

**NAPERVILLE EDUCATION  
FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

# Naperville Education Foundation

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Trustees  
Naperville Education Foundation  
Naperville, IL

We have audited the accompanying financial statements of Naperville Education Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naperville Education Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Naperville Education Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

October 21, 2016  
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 (with comparative totals for 2015)**

|  | <u>2016</u>                       | <u>2015</u>                       |
|--|-----------------------------------|-----------------------------------|
| <b><u>Assets</u></b>                     |                                   |                                   |
| Cash                                     | \$ 263,323                        | \$ 258,407                        |
| Investments                              | 1,964,313                         | 1,948,205                         |
| Contributions receivable                 | 7,775                             | -                                 |
| Accounts receivable                      | 15,583                            | 13,316                            |
| Prepaid expenses                         | -                                 | 1,486                             |
| <b>Total Assets</b>                      | <b><u><u>\$ 2,250,994</u></u></b> | <b><u><u>\$ 2,221,414</u></u></b> |
| <br>                                     |                                   |                                   |
| <b><u>Liabilities and Net Assets</u></b> |                                   |                                   |
| Current Liabilities                      |                                   |                                   |
| Accounts payable                         | \$ 71,682                         | \$ 56,341                         |
| Deferred revenue                         | 17,730                            | 17,568                            |
| Total current liabilities                | <u>89,412</u>                     | <u>73,909</u>                     |
| Net Assets                               |                                   |                                   |
| Unrestricted                             |                                   |                                   |
| General operating                        | 44,182                            | 29,663                            |
| Board designated - Endowment fund        | 618,997                           | 631,310                           |
| Total unrestricted net assets            | <u>663,179</u>                    | <u>660,973</u>                    |
| Temporarily restricted                   | <u>1,498,403</u>                  | <u>1,486,532</u>                  |
| Total net assets                         | <u>2,161,582</u>                  | <u>2,147,505</u>                  |
| <b>Total Liabilities and Net Assets</b>  | <b><u><u>\$ 2,250,994</u></u></b> | <b><u><u>\$ 2,221,414</u></u></b> |

See independent auditor's report and notes to financial statements.

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2016 (with comparative totals for 2015)**

|  | Unrestricted      | Temporarily<br>Restricted | Total<br>2016       | Total<br>2015       |
|--|-------------------|---------------------------|---------------------|---------------------|
| <b><u>Public Support and Revenue</u></b>   |                   |                           |                     |                     |
| Contributions  | \$ 118,007        | \$ 130,938                | \$ 248,945          | \$ 234,259          |
| Special events   |                   |                           |                     |                     |
| Ticket sales   | 59,096            | -                         | 59,096              | 46,809              |
| Contributions  | 103,485           | 99,915                    | 203,400             | 187,223             |
| In-kind catering, facilities, and printing   | 6,868             | -                         | 6,868               | 3,150               |
| Less costs of in-kind direct benefits to donors  | (6,868)           | -                         | (6,868)             | (3,150)             |
| Less costs of direct benefits to donors  | (22,839)          | (31,647)                  | (54,486)            | (61,984)            |
| Net revenues from special events   | <u>139,742</u>    | <u>68,268</u>             | <u>208,010</u>      | <u>172,048</u>      |
| Interest and dividend income   | 40,675            | 79,830                    | 120,505             | 128,112             |
| Donated services   | 36,304            | -                         | 36,304              | 33,208              |
| Net realized and unrealized losses<br>on investments, net of related fees of<br>\$11,986 and \$11,667 respectively | (44,343)          | (88,059)                  | (132,402)           | (112,771)           |
| Net assets released from restrictions -<br>satisfaction of program restrictions                                    | 179,106           | (179,106)                 | -                   | -                   |
| Total Public Support and Revenue   | <u>469,491</u>    | <u>11,871</u>             | <u>481,362</u>      | <u>454,856</u>      |
| <b><u>Expenses</u></b>   |                   |                           |                     |                     |
| Program Services   |                   |                           |                     |                     |
| Grants   | 148,033           | -                         | 148,033             | 156,348             |
| Study Skills Academy   | 50,267            | -                         | 50,267              | 52,372              |
| Scholarships   | 63,675            | -                         | 63,675              | 51,392              |
| Kid Booster Anonymous  | 25,041            | -                         | 25,041              | 23,498              |
| Other program expenses   | 28,878            | -                         | 28,878              | 12,524              |
| Total program services   | <u>315,894</u>    | <u>-</u>                  | <u>315,894</u>      | <u>296,134</u>      |
| Management and general   | 96,291            | -                         | 96,291              | 74,085              |
| Fundraising expense  | 55,100            | -                         | 55,100              | 69,507              |
| Total Expenses   | <u>467,285</u>    | <u>-</u>                  | <u>467,285</u>      | <u>439,726</u>      |
| <b>Change in Net Assets</b>  | 2,206             | 11,871                    | 14,077              | 15,130              |
| Net assets, beginning of year  | <u>660,973</u>    | <u>1,486,532</u>          | <u>2,147,505</u>    | <u>2,132,375</u>    |
| Net assets, end of year  | <u>\$ 663,179</u> | <u>\$ 1,498,403</u>       | <u>\$ 2,161,582</u> | <u>\$ 2,147,505</u> |

See independent auditor's report and notes to financial statements.

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended June 30, 2016 (with comparative totals for 2015)**

|   | <u>2016</u>              | <u>2015</u>              |
|---|--------------------------|--------------------------|
| <b><u>Cash Flows from Operating Activities</u></b>  |                          |                          |
| Cash received - contributions   | \$ 241,170               | \$ 234,259               |
| Cash received - special events  | 208,172                  | 175,773                  |
| Cash received - investment income   | 120,505                  | 128,112                  |
| Payments for investment fees  | (11,986)                 | (11,667)                 |
| Payments for operating activities   | <u>(416,419)</u>         | <u>(422,653)</u>         |
| Net cash provided by operating activities   | <u>141,442</u>           | <u>103,824</u>           |
| <b><u>Cash Flows from Investing Activities</u></b>  |                          |                          |
| Proceeds from sale of investments   | 93,474                   | 84,534                   |
| Purchase of investments   | <u>(229,998)</u>         | <u>(189,514)</u>         |
| Net cash used by investing activities   | <u>(136,524)</u>         | <u>(104,980)</u>         |
| <b>Net increase (decrease) in cash</b>  | 4,918                    | (1,156)                  |
| <b>Cash, beginning of year</b>  | <u>258,407</u>           | <u>259,563</u>           |
| <b>Cash, end of year</b>  | <u><u>\$ 263,325</u></u> | <u><u>\$ 258,407</u></u> |
| <b><u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u></b> |                          |                          |
| Change in net assets  | \$ 14,077                | \$ 15,130                |
| Adjustments to reconcile change in net assets to net cash provided by operating activities        |                          |                          |
| Net realized and unrealized losses on investments   | 120,416                  | 101,104                  |
| Decrease (increase) in  |                          |                          |
| Contributions receivable  | (7,775)                  | -                        |
| Accounts receivable - NCUSD 203   | (2,267)                  | (821)                    |
| Prepaid expenses  | 1,486                    | (1,486)                  |
| Increase (decrease) in  |                          |                          |
| Accounts payable  | 15,341                   | (13,828)                 |
| Deferred revenue  | <u>162</u>               | <u>3,725</u>             |
| Net cash provided by operating activities   | <u><u>\$ 141,440</u></u> | <u><u>\$ 103,824</u></u> |

See independent auditor's report and notes to financial statements.

**NAPERVILLE EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Naperville Education Foundation (Foundation) is an Illinois not-for-profit corporation organized to acquire and distribute financial and other resources that are to be used for programs and projects, which enhance or supplement Naperville Community Unit School District 203 (NCUSD 203) educational programs and provide enriched educational opportunities for learners.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Cash consist of bank deposits in federally insured accounts. The account may, at times, exceed the federally insured limit of \$250,000. The Foundation has never experienced such losses in these accounts and does not believe that a significant risk exists at this time.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Support and Revenue

The Foundation reports gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions Receivable

Contributions receivable represent amounts promised by donors (unconditional promises to give). All amounts are deemed collectible and no discount is deemed necessary.



**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Accounts Receivable

Accounts receivable consists of overpayments of programs paid in advance to NCUSD 203 not fully utilized by June 30, 2016.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2016, this amounted to \$36,304 for donated accounting services.

A number of volunteers, including the Board of Trustees, have made significant contributions of time to the Foundation's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by an equal amount. For the year ended June 30, 2016, \$6,868 was received as in-kind contributions, and was included as part of special events, direct benefits to donors.

Tax Exempt Status

The Foundation was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Foundation qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Foundation and the nature in which it operates is described in the first paragraph of Note 1. The Foundation continues to operate in compliance with its tax exempt purpose.

The Foundation's annual information and income tax returns are filed annually with the federal and state governments, and are subject to examination by the Internal Revenue Service, generally for three years after filing.

Deferred Revenue

Ticket revenue for future events is deferred until occurrence of the event.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not provide sufficient detail to constitute a presentation in

**NAPERVILLE EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

conformity with GAAP. Accordingly, such prior year information should be read in conjunction with the Foundation’s audited financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**Subsequent Events**

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

**Note 2 – Investments**

The Foundation’s investments, recorded at fair value at June 30, 2016 are as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Money market funds                | \$ 68,145           |
| Mutual funds - equities and bonds | <u>1,896,168</u>    |
|                                   | <u>\$ 1,964,313</u> |

Any long-term decline in investments may have an impact on future operations.

**Note 3 – Fair Value Measurements**

GAAP define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. These standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Valuation derived from valuation techniques, in which one or more significant inputs are unobservable.

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**Note 3 – Fair Value Measurements (cont.)**

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of the readily marketable money market and mutual funds are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

**Assets Measured on a Recurring Basis**

Assets measured at fair value on a recurring basis are summarized below:

|                                | Fair Value Measurements at June 30, 2016 |         |         |
|--------------------------------|--|---------|---------|
|                                | Level 1                                  | Level 2 | Level 3 |
| Money markets and mutual funds | \$ 1,964,313                             | \$ -    | \$ -    |

**Note 4 – Conditional Promises to Give**

The Foundation administers the Scherer Scholarship Fund, which stipulates that selected students will be awarded four year scholarships, with subsequent annual awards conditional upon maintaining adequate academic status. For the year ended June 30, 2016, two additional students were awarded scholarships of \$3,500 each per year but the conditions for the distribution of these awards was not met as of June 30, 2016. Eight awardees met the conditions resulting in \$28,000 of expense for the current year. Over the next four years, \$63,000 is payable to the eight remaining students who have received this award.

**Note 5 – Board Designated Net Assets**

The Foundation has a Board designated endowment fund to fulfill the Foundation’s mission to acquire and distribute resources which will enhance or supplement NCUSD 203 educational programs.

This fund was established through an appropriation of the Foundation’s unrestricted net assets. Endowment funding as well as use of the accumulated endowment funds are subject to the Board's approval. As of June 30, 2016, the Board has not allocated the use of accumulated endowment funds.

Changes in Board-designated endowment net assets for the fiscal year ended June 30, 2016:

|   |                   |
|---|-------------------|
| Endowment net assets, beginning of year                                   | \$ 631,310        |
| Investment return   |                   |
| Investment income   | 40,474            |
| Net depreciation - realized and unrealized net of related fees of \$3,822 | (52,787)          |
| Endowment net assets, end of year   | <u>\$ 618,997</u> |

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**Note 5 – Board Designated Net Assets (cont.)**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in appreciation (realized and unrealized) and income (interest and dividends).

**Note 6 – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2016 are available for the following purposes:

|                                      |                            |
|--------------------------------------|----------------------------|
| Naperville School District 203       |                            |
| Literacy programs                    | \$ 407,810                 |
| Scholarships                         | 1,002,934                  |
| Other various programs               | 79,970                     |
| Total Naperville School District 203 | <u>1,490,714</u>           |
| Special Olympics                     | 7,789                      |
|                                      | <u><u>\$ 1,498,503</u></u> |

**Note 7 – Related Party Transactions**

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2016, the Foundation distributed \$296,871 to NCUSD 203 consisting of grant awards and reimbursement for district employee services, of which \$52,096 is included in accounts payable. Also, \$15,583 is included in accounts receivable for overpayments to NCUSD 203. Additionally, the donated services of \$36,304 were provided by a firm represented on the Board.

At June 30, 2016, \$1,490,714 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.