current portion	7,242	21,371
Total Current Liabilities	242,709	347,860
LONG-TERM LIABILITIES		
Deferred rent	195,575	165,728
Total Long-Term Liabilities	195,575	165,728
NET ASSETS		
Without donor restrictions:		
Board Designated Reserve Fund	5,954,971	5,954,971
Undesignated	6,460,147	6,018,235
With donor restrictions	7,389,678	5,941,896
Total Net Assets	19,804,796	17,915,102
Total Liabilities and Net Assets	\$ 20,243,080	\$ 18,428,690

The accompanying notes are an integral part
of the financial statements.

METROPOLITAN PLANNING COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Support						
Contributions and grants	\$ 600,948	\$ 3,879,726	\$ 4,480,674	\$ 1,037,441	\$ 2,002,952	\$ 3,040,393
Special events revenue	1,078,425	-	1,078,425	1,105,107	-	1,105,107
In-kind contributions	36,615	-	36,615	214,382	-	214,382
Net assets released from restrictions	2,967,248	(2,967,248)	-	2,826,905	(2,826,905)	-
Total revenue	<u>4,683,236</u>	<u>912,478</u>	<u>5,595,714</u>	<u>5,183,835</u>	<u>(823,953)</u>	<u>4,359,882</u>
EXPENSES						
Program services	4,388,944	-	4,388,944	4,794,294	-	4,794,294
Management and general	462,248	-	462,248	176,266	-	176,266
Fundraising	599,199	-	599,199	584,596	-	584,596
Total expenses	<u>5,450,391</u>	<u>-</u>	<u>5,450,391</u>	<u>5,555,156</u>	<u>-</u>	<u>5,555,156</u>
INVESTMENT INCOME						
Realized gain on investments, net	270,049	131,014	401,063	333,442	175,141	508,583
Unrealized gain on investments	708,744	314,494	1,023,238	522,726	397,095	919,821
Dividends and interest income	230,274	89,796	320,070	256,572	110,194	366,766
Total investment income	<u>1,209,067</u>	<u>535,304</u>	<u>1,744,371</u>	<u>1,112,740</u>	<u>682,430</u>	<u>1,795,170</u>
CHANGE IN NET ASSETS	441,912	1,447,782	1,889,694	741,419	(141,523)	599,896
NET ASSETS						
Beginning of year	<u>11,973,206</u>	<u>5,941,896</u>	<u>17,915,102</u>	<u>11,231,787</u>	<u>6,083,419</u>	<u>17,315,206</u>
End of year	<u>\$ 12,415,118</u>	<u>\$ 7,389,678</u>	<u>\$ 19,804,796</u>	<u>\$ 11,973,206</u>	<u>\$ 5,941,896</u>	<u>\$ 17,915,102</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN PLANNING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Support Services			Total Support Services	Total Expenses
	Program Services	Management and General	Fundraising		
Compensation and related expenses					
Salaries	\$ 2,139,189	\$ 124,311	\$ 360,278	\$ 484,589	\$ 2,623,778
Payroll taxes and employee benefits	432,910	27,152	58,930	86,082	518,992
	<u>2,572,099</u>	<u>151,463</u>	<u>419,208</u>	<u>570,671</u>	<u>3,142,770</u>
Communications and subscriptions	5,300	323	840	1,163	6,463
Consultants and subcontractors	1,119,828	259,602	43,188	302,790	1,422,618
Depreciation and amortization	56,126	3,422	8,898	12,320	68,446
Equipment costs	16,782	1,023	2,661	3,684	20,466
Events and meetings	25,557	6	40,712	40,718	66,275
In-kind	30,023	1,832	4,760	6,592	36,615
Miscellaneous	26,555	3,119	4,210	7,329	33,884
Office	28,706	2,022	4,545	6,567	35,273
Office insurance	25,760	1,571	4,084	5,655	31,415
Other direct project	37,142	15,196	6,199	21,395	58,537
Printing and publications	60,653	106	60	166	60,819
Professional development	25,981	1,584	4,119	5,703	31,684
Research assistants	56,019	2,731	7,100	9,831	65,850
Rent and utilities	296,451	18,076	46,998	65,074	361,525
Telephone and internet	2,821	172	447	619	3,440
Travel and meals	3,141	-	1,170	1,170	4,311
	<u>\$ 4,388,944</u>	<u>\$ 462,248</u>	<u>\$ 599,199</u>	<u>\$ 1,061,447</u>	<u>\$ 5,450,391</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN PLANNING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Support Services			Total Support Services	Total Expenses
	Program Services	Management and General	Fundraising		
Compensation and related expenses					
Salaries	\$ 2,254,555	\$ 117,561	\$ 364,727	\$ 482,288	\$ 2,736,843
Payroll taxes and employee benefits	423,171	22,535	66,497	89,032	512,203
	<u>2,677,726</u>	<u>140,096</u>	<u>431,224</u>	<u>571,320</u>	<u>3,249,046</u>
Communications and subscriptions	5,495	265	859	1,124	6,619
Consultants and subcontractors	1,224,576	4,911	38,487	43,398	1,267,974
Depreciation and amortization	60,312	2,907	9,449	12,356	72,668
Equipment costs	16,401	790	2,569	3,359	19,760
Events and meetings	16,710	164	13,225	13,389	30,099
In-kind	211,938	575	1,869	2,444	214,382
Miscellaneous	43,874	2,114	6,874	8,988	52,862
Office	29,350	1,414	4,597	6,011	35,361
Office insurance	20,767	1,001	3,257	4,258	25,025
Other direct project	18,746	3,610	5,007	8,617	27,363
Printing and publications	71,796	51	7,477	7,528	79,324
Professional development	9,555	461	1,497	1,958	11,513
Research assistants	37,661	1,815	5,897	7,712	45,373
Rent and utilities	317,784	15,315	49,773	65,088	382,872
Telephone and internet	14,430	695	2,259	2,954	17,384
Travel and business meals	17,173	82	276	358	17,531
	<u>\$ 4,794,294</u>	<u>\$ 176,266</u>	<u>\$ 584,596</u>	<u>\$ 760,862</u>	<u>\$ 5,555,156</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN PLANNING COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,889,694	\$ 599,896
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	68,446	72,668
Deferred rent	15,718	187,099
Realized gain on investments, net	(401,063)	(508,583)
Unrealized gain on investments	(1,023,238)	(919,821)
Bad debt expense	1,500	-
(Increase) decrease in operating assets -		
Grants receivable	268,350	(212,272)
Unconditional promises to give	(825,450)	640,330
Prepaid expenses	11,385	(7,407)
Increase (decrease) in operating liabilities -		
Accounts payable	(25,548)	(125,128)
Accrued expenses	(65,474)	68,576
Net Cash Used in Operating Activities	(85,680)	(204,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(90,841)
Proceeds from sale of securities	1,453,307	3,914,141
Purchases of securities	(1,680,075)	(4,313,961)
Net Cash Used in Investing Activities	(226,768)	(490,661)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(312,448)	(695,303)
CASH AND CASH EQUIVALENTS -		
Beginning of year	3,071,295	3,766,598
End of year	\$ 2,758,847	\$ 3,071,295

The accompanying notes are an integral part
of the financial statements.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Metropolitan Planning Council (the "Council") is an Illinois not-for-profit group of business and civic leaders committed to serving the public interest through the promotion and implementation of sensible planning and development policies necessary for a world-class Chicago region. The Council conducts policy analysis, outreach and advocacy in partnership with public officials and community leaders to improve equity of opportunity and quality of life throughout metropolitan Chicago. The Council receives funds from major foundations, individuals, and corporations around the Chicago metropolitan region and beyond.

Basis of Accounting - Under generally accepted accounting principles in the United States of America (U.S. GAAP), the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The net assets of the Council are reported in the two self-balancing groups as follows:

- Net Assets without Donor Restrictions: Net assets without donor restrictions are for use at the discretion of the Board of Governors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.
- Net Assets with Donor Restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Council reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Council to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Notes 9 and 10 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

Cash and Cash Equivalents - The Council considers all liquid investments purchased with a maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Cash Concentrations - The Council maintains its cash in bank deposit accounts which, at times, may exceed federal insured limits. The Council has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

Investments - Under U.S. GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives generally between 5 to 10 years. Amortization of the cost of leasehold improvements is computed on a straight-line basis over the term of the lease or the estimated service life, depending on circumstances.

Property and equipment purchases and leasehold improvements in excess of \$1,000 per item are capitalized. Purchases below \$1,000 are expensed. Additions to the reference library are expensed as incurred. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Revenue - Program income and interest earned on certain grant funds awarded to the Council must be expended within the respective program and are recognized as deferred revenue when received and recognized as revenue when earned.

Unconditional Promises to Give - Unconditional promises to give (pledges) are recognized as revenue in the period the pledge is received. Pledges are recorded at net realizable value if they are expected to be collected within one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized and recorded as a receivable only when the donor-imposed conditions are substantially met or explicitly waived, at which time the conditional promise to give becomes unconditional. The Council reviews receivables periodically for collectability and an estimated allowance for doubtful accounts is recorded, if necessary. An allowance for uncollectible promises has not been recorded as management is of the opinion that all promises will be collected.

Unconditional promises to give are expected to be realized in the following periods at December 31:

	2021	2020
Receivable in:		
Less than one year	\$ 1,098,750	\$ 474,800
One to five years	200,000	-
	<u>\$ 1,298,750</u>	<u>\$ 474,800</u>

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Donor-Restricted Gifts - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported 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, the net assets are reclassified as without donor restriction and reported as net assets released from restrictions in the statements of activities.

Contributed Goods and Services - Volunteers, business firms, government organizations, and others contribute substantial amounts of materials and services toward the fulfillment of the goals of the Council. When appropriate under accounting guidance, the Council recognizes contribution revenue and related assets or expenses for the estimated fair value of such contributed goods and services. The Council recorded the following donated services for the years ended December 31, 2021 and 2020:

	2021	2020
Legal services	\$ 36,615	\$ 14,382
Technology research and project management	-	200,000
	<u>\$ 36,615</u>	<u>\$ 214,382</u>

Functional Allocation of Expenses - The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Council are reported as expenses of that functional area. Costs that benefit multiple functional areas are allocated across program, management and general, and fundraising expenses based on functional salary expenses. Salary expenses are attributed to a functional area based on actual time and effort reported by personnel each pay period.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 Tax Status - The Council is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management believes that it did not engage in any unrelated business activities; thus, no provision for income tax has been provided for in the financial statements. The Council's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events - The Council has evaluated subsequent events through May 25, 2022, the date the financial statements were available to be issued.

Revenue Recognition - The Council generally measures exchange revenue based on the amount of consideration the Council expects to be entitled for the transfer of goods or services

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

to a customer, then recognizes this revenue when or as the Council satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Council evaluates its revenue contracts with customers (i.e. earned revenue) based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

The Council considers a contribution conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Contributed income may include gifts of cash, collection items, or promises to give. Contributions of assets other than cash are reported at their estimated fair value. Contributed income that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

The following discloses the recognition for the Council's most significant revenue streams:

- Contributions and grants: Contributions and grants are recognized when an unconditional promise to give is made (unconditional promises to give) or when conditions to recognize are met (conditional promises to give).
- Annual Meeting: Annual meeting registrations and sponsorships are recognized at a point in time when the event takes place. Registrations and sponsorships for the annual meeting are reflected in special events revenue in the statements of activities.

2. GRANTS AND CONTRACTS RECEIVABLE

At December 31, 2021 and 2020, grants and contracts receivable represent amounts due under grant agreements for services provided primarily due within one year from various contracting parties/government organizations, corporations and various other donors. All amounts are deemed to be collectible by management and no reserves have been recorded.

3. CONDITIONAL GRANTS FROM GOVERNMENTAL AGENCIES

For the year ended December 31, 2021 and 2020, the Council received conditional grants from the various government sources. The grants provide for reimbursement of subsidized projects based on costs approved by the government entity and accrued by the Council.

On June 16, 2020, the Council was awarded a grant from the State of Illinois Department of Natural Resources totaling \$35,733. During the years ending December 31, 2021 and 2020, the Council expended and recognized \$9,634 and \$15,573, respectively, of the total grant amount.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The remaining funds were recognized during the year ending December 31, 2022 once the conditions of the grant were met.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$ 342,862	\$ 342,862
Leasehold improvements	397,151	397,151
	<u>740,013</u>	<u>740,013</u>
Accumulated depreciation	<u>(320,349)</u>	<u>(251,903)</u>
	<u>\$ 419,664</u>	<u>\$ 488,110</u>

5. INVESTMENTS

Investment income consists of the following during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 320,070	\$ 366,766
Realized and unrealized gains	1,509,575	1,517,733
Less: investment fees	<u>(85,274)</u>	<u>(89,329)</u>
	<u>\$ 1,744,371</u>	<u>\$ 1,795,170</u>

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The historical cost and market value of investments at December 31, 2021 and 2020 were as follows:

	2021			2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments:						
Unrestricted						
Common stocks	\$ 2,603,528	\$ 4,387,671	\$ 1,784,143	\$ 2,360,005	\$ 3,668,178	\$ 1,308,173
Bond mutual funds	4,101,226	4,132,822	31,596	3,977,009	4,182,178	205,169
Stock mutual funds	398,731	289,651	(109,080)	357,089	245,637	(111,452)
Stock and bond mutual funds	1,473,919	2,133,261	659,342	1,443,377	1,696,433	253,056
Investments:						
Restricted for Endowment						
Common stocks	1,142,599	1,908,082	765,483	1,032,888	1,597,112	564,224
Bond mutual funds	1,742,679	1,777,216	34,537	1,688,117	1,796,446	108,329
Stock mutual funds	143,466	100,930	(42,536)	128,911	85,856	(43,055)
Stock and bond mutual funds	650,976	943,937	292,961	637,533	750,661	113,128
	<u>\$ 12,257,124</u>	<u>\$ 15,673,570</u>	<u>\$ 3,416,446</u>	<u>\$ 11,624,929</u>	<u>\$ 14,022,501</u>	<u>\$ 2,397,572</u>

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Financial Position.

6. FAIR VALUE MEASUREMENT

U.S. GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Council considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

U.S. GAAP also establish a fair value hierarchy that requires the Council to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest input that is significant to the fair value measurement.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of December 31, 2021 and 2020:

December 31, 2021	Fair Value Measurements Using Input Type			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 6,295,753	\$ -	\$ -	\$ 6,295,753
Bond mutual funds	5,910,038	-	-	5,910,038
Stock mutual funds	390,581	-	-	390,581
Stock and bond mutual funds	3,077,198	-	-	3,077,198
	<u>\$ 15,673,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,673,570</u>

December 31, 2020	Fair Value Measurements Using Input Type			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 5,265,290	\$ -	\$ -	\$ 5,265,290
Bond mutual funds	5,978,624	-	-	5,978,624
Stock mutual funds	331,493	-	-	331,493
Stock and bond mutual funds	2,447,094	-	-	2,447,094
	<u>\$ 14,022,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,022,501</u>

The Council's valuation methodology used to measure the fair values of equity, bond, real estate mutual funds, and index funds was derived from quoted market prices as all of these instruments have active markets.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

7. EMPLOYEE BENEFITS

The Council participates in a defined contribution 401(k) plan under which employees may defer a portion of their annual compensation. Employees who have reached the age of 21 and have completed at least three months of service are eligible to participate in the plan. The Council provides matching contributions on behalf of employees. Employer contributions (net of forfeitures) totaled \$49,112 and \$52,610 for the years ended December 31, 2021 and 2020, respectively. The Council does not participate in a pension plan or any other plan.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available for use at the discretion of the Board of Governors (the Board) and/or management for general operating purposes. Board Designated Reserve Fund net assets represent amounts identified by the Board which have been invested for use at management's discretion. Income earned on such balances accrue and, with approval of the Board, may be used to support the Council's activities. Designated funds may also be used for unanticipated future program expenses. During 2021, the Board approved \$317,818 for use from accumulated earnings of the Board Designated Reserves Fund. No amounts were approved for expenditures during 2020.

At December 31, 2021 and 2020, the Board Designated Reserve Fund was comprised of the following:

	2021	2020
General	\$ 5,369,378	\$ 5,369,378
Transportation Fund	53,050	53,050
King W. Harris Housing Fund	111,050	111,050
Jean Allard Fund	111,050	111,050
Fred Kramer and Laura Pollak Fisher Housing Fund	200,145	200,145
Wayfinding Fund	110,298	110,298
	<u>\$ 5,954,971</u>	<u>\$ 5,954,971</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets classified as Research, Policy, and Community Development programs are subject to expenditure for a specific purpose or period, as specified by the donors.

Net assets classified as unappropriated endowment earnings are subject to the Council's spending policy and appropriation. The principal portion of the endowment cannot be expended, and investment income earned on these net assets can be used once the assets are appropriated for expenditure.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

At December 31, 2021 and 2020, total net assets with donor restrictions were comprised of the following:

	2021	2020
General operating:		
Unappropriated endowment earnings	\$ 2,898,120	\$ 2,499,728
Research, Policy, and Community		
Development programs	2,468,804	1,419,414
Endowment	2,022,754	2,022,754
	\$ 7,389,678	\$ 5,941,896

10. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors. As of December 31, 2021 and 2020, net assets released from restrictions were as follows:

	2021	2020
Research, Policy, and Community:		
Development programs	\$ 2,830,336	\$ 2,826,905
Appropriated endowment expenditures	136,912	-
	\$ 2,967,248	\$ 2,826,905

11. ENDOWMENT

The Council's endowment consists of a single fund established to provide income for general operating purposes. As required by U.S. GAAP, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Council follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of June 2009 and its own governing documents. UPMIFA, which replaces the Uniform Management of Institutional Funds Act ("UMIFA") of 1972, eliminates the requirement of preservation of the historical dollar amount of a donor restricted endowment fund, in favor of considering the factors for prudent appropriation of spending of the endowment and would apply in the absence of donor restrictions on the donor endowment (not board designated endowments). The Council's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor restricted endowment funds and, accordingly, investment income and net appreciation is classified as temporarily restricted until the assets are appropriated for expenditure.

Investment Return Objectives, Risk Parameters and Strategies - The Council has adopted investment policies, approved by the Investment Committee of the Board, for restricted endowment assets:

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. To provide a predictable and steady cash flow to support the Council's general operations from interest and dividends without sacrificing principal.
2. To maintain the purchasing power of the current assets and all future contributions.
3. To expand the fund via investment returns and new contributions.
4. To maximize returns within reasonable and prudent levels of risk.
5. To maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.

Spending Policy - The Council has adopted a "Flexible Spending Policy" with regard to its endowment fund earnings. The Board will consider appropriating endowment fund earnings each year as part of the budgeting process and during the year should the need arise for these earnings to be utilized by the Council. During 2021, \$136,912 was appropriated from restricted endowment funds. No amounts were appropriated during 2020.

Endowment net asset composition consists of the following as of December 31, 2021 and 2020:

	2021		
	Unappropriated Endowment Earnings	Donor Restricted: Endowment	Total Endowment Assets
Donor restricted endowment funds,			
beginning of year	\$ 2,499,728	\$ 2,022,754	\$ 4,522,482
Realized gain, net of fees of \$19,868	131,014	-	131,014
Unrealized gain	314,494	-	314,494
Investment income	89,796	-	89,796
Appropriated for expenditure	(136,912)	-	(136,912)
	<u>\$ 2,898,120</u>	<u>\$ 2,022,754</u>	<u>\$ 4,920,874</u>

	2020		
	Unappropriated Endowment Earnings	Donor Restricted: Endowment	Total Endowment Assets
Donor restricted endowment funds,			
beginning of year	\$ 1,817,298	\$ 2,022,754	\$ 3,840,052
Realized gain, net of fees of \$21,505	175,141	-	175,141
Unrealized gain	397,095	-	397,095
Investment income	110,194	-	110,194
	<u>\$ 2,499,728</u>	<u>\$ 2,022,754</u>	<u>\$ 4,522,482</u>

12. LEASE COMMITMENTS

The Council's office space in Chicago is rented pursuant to a lease expiring on January 31, 2030. Monthly payments on the lease range from \$27,621 to \$34,495 over the term of the lease and are recognized on a straight-line basis. In addition, the Council is liable for its proportionate

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

share of operating expenses as defined in the lease agreement. Rent and operating expenses for the years ended December 31, 2021 and 2020 was \$361,526 and \$382,872, respectively.

The following is a schedule by year of future minimum rent payments required under the operating leases as of December 31, 2021:

2022	\$	347,527
2023		356,215
2024		365,121
2025		374,249
2026		383,605
Thereafter		<u>1,243,816</u>
	\$	<u>3,070,533</u>

13. NEW ACCOUNTING STANDARDS UPDATE

The FASB has issued ASU 2020-07, Not-for-Profit Entities (Topic 958), which clarified the current standard and requires a not-for-profit to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. The standard also requires additional disclosures. The standard is effective for the fiscal year ending December 31, 2022.

The FASB has issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Council's year ending December 31, 2022, with early application permitted.

The Council is assessing the potential impact of the new pronouncements on its operations and financial statements.

14. COVID-19 PANDEMIC UNCERTAINTIES

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. The Council cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

impact the Council. The magnitude, timing, and duration of any such potential financial impacts cannot be reasonably estimated at this time. The effects of the pandemic are expected to continue into fiscal 2022.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Council's financial assets available within one year of the statements of financial position dates for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,758,847	\$ 3,071,295
Grants and promises receivable within one year	1,128,900	773,300
Investments	<u>15,673,570</u>	<u>14,022,501</u>
Total financial assets available within one year	<u>19,561,317</u>	<u>17,867,096</u>
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(2,468,804)	(1,419,414)
Restricted by donors in perpetuity	<u>(2,022,754)</u>	<u>(2,022,754)</u>
Total financial assets unavailable for general expenditures within one year	<u>(4,491,558)</u>	<u>(3,442,168)</u>
Less: amounts unavailable to management without Board approval:		
Unappropriated endowment earnings	(2,898,120)	(2,499,728)
Board Designated Reserve Fund	<u>(5,954,971)</u>	<u>(5,954,971)</u>
Total amounts unavailable to management without Board approval	<u>(8,853,091)</u>	<u>(8,454,699)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 6,216,668</u>	<u>\$ 5,970,229</u>

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and obligations become due. The Council also has a Board Designated Reserve Fund that does not have donor restrictions. This fund, with board approval, could be made available for current operations, if necessary.