



Metropolitan Planning Council

MPC Audit & Finance Committee

AGENDA

~~Wednesday, June 7, 2023~~

Friday, June 16, 2023

Zoom:

<https://us06web.zoom.us/j/84763081644?pwd=cE4zc01sQWJ5M1FLSC81TUlvcjFOUT09>

Guests:

Accountant - Bob Rehayem

Auditing Team Sasseti LLC - Shawn Carter, Jessica Freiburg

- I. Call to Order
- II. Approval of meeting minutes from March 22, 2023
- III. 2022 Audit results and review
- IV. 2023 YTD financial performance
- V. New Business
- VI. Adjourn



Metropolitan Planning Council

MPC Audit & Finance Committee
Wednesday, March 22, 2023
9:30 AM-10:00 AM

Members in Attendance: Ramiro Atristain, Chair; Darlene Hightower, President; Bruce Taylor; Todd Brown

Guests in Attendance: Bob Rehayem, Accountant

Staff in Attendance: Gregory Gurley, COO; Shira Zisook, Operations Manager

Meeting Minutes:

I. Call to Order: 9:33am Chair Atristain

II. Approval of Minutes from November 2, 2022: Member Todd Brown moved to approve the meeting minutes. Seconded by Member Taylor.

III. 2022 Year End Financial Updates/Report (Bob Rehayem, Greg Gurley)

Rehayem presented the preliminary December 2022 Balance sheet which does not account for several end-of-year adjustments made in advance of turning financials over to auditors. which is scheduled to start March 27th.

A significant adjustment to the balance sheet moving forward that all entities must abide by is recording the new lease standard, whereby the present value of future lease payments, about \$2M, is accounted for both as an asset and an offsetting liability. This does not affect cashflow, bottom line, or total equity; it is simply a grossing up of the balance sheet. The asset and liability net each other out.

MPC's P&L statement reflects a budgeted loss and investment loss largely due to the market performance last year. Net before ESIL was better than budgeted; our budgeted loss was less than expected. Overall, there is a GAAP basis loss just under \$5M. Darlene shared that major funders are not concerned about our financial results due to market fluctuations and seem largely pleased, particularly as MPC has closed the gap of operating funds by managing expenses. MPC is doing everything it can to meet with funders and is very excited for our annual event in September.

Discussion moved to MPC's cash position. Last year and this year are not "apples to apples": Last year MPC opted to defer a spending policy transfer, still had ESIL cash on the books, and also had a lower staffing level than we do now.



Metropolitan**Planning**Council

MPC plans to take out a line of credit and the Development team is tracking funding monthly. Taylor commented that taking the transfer would be smart and endowment funds are meant to be used. Ramiro added that the cash is highly liquid.

IV. 2023 Financial Audit Schedule/Update

Documents begin going to auditors on Monday March 27th. As is customary, the preliminary audit timeline is about three months. Members will have a meeting to review a draft of the audit.

V. New Business

Taylor suggested the committee explore bidding out MPC's banking relationship, particularly to banks that support non-profits and organizations like MPC; Atristain thought it good practice for organizations to do periodically and as a former BMO Harris employee suggested our situation and organization may not be one of BMO Harris' strengths. Often putting a bank on review helps to acquire a better level of service from providers. MPC does receive some foundation support from BMO. Taylor just helped a different non-profit through this process and would happily share a template Request for Proposal. Gurley will create a strategy to solicit RFPS.

VI. Adjourn - The meeting adjourned at 10:00 AM.

METROPOLITAN PLANNING COUNCIL

Financial Statements
December 31, 2022 and 2021

PRELIMINARY DRAFT - FOR REVIEW
AND DISCUSSION PURPOSES ONLY

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN PLANNING COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 - 20

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, 2022 and 2021, 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, 2022 and 2021, 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.

Oak Brook, Illinois

May 24, 2023

METROPOLITAN PLANNING COUNCIL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,142,662	\$ 2,758,847
Grants receivable	127,561	30,150
Unconditional promises to give	300,000	1,098,750
Prepaid expenses	59,176	38,354
Total Current Assets	<u>1,629,399</u>	<u>3,926,101</u>
OTHER ASSETS		
Investments	12,991,237	15,673,570
Unconditional promises to give, long-term	100,000	200,000
Property and equipment, net	361,815	419,664
Right-of-use asset	2,367,394	-
Security deposit	23,745	23,745
Total Other Assets	<u>15,844,191</u>	<u>16,316,979</u>
Total Assets	<u>\$ 17,473,590</u>	<u>\$ 20,243,080</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 24,755	\$ 46,043
Accrued expenses	198,373	189,424
Deferred rent, current portion	-	7,242
Lease liability, current portion	319,222	-
Total Current Liabilities	<u>542,350</u>	<u>242,709</u>
LONG-TERM LIABILITIES		
Deferred rent, long-term portion	-	195,575
Lease liability, long-term portion	2,258,231	-
Total Long-Term Liabilities	<u>2,258,231</u>	<u>195,575</u>
NET ASSETS		
Without donor restrictions:		
Board Designated Reserve Fund	5,954,971	5,954,971
Undesignated	3,278,780	6,460,147
With donor restrictions	5,439,258	7,389,678
Total Net Assets	<u>14,673,009</u>	<u>19,804,796</u>
Total Liabilities and Net Assets	<u>\$ 17,473,590</u>	<u>\$ 20,243,080</u>

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

METROPOLITAN PLANNING COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Support						
Contributions and grants	\$ 771,768	\$ 1,425,968	\$ 2,197,736	\$ 600,948	\$ 3,879,726	\$ 4,480,674
Annual meeting contributions	768,730	-	768,730	1,078,425	-	1,078,425
Contributions of nonfinancial assets	36,148	-	36,148	36,615	-	36,615
Net assets released from restrictions	2,506,201	(2,506,201)	-	2,967,248	(2,967,248)	-
Total revenue	4,082,847	(1,080,233)	3,002,614	4,683,236	912,478	5,595,714
EXPENSES						
Program services	4,016,945	-	4,016,945	4,388,944	-	4,388,944
Management and general	655,461	-	655,461	462,248	-	462,248
Fundraising	563,124	-	563,124	599,199	-	599,199
Total expenses	5,235,530	-	5,235,530	5,450,391	-	5,450,391
INVESTMENT INCOME						
Realized gain (loss) on investments, net	(5,473)	6,295	822	270,049	131,014	401,063
Unrealized (loss) gain on investments	(2,251,402)	(972,092)	(3,223,494)	708,744	314,494	1,023,238
Dividends and interest income	228,191	95,610	323,801	230,274	89,796	320,070
Total investment income	(2,028,684)	(870,187)	(2,898,871)	1,209,067	535,304	1,744,371
CHANGE IN NET ASSETS	(3,181,367)	(1,950,420)	(5,131,787)	441,912	1,447,782	1,889,694
NET ASSETS						
Beginning of year	12,415,118	7,389,678	19,804,796	11,973,206	5,941,896	17,915,102
End of year	\$ 9,233,751	\$ 5,439,258	\$ 14,673,009	\$ 12,415,118	\$ 7,389,678	\$ 19,804,796

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

METROPOLITAN PLANNING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total Support Services	
Compensation and related expenses					
Salaries	\$ 1,730,010	\$ 401,570	\$ 294,481	\$ 696,051	\$ 2,426,061
Payroll taxes and employee benefits	398,127	88,923	67,076	155,999	554,126
	<u>2,128,137</u>	<u>490,493</u>	<u>361,557</u>	<u>852,050</u>	<u>2,980,187</u>
Communications and subscriptions	7,006	1,557	1,168	2,725	9,731
Consultants and subcontractors	1,207,000	58,207	56,997	115,204	1,322,204
Depreciation and amortization	47,081	10,463	7,847	18,310	65,391
Equipment costs	9,600	2,133	1,600	3,733	13,333
Events and meetings	89,193	2,409	60,854	63,263	152,456
In-kind	29,640	1,807	4,701	6,508	36,148
Miscellaneous	24,463	5,437	4,082	9,519	33,982
Office	35,903	7,975	5,981	13,956	49,859
Office insurance	26,819	5,959	4,470	10,429	37,248
Other direct project	18,993	1,784	2,996	4,780	23,773
Printing and publications	76,573	791	1,014	1,805	78,378
Professional development	15,919	3,538	2,653	6,191	22,110
Rent and utilities	276,564	61,459	46,094	107,553	384,117
Telephone and internet	6,361	1,414	1,060	2,474	8,835
Travel and meals	17,693	35	50	85	17,778
	<u>\$ 4,016,945</u>	<u>\$ 655,461</u>	<u>\$ 563,124</u>	<u>\$ 1,218,585</u>	<u>\$ 5,235,530</u>

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

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

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total Support Services	
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 business 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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,131,787)	\$ 1,889,694
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	65,391	68,446
Deferred rent	-	15,718
Noncash lease expense	354,769	-
Realized gain on investments, net	(822)	(401,063)
Unrealized gain on investments	3,223,494	(1,023,238)
Bad debt expense	-	1,500
(Increase) decrease in operating assets -		
Grants receivable	(97,411)	268,350
Unconditional promises to give	898,750	(825,450)
Prepaid expenses	(20,822)	11,385
Increase (decrease) in operating liabilities -		
Accounts payable	(21,288)	(25,548)
Accrued expenses	8,949	(65,474)
Lease liability	(347,527)	-
Net Cash Used in Operating Activities	(1,068,304)	(85,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,542)	-
Proceeds from sale of securities	1,330,381	1,453,307
Purchases of securities	(1,870,720)	(1,680,075)
Net Cash Used in Investing Activities	(547,881)	(226,768)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,616,185)	(312,448)
CASH AND CASH EQUIVALENTS -		
Beginning of year	2,758,847	3,071,295
End of year	\$ 1,142,662	\$ 2,758,847
Supplemental disclosure of non-cash operating activities:		
Right-of-use assets obtained in exchange for new operating lease liability:	\$ 2,883,172	-

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

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 10 through 12 for more information on the composition of net assets with donor restrictions (including endowments) 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, 2022 AND 2021

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:

	2022	2021
Receivable in:		
Less than one year	\$ 300,000	\$ 1,098,750
One to five years	100,000	200,000
	<u>\$ 400,000</u>	<u>\$ 1,298,750</u>

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 Nonfinancial Assets - Volunteers, business firms, government organizations, and others contribute substantial amounts of materials and services toward the fulfillment of the goals of the Council. Contributions of donated nonfinancial assets are recorded at their fair values, and contributions of donated services that create or enhance nonfinancial assets or those that require specialized skills which would normally be purchased by the Council if not provided by donation are recorded at their fair market value in the period received.

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 24, 2023, 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 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)

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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.

Adopted Accounting Pronouncements - 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 pronouncement further requires disclosures on how the contributed nonfinancial assets were used, and on the valuation methodology utilized by the entity to arrive at its fair value. The Council adopted the pronouncement as of January 1, 2022, and has adjusted the presentation of the financial statements accordingly.

The FASB has issued ASU No. 2016-02, Leases (Topic 842), which supersedes previous 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 Council adopted the pronouncement as of January 1, 2022. Commencing on this date, all leases that have terms exceeding 12 months will now be required to be recorded on the statement of financial position as right-of-use assets, accompanied by liabilities for the present value of the lease payments that we are obligated to make in order to obtain control of the leased assets for the duration of each lease term.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Lease-related expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is classified as an operating lease or a finance lease. Total lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that we are reasonably certain to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of the amendments is reflected retrospectively as of January 1, 2022. As a result of implementation, the statement of financial position includes additional lease asset and liability of \$2,883,172 as of January 1, 2022. To ease the burden of implementation, the Council has elected an available package of practical expedients permitted under the transition guidance included in the amended U.S. GAAP that permits us to carry forward the historical lease identification, classification, and initial direct costs associated with our pre-existing lease.

2. GRANTS AND CONTRACTS RECEIVABLE

At December 31, 2022 and 2021, 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 years ended December 31, 2022 and 2021, 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.

During 2022, the Council was awarded a grant from the City of Chicago Department of Housing totaling \$90,000 in committed funds, for which the Council expended and recognized during the year as the conditions of the grant were met.

Additional reimbursements recognized from other grants as a result meeting specified conditions during the years ended December 31, 2022 and 2021 were \$33,262 and \$34,861, respectively.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

4. PROPERTY AND EQUIPMENT

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

	2022	2021
Furniture, fixtures, and equipment	\$ 350,405	\$ 342,862
Leasehold improvements	397,151	397,151
	747,556	740,013
Accumulated depreciation	(385,741)	(320,349)
	<u>\$ 361,815</u>	<u>\$ 419,664</u>

5. INVESTMENTS

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

	2022	2021
Interest and dividend income	\$ 323,801	\$ 320,070
Realized and unrealized (loss) gain	(3,141,648)	1,509,575
Less: investment fees	(81,024)	(85,274)
	<u>\$ (2,898,871)</u>	<u>\$ 1,744,371</u>

The historical cost and market value of investments at December 31, 2022 and 2021 were as follows:

	2022			2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments:						
Unrestricted						
Common stocks	\$ 2,797,713	\$ 3,299,677	\$ 501,964	\$ 2,603,528	\$ 4,387,671	\$ 1,784,143
Bond mutual funds	4,195,706	3,695,586	(500,120)	4,101,226	4,132,822	31,596
Stock mutual funds	427,244	313,537	(113,707)	398,731	289,651	(109,080)
Stock and bond mutual funds	1,521,836	1,766,018	244,182	1,473,919	2,133,261	659,342
Investments:						
Restricted for Endowment						
Common stocks	1,228,010	1,439,334	211,324	1,142,599	1,908,082	765,483
Bond mutual funds	1,784,657	1,587,064	(197,593)	1,742,679	1,777,216	34,537
Stock mutual funds	153,432	109,348	(44,084)	143,466	100,930	(42,536)
Stock and bond mutual funds	671,947	780,673	108,726	650,976	943,937	292,961
	<u>\$ 12,780,545</u>	<u>\$ 12,991,237</u>	<u>\$ 210,692</u>	<u>\$ 12,257,124</u>	<u>\$ 15,673,570</u>	<u>\$ 3,416,446</u>

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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.

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. |

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of December 31, 2022 and 2021:

December 31, 2022	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Level 3
Common stocks	\$ 4,739,011	\$ -	\$ -
Bond mutual funds	5,282,650	-	-
Stock mutual funds	422,885	-	-
Stock and bond mutual funds	2,546,691	-	-
	<u>\$ 12,991,237</u>	<u>\$ -</u>	<u>\$ -</u>

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

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 \$54,423 and \$49,112 for the years ended December 31, 2022 and 2021, respectively. The Council does not participate in a pension plan or any other plan.

8. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities includes \$36,148 and \$36,615 of donated legal services, respectively. The Council valued the services received at its estimated cost based on number of hours of services provided by the service provider.

9. 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

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

of the Board, may be used to support the Council's activities. Designated funds may also be used for unanticipated future program expenses. No amounts were approved for expenditures during 2022. During 2021, the Board approved \$317,818 for use from accumulated earnings of the Board Designated Reserves Fund.

At December 31, 2022 and 2021, the Board Designated Reserve Fund was comprised of the following:

	2022	2021
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>

10. 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.

At December 31, 2022 and 2021, total net assets with donor restrictions were comprised of the following:

	2022	2021
General operating:		
Unappropriated endowment earnings	\$ 2,027,933	\$ 2,898,120
Research, Policy, and Community		
Development programs	1,388,571	2,468,804
Endowment	<u>2,022,754</u>	<u>2,022,754</u>
	<u>\$ 5,439,258</u>	<u>\$ 7,389,678</u>

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

11. 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, 2022 and 2021, net assets released from restrictions were as follows:

	2022	2021
Research, Policy, and Community:		
Development programs	\$ 2,506,201	\$ 2,830,336
Appropriated endowment expenditures	-	136,912
	<u>\$ 2,506,201</u>	<u>\$ 2,967,248</u>

12. 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 donor 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:

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.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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. No amounts were appropriated during 2022. During 2021, \$136,912 was appropriated from restricted endowment funds.

Endowment net asset composition consists of the following as of December 31, 2022 and 2021:

	2022		
	Unappropriated Endowment Earnings	Donor Restricted: Endowment	Total Endowment Assets
Donor restricted endowment funds, beginning of year	\$ 2,898,120	\$ 2,022,754	\$ 4,920,874
Realized gain, net of fees of \$18,619	6,295	-	6,295
Unrealized loss	(972,092)	-	(972,092)
Investment income	95,610	-	95,610
	<u>\$ 2,027,933</u>	<u>\$ 2,022,754</u>	<u>\$ 4,050,687</u>
	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>

13. LEASE COMMITMENT

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. Operating lease expense for the year ended December 31, 2022 was \$354,769, and is included in rent and utilities on the statement of functional expenses. In addition, the Council is liable for its proportionate share of operating expenses as defined in the lease agreement. Total operating expenses for the years ended December 31, 2022 and 2021 was \$384,117 and \$361,525, respectively.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The following is a schedule by year of future minimum rent payments required under the operating lease as of December 31, 2022:

2023	\$	356,215
2024		365,121
2025		374,249
2026		383,605
2027		393,195
Thereafter		<u>850,621</u>
Total undiscounted cash flow		2,723,006
Less: present value discount		<u>(145,553)</u>
Total lease liabilities	\$	<u><u>2,577,453</u></u>

The following table provides additional information related to the Council's lease as of December 31, 2022:

Remaining lease term in years for operating lease	7.08
Discount rate for operating lease	1.54%

The lease asset and liability were calculated utilizing the risk-free discount rate at the time of the commencement of the lease, with consideration given to the term of the lease, as a practical expedient as allowed under ASC Topic 842.

METROPOLITAN PLANNING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

14. 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:

	2022	2021
Cash and cash equivalents	\$ 1,142,662	\$ 2,758,847
Grants and promises receivable within one year	427,561	1,128,900
Investments	12,991,237	15,673,570
Total financial assets available within one year	<u>14,561,460</u>	<u>19,561,317</u>
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(1,388,571)	(2,468,804)
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>(3,411,325)</u>	<u>(4,491,558)</u>
Less: amounts unavailable to management without Board approval:		
Unappropriated endowment earnings	(2,027,933)	(2,898,120)
Board Designated Reserve Fund	<u>(5,954,971)</u>	<u>(5,954,971)</u>
Total amounts unavailable to management without Board approval	<u>(7,982,904)</u>	<u>(8,853,091)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 3,167,231</u></u>	<u><u>\$ 6,216,668</u></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.

The background of the page features a repeating pattern of isometric cubes. These cubes are arranged in a staggered grid, with some cubes rendered in a light gray color and others in a medium gray color, creating a three-dimensional visual effect.

PRELIMINARY DRAFT - FOR REVIEW
AND DISCUSSION PURPOSES ONLY

**2023 Operating Budget
Metropolitan Planning Council**

REVENUE	2023 Budget	2023 YTD Actuals 3/31/2023
Fundraising		
Corporate	1,502,250	53,225
Foundations	2,036,500	513,000
Individuals	737,232	6,101
Government	90,000	5,614
Sub-Total: Fundraising	4,365,982	577,940
Other		
2023 Spending Policy Allowance Investment in Strategic Plan	783,000	
Use of cash balance	61,957	
In-Kind Income		
Total Revenue	5,210,939	577,940
EXPENSE	2023 Budget	2023 YTD Actuals 3/31/2023
Personnel	3,607,328	793,631
Contract Workers & Professional Fees	443,521	82,141
Publications, Web	182,474	15,043
Publication Postage / Mailing Service		
Events & Meetings	152,480	2,919
Travel	81,100	1,853
Other Program Costs	3,000	8,961
Occupancy Costs	408,260	97,763
Office Expenses	298,886	58,931
Sub-Total: Operations Expense	5,177,049	1,061,242
Depreciation	65,000	16,035
A/R Write Off		
In-Kind Expense		
Total Expense	5,242,049	1,077,277

**Balance Sheet
Metropolitan Planning Council**

	12/31/2022	3/31/2023
Net Assets	14,868,802	17,540,968

Metropolitan Planning Council

Balance Sheet As of March 31, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$263,827.58
Accounts Receivable	
11025 Accounts Receivable - Regular	33,812.89
11050 Accts Rec - Grant Pledges	615,000.00
Total Accounts Receivable	\$648,812.89
Other Current Assets	\$14,186,196.93
Total Current Assets	\$15,098,837.40
Fixed Assets	
16000 Leasehold Improvements	397,151.48
16100 Office Furn., Fixtures & Equip	350,404.68
16500 Accumulated Depreciation	-401,776.29
Total Fixed Assets	\$345,779.87
Other Assets	
16900 Right of Use Asset - MPC Office	2,096,351.00
Total Other Assets	\$2,096,351.00
TOTAL ASSETS	\$17,540,968.27
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	\$2,466,312.29
Total Liabilities	\$2,466,312.29
Equity	
31000 Unrestricted Net Assets	12,415,115.53
33000 Restricted Net Assets	7,389,678.66
35000 *Unrestricted Net Assets	-5,131,786.94
Net Income	401,648.73
Total Equity	\$15,074,655.98
TOTAL LIABILITIES AND EQUITY	\$17,540,968.27

Metropolitan Planning Council

Combined Statement

January - March, 2023

	Total		
	Actual	Budget	Annual Budget
Income			
40000 Corporate Income	53,225.00	60,000.00	1,502,250.00
41000 Individual Income	6,100.99	10,000.00	737,232.00
42000 Foundation Income	513,000.00	509,125.00	2,036,500.00
43000 Government Income	5,613.56	22,500.00	90,000.00
Total Income	\$ 577,939.55	\$ 601,625.00	\$ 4,365,982.00
Gross Profit	\$ 577,939.55	\$ 601,625.00	\$ 4,365,982.00
Expenses			
60000 Direct Expense	904,548.44	1,117,476.00	4,469,903.00
65100 Rent & Utilities	97,763.16	102,065.00	408,260.00
65110 Indirect Costs	58,931.64	74,721.00	298,886.00
65260 Depreciation Expense	16,035.58	8,131.00	32,523.00
Total Expenses	1,077,278.82	1,302,393.00	5,209,572.00
Net Operating Income (Loss)	-499,339.27	-700,768.00	-843,590.00
Operating Income Loss) Covered By -			
49990 Use of Cash Surplus		700,768.00	-1,367.00
49995 Spending Policy Transfer	0.00	0.00	783,000.00
45000 Income - In Kind			61,957.00
	0.00	700,768.00	843,590.00
Net Operating Income (Loss)	-499,339.27	0.00	0.00
Other Income			
48050 Investment Earnings	70,341.65		0.00
48700 Chg in Unrealized Gain/(Loss)	365,186.80		0.00
48750 Realized Gain/(Loss) on Inv.	263,460.89		0.00
68000 Investment Expenses	-12,864.31		0.00
68100 Other Investment Activity	41.32		0.00
68150 WH Foreign Tax	-178.35		0.00
Total Other Income	\$ 685,988.00	\$ 0.00	\$ 0.00
Other Expenses			
47000 GAAP Reconciliation	-215,000.00		0.00
Total Other Expenses	-\$ 215,000.00	\$ 0.00	\$ 0.00
Net Other Income	\$ 900,988.00	\$ 0.00	\$ 0.00
Net Income	\$ 401,648.73	\$ 0.00	\$ 0.00