

# **WORLD BUSINESS CHICAGO**

Chicago, Illinois

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended  
December 31, 2018 and 2017

# WORLD BUSINESS CHICAGO

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
World Business Chicago  
Chicago, Illinois

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of World Business Chicago ("WBC"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statement of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' 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 auditors consider 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 WBC as of December 31, 2018 and 2017, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, WBC adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

*Baker Tilly Virchow Krause, LLP*

Chicago, Illinois  
May 23, 2019

# WORLD BUSINESS CHICAGO

## STATEMENTS OF FINANCIAL POSITION As of December 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,658,601	\$ 7,025,134
Certificates of deposit	2,488,000	-
Investment in a note	511,089	505,000
Grants receivable	1,175,277	1,156,313
Contributions receivable	1,319,773	1,772,025
Accounts receivable	2,554	20,000
Prepaid expenses	88,286	134,688
	<u>10,243,580</u>	<u>10,613,160</u>
<b>PROPERTY AND EQUIPMENT, NET</b>		
Furniture and fixtures	539,650	539,650
Equipment	308,947	437,846
Website	580,064	181,412
Artwork	20,018	20,018
Leasehold improvements	78,496	78,496
	<u>1,527,175</u>	<u>1,257,422</u>
Less accumulated depreciation and amortization	<u>(977,078)</u>	<u>(862,201)</u>
Property and equipment, net	<u>550,097</u>	<u>395,221</u>
<b>OTHER ASSETS</b>		
Contributions receivable, due after one year, net of discount	<u>-</u>	<u>1,068,964</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,793,677</u>	<u>\$ 12,077,345</u>

See accompanying notes to the financial statements

# WORLD BUSINESS CHICAGO

## STATEMENTS OF FINANCIAL POSITION As of December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 75,565	\$ 489,772
Accrued expenses	168,748	155,407
Accrued payroll	185,738	536,143
Grants payable	681,250	677,079
Deferred rent	<u>30,732</u>	<u>22,468</u>
Total current liabilities	<u>1,142,033</u>	<u>1,880,869</u>
<b>LONG-TERM LIABILITY</b>		
Grants payable	312,500	-
Deferred rent	<u>52,906</u>	<u>83,638</u>
Total long-term liabilities	<u>365,406</u>	<u>83,638</u>
<b>TOTAL LIABILITIES</b>	<u>1,507,439</u>	<u>1,964,507</u>
Net assets:		
Without donor restrictions	6,838,620	6,310,177
With donor restrictions	<u>2,447,618</u>	<u>3,802,661</u>
<b>TOTAL NET ASSETS</b>	<u>9,286,238</u>	<u>10,112,838</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,793,677</u>	<u>\$ 12,077,345</u>

See accompanying notes to the financial statements

## WORLD BUSINESS CHICAGO

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Private grants and contributions	\$ 4,535,123	\$ 495,000	\$ 5,030,123	\$ 5,219,870	\$ 45,000	\$ 5,264,870
Government agency grants	1,728,689	612,100	2,340,789	1,528,643	-	1,528,643
Program revenue	25,000	850,000	875,000	556,189	2,297,296	2,853,485
Special event revenue:						
Gross revenue	873,400	-	873,400	899,000	-	899,000
Less direct expenditures for event	(295,701)	-	(295,701)	(273,818)	-	(273,818)
Contributed goods and services	2,610,370	-	2,610,370	4,811,983	-	4,811,983
Chicago Sister Cities International committee income	224,899	-	224,899	125,907	-	125,907
Interest income	30,867	-	30,867	4,923	-	4,923
Other income	129,289	-	129,289	159,216	-	159,216
Net assets released from restrictions	<u>3,312,143</u>	<u>(3,312,143)</u>	<u>-</u>	<u>2,827,873</u>	<u>(2,827,873)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>13,174,079</u>	<u>(1,355,043)</u>	<u>11,819,036</u>	<u>15,859,786</u>	<u>(485,577)</u>	<u>15,374,209</u>
<b>EXPENSES</b>						
Program	10,108,004	-	10,108,004	13,435,189	-	13,435,189
Management and general	1,877,796	-	1,877,796	2,824,194	-	2,824,194
Fundraising	659,836	-	659,836	558,780	-	558,780
<b>TOTAL EXPENSES</b>	<u>12,645,636</u>	<u>-</u>	<u>12,645,636</u>	<u>16,818,163</u>	<u>-</u>	<u>16,818,163</u>
<b>CHANGE IN NET ASSETS</b>	528,443	(1,355,043)	(826,600)	(958,377)	(485,577)	(1,443,954)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>6,310,177</u>	<u>3,802,661</u>	<u>10,112,838</u>	<u>7,268,554</u>	<u>4,288,238</u>	<u>11,556,792</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,838,620</u>	<u>\$ 2,447,618</u>	<u>\$ 9,286,238</u>	<u>\$ 6,310,177</u>	<u>\$ 3,802,661</u>	<u>\$ 10,112,838</u>

See accompanying notes to the financial statements

## WORLD BUSINESS CHICAGO

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (826,600)	\$ (1,443,954)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	114,877	88,439
(Increase) decrease in operating assets:		
Grants receivable	(18,964)	(458,106)
Contributions receivable	1,521,216	1,830,406
Accounts receivable	17,446	(4,699)
Prepaid expenses	46,402	15,237
Increase (decrease) in operating liabilities:		
Accounts payable	(414,207)	189,440
Accrued expenses and payroll	(337,064)	103,486
Grants payable	316,671	677,079
Deferred rent	(22,468)	(14,208)
	397,309	983,120
Net Cash Flows from Operating Activities	397,309	983,120
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(269,753)	(176,983)
Purchase of certificates of deposit	(2,488,000)	-
Purchase of investment note	(6,089)	(5,000)
	(2,763,842)	(181,983)
Net Cash Flows from Investing Activities	(2,763,842)	(181,983)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,366,533)	801,137
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	7,025,134	6,223,997
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 4,658,601	\$ 7,025,134

See accompanying notes to the financial statements

## WORLD BUSINESS CHICAGO

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2018

	Program	Management and general	Fundraising	Total	Percentage of total revenue (1)
Salaries, benefits and payroll taxes	\$ 3,374,996	\$ 1,132,071	\$ 515,600	\$ 5,022,667	42.50 %
Advertising and marketing	99,056	24,245	6,283	129,584	1.10
Chicago Sister Cities committee expenses	207,791	-	-	207,791	1.76
Subgrants	1,881,987	-	-	1,881,987	15.92
Licenses, fees, dues and subscriptions	211,444	58,098	18,632	288,174	2.44
Meetings, events, and delegations	886,526	9,118	-	895,644	7.58
Occupancy and capital	464,225	145,319	66,255	675,799	5.72
Office and general	94,000	71,145	14,657	179,802	1.52
Pro bono expenses	2,351,677	258,693	-	2,610,370	22.09
Professional development	22,824	7,126	2,486	32,436	0.27
Legal and professional fees	494,724	161,666	32,935	689,325	5.83
Travel and related	18,754	10,315	2,988	32,057	0.27
<b>Total expenses</b>	<b><u>\$ 10,108,004</u></b>	<b><u>\$ 1,877,796</u></b>	<b><u>\$ 659,836</u></b>	<b><u>\$ 12,645,636</u></b>	<b><u>106.99 %</u></b>

(1) - Percentage is based on total public support, revenue and net assets released from restrictions found on page 5 of the financial statements.

## WORLD BUSINESS CHICAGO

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program	Management and general	Fundraising	Total	Percentage of total revenue (1)
Salaries, benefits and payroll taxes	\$ 4,005,516	\$ 1,811,232	\$ 371,459	\$ 6,188,207	40.25 %
Advertising and marketing	197,506	98,307	21,120	316,933	2.06
Chicago Sister Cities committee expenses	126,890	-	-	126,890	0.83
Subgrants	1,191,255	-	-	1,191,255	7.75
Licenses, fees, dues and subscriptions	119,803	42,374	2,348	164,525	1.07
Meetings, events, and delegations	1,088,155	11,062	125	1,099,342	7.15
Occupancy and capital	463,307	144,720	39,315	647,342	4.21
Office and general	126,074	100,360	13,127	239,561	1.56
Pro bono expenses	4,597,906	214,077	-	4,811,983	31.30
Professional development	41,890	13,849	1,165	56,904	0.37
Legal and professional fees	890,854	259,462	105,537	1,255,853	8.17
Travel and related	311,033	57,918	4,584	373,535	2.43
Other expenses	<u>275,000</u>	<u>70,833</u>	<u>-</u>	<u>345,833</u>	<u>2.25</u>
<b>Total expenses</b>	<b><u>\$ 13,435,189</u></b>	<b><u>\$ 2,824,194</u></b>	<b><u>\$ 558,780</u></b>	<b><u>\$ 16,818,163</u></b>	<b><u>109.40 %</u></b>

(1) - Percentage is based on total public support, revenue and net assets released from restrictions found on page 5 of the financial statements.

# WORLD BUSINESS CHICAGO

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 1 – NATURE OF ACTIVITIES**

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World Business Chicago (“WBC”) is the City of Chicago’s public-private economic development agency with a mission to drive inclusive economic growth and job creation, support business and promote Chicago as a leading global city.

WBC’s focus areas include business development, small and medium-sized business support, workforce development, and global partnerships and programs.

WBC’s local and global initiatives throughout 2018 and 2017 included Metro Chicago Exports (MCE), a regional economic development partnership focused on export businesses; Chicago Anchors for a Strong Economy (CASE), which enables anchor institutions to collectively impact Chicago’s neighborhoods; ChicagoNEXT, WBC’s dedicated effort to advance Chicago’s technology ecosystem; and Chicago Sister Cities International, which builds relationships with Chicago’s 28 international sister cities through arts, education, government relations and partnerships.

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The significant accounting policies of WBC are summarized as follows:

#### Basis of Accounting

WBC’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Cash and Cash Equivalents

WBC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

#### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services identified. See Note 14 for allocation methodology.

#### Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (the “Codification”) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, WBC is required to classify resources into distinct net asset categories according to externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Net Assets Without Donor Restrictions** - Net assets not subject to donor-imposed stipulations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of WBC, the environment in which it operates and the purposes specified in its articles of incorporation.

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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##### Basis of Presentation (continued)

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### Grants Receivable, Revenue and Grants Payable

Amounts due under contractual arrangements related to grants and other service provisions are recorded as grants receivable and revenue. These receivables are stated at the amount management expects to collect from outstanding balances.

In similar fashion, there is a requirement that unconditional promises made by a not-for-profit organization be recognized as payables in the period that the promise is made. At December 31, 2018, WBC had grants payable in the amount of \$993,750 that are due during 2019 and 2020. At December 31, 2017 WBC had grants payable in the amount of \$677,079 that were payable in 2018.

##### Accounts and Contributions Receivable

Accounts and contributions receivable include unconditional promises to give. WBC evaluates the collectability of each account or contribution on a case-by-case basis. Accounts and contributions receivable are written off when they are deemed uncollectible. An allowance for uncollectible accounts is not considered necessary and is not provided.

##### Investments

In accordance with the standards relating to accounting for certain investments held by not-for-profit organizations, WBC records investments at their fair values, and both unrealized and realized gains and losses are reflected in the statement of activities.

##### Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of donation, if donated. Leasehold improvements are amortized ratably over the lesser of their useful life or term of the lease. Depreciation is provided using the straight-line method over the estimated useful lives of depreciable assets. Additions over \$2,500 are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation expense was \$114,877 and \$88,439 for the years ended December 31, 2018 and 2017, respectively.

##### Advertising Expense

WBC expenses all costs of advertising as they are incurred. Advertising expense was approximately \$4,500 and \$19,300 for the years ended December 31, 2018 and 2017, respectively.

##### Contributed Goods and Services

As required by the Codification, WBC recognizes the fair value of contributed (donated) goods and services when the contributed goods and services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation.

# WORLD BUSINESS CHICAGO

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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#### Contributed Goods and Services (continued)

The amounts shown as contributed good and services revenue represents the estimated fair value of the goods received or services performed by WBC's outside legal counsel, consultants and other professionals. The amounts of such contributed goods or services revenue were determined by the amount of costs for such services which would otherwise have to be paid to obtain them.

Accordingly, significant contributed goods and services are included as support revenue and corresponding management, fundraising or program expense, with the specific costs detailed by the amount of expense which was donated. For the years ended December 31, 2018 and 2017, WBC has included as revenue and expense for the donation of marketing/PR, airfare, legal and consulting services, meeting facilities, and fellows (staffing) for various initiatives valued at \$2,610,370 and \$4,811,983, respectively.

#### Use of Estimates

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

#### New Accounting Pronouncements

In 2018, WBC adopted the Financial Accounting Standard Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. WBC has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. This disclosure has been presented for 2018 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The statements of functional expenses include the expenses by both nature and function;
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 (Note 13).

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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##### New Accounting Pronouncements (continued)

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Additional updates defer the effective date of ASU No. 2014-09, clarify the implementation guidance on principal versus agent considerations, clarify the identification of performance obligations and the licensing implementation guidance and affect other narrow aspects of Topic 606. Topic 606 (as amended) is effective for annual periods beginning after December 15, 2018 (2019). The changes may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Management is currently assessing the effect that Topic 606 (as amended) will have on its financial statements.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for contributions received during annual periods beginning after December 15, 2018 (2019) and contributions made during annual periods beginning after December 15, 2019 (2020). Management is currently assessing the effect that ASU No. 2018-08 will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. During 2018, additional updates were issued which permit an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity’s adoption of Topic 842 and were not previously accounted for under ASC 840; address narrow aspects of the guidance originally issued; provide entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component; and address sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and non-lease components. WBC will be required to apply the standard for annual periods beginning after December 15, 2019 (2020). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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#### **NOTE 3 – CASH AND CASH EQUIVALENTS**

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WBC maintains its cash in bank accounts which, at times, may exceed federally-insured limits. As of December 31, 2018 and 2017, WBC held cash in federally-insured accounts totaling \$4,150,708 and \$7,011,020, respectively. As of December 31, 2018 and 2017, cash in excess of federally-insured limits totaled \$3,634,750 and \$3,523,850, respectively. WBC has not experienced any losses in such accounts. Management believes that WBC is not exposed to any significant credit risk on cash.

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#### **NOTE 4 – FAIR VALUE MEASUREMENTS**

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**Fair Value Hierarchy** - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

#### **Valuation Techniques and Inputs**

Level 3 – Level 3 assets include an investment in a note for which there is no readily determinable fair value and the investee has provided its investors with a fair value as of December 31, 2018. As of December 31, 2018, these assets could not be liquidated in less than 90 days.

There have been no changes in the techniques and inputs used as of December 31, 2018 and 2017.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

#### **NOTE 4 – FAIR VALUE MEASUREMENTS (continued)**

WBC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present information about the WBC's assets measured at fair value on a recurring basis as of December 31, 2018 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Community Investment Note	\$ 511,089	\$ -	\$ -	\$ 511,089
Total	<u>\$ 511,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,089</u>

The following tables present information about the WBC's assets measured at fair value on a recurring basis as of December 31, 2017 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Community Investment Note	\$ 505,000	\$ -	\$ -	\$ 505,000
Total	<u>\$ 505,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,000</u>

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2018:

	Balance December 31, 2017	Purchases	Balance December 31, 2018
Community Investment Note	\$ 505,000	\$ 6,089	\$ 511,089
Total	<u>\$ 505,000</u>	<u>\$ 6,089</u>	<u>\$ 511,089</u>

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017:

	Balance December 31, 2016	Purchases	Balance December 31, 2017
Community Investment Note	\$ 500,000	\$ 5,000	\$ 505,000
Total	<u>\$ 500,000</u>	<u>\$ 5,000</u>	<u>\$ 505,000</u>

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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#### NOTE 5 – INVESTMENTS AND CERTIFICATES OF DEPOSIT

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A summary of investments at December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Community Investment Note	\$ 511,089	\$ 505,000
Total	<u>\$ 511,089</u>	<u>\$ 505,000</u>

A summary of investment income for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest income (reinvested)	\$ 6,089	\$ 5,000
Total	<u>\$ 6,089</u>	<u>\$ 5,000</u>

Investments, in general, are subject to various risks, including credit, interest rate, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the financial statements.

Bank-issued certificates of deposit totaling \$2,488,000 at December 31, 2018 bear interest at rates ranging from 1.80% to 1.95% with remaining maturities up to three months at December 31, 2018. Terms of the certificates of deposit include penalties for early withdrawal.

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#### NOTE 6 – LEASES

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##### Operating Lease

WBC leases office space under the terms of an amended lease expiring on April 30, 2021. The lease requires monthly minimum payments of \$18,163 increasing annually and ending on April 30, 2021.

WBC recognized rent expense on a straight-line basis of \$192,736 for both of the years ended December 31, 2018 and December 31, 2017. The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2018:

Year ending December 31,	
2019	\$ 223,468
2020	231,728
2021	<u>78,160</u>
Total	<u>\$ 533,356</u>

In addition to the long term operating lease, WBC has other short term lease agreements. The total rent expense for the years ended December 31, 2018 and 2017 was \$516,610 and \$509,550, respectively.

## WORLD BUSINESS CHICAGO

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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#### NOTE 7 – CONTRIBUTIONS RECEIVABLE, NET

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At December 31, contributions receivable are expected to be received in the following years:

	2018	2017
Due in less than one year	\$ 1,319,773	\$ 1,772,025
Due in one to five years	-	1,094,773
	<u>1,319,773</u>	<u>2,866,798</u>
Less: discount to present value	-	(25,809)
Net contributions receivable	<u>\$ 1,319,773</u>	<u>\$ 2,840,989</u>

Contributions receivable due beyond one year were discounted 1.20% at December 31, 2017.

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#### NOTE 8 – NET ASSETS WITH DONOR RESTRICTION

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WBC had net assets with donor restrictions of \$2,447,618 and \$3,802,661 at December 31, 2018 and 2017, respectively. Net assets with donor restrictions at December 31, 2018 consisted of \$1,361,029 in unspent contributions restricted as to use and \$1,086,589 in contributions for future fiscal years. Net assets with donor restrictions at December 31, 2017 consisted of \$3,240,829 in contributions for future fiscal years and \$561,832 in unspent contributions restricted as to use.

Net assets were released from donor-imposed restrictions due to time restrictions and purpose restrictions being met. The amount released in satisfaction of purpose restrictions totaled \$2,687,143 and \$1,711,343 for the years ended December 31, 2018 and 2017, respectively. The amount released in satisfaction of time restrictions totaled \$625,000 and \$1,116,530 for the years ended December 31, 2018 and 2017, respectively.

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#### NOTE 9 – PROFIT SHARING PLAN

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WBC maintains a profit-sharing plan which qualifies under Section 401(k) of the Internal Revenue Code (the Code). The plan allows eligible employees to contribute up to 100% of their compensation as salary deferral, subject to the maximum limitation under the Code. WBC is required to match the employee contributions equal to 3.5% of the participants' salary deferral. The total 401(k) match expense for the years ended December 31, 2018 and 2017 was \$97,009 and \$119,013, respectively.

## **WORLD BUSINESS CHICAGO**

### **NOTES TO THE FINANCIAL STATEMENTS** As of and for the Years Ended December 31, 2018 and 2017

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#### **NOTE 10 – RELATED PARTY TRANSACTIONS**

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In 2017, WBC retained the employer firm of a board member to provide professional services. This firm was paid \$50,000 during the year.

Contributions receivable from board members were \$50,000 and \$260,000 as of December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, WBC received total contributions from board members of \$4,946,591 and \$4,695,457, respectively.

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#### **NOTE 11 – TAX STATUS**

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WBC is a tax-exempt organization as described in Section 501(c)(3) of the Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that WBC is not a private foundation within the meaning of Section 509(a) of the Code. However, exempt organizations may be subject to income tax on any unrelated business income. During 2018 and 2017, WBC did not have any unrelated business income.

WBC has adopted the requirements for accounting for uncertain tax positions and management has determined that WBC was not required to record a liability related to uncertain tax positions as of December 31, 2018 and 2017. Federal and state tax and/or information returns of WBC are subject to examinations by the Internal Revenue Service and state taxing authorities, generally for three years after the returns were filed.

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#### **NOTE 12 – CONCENTRATION**

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The City of Chicago donated \$2,228,643 and \$1,533,169 to WBC for the years ended December 31, 2018 and 2017, respectively. Of these amounts, \$600,000 and \$550,000 are receivable from the City of Chicago as of December 31, 2018 and 2017, respectively.

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#### **NOTE 13 – LIQUIDITY AND FUNDS AVAILABLE**

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As of December 31, 2018, WBC had approximately \$6,696,100 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$2,800,737, certificated of deposit (CD's) of \$2,488,000, investments of \$511,089 and receivables of \$896,304. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet a year of normal operating expenses, which are, on average, approximately \$533,600 per month. WBC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, WBC invests cash in excess of daily requirements in various short-term investments, including CD's and money market accounts.

## **WORLD BUSINESS CHICAGO**

### **NOTES TO THE FINANCIAL STATEMENTS** As of and for the Years Ended December 31, 2018 and 2017

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#### **NOTE 14 – EXPENSES BY BOTH NATURE AND FUNCTION**

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The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of WBC. These expenses include depreciation and amortization, central administration, communications, information technology, and occupancy. Depreciation is allocated based on occupancy. Costs of other categories were allocated on estimates of time and effort.

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#### **NOTE 15 – SUBSEQUENT EVENTS**

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Management of WBC has reviewed and evaluated subsequent events from December 31, 2018, the financial statement date, through May 23, 2019, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.