

**NAPERVILLE EDUCATION
FOUNDATION**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2021**

Naperville Education Foundation

Table of Contents

Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13



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, 2021, and the related statements of activities, functional expenses, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

October 26, 2021
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 (with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash	\$ 306,356	\$ 424,644
Investments	2,630,695	2,198,177
Contributions receivable	6,502	-
Prepaid expenses	1,000	1,000
Total Assets	<u><u>\$ 2,944,553</u></u>	<u><u>\$ 2,623,821</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ -	\$ 701
Accrued expenses	29,500	64,462
Deferred revenue	29,953	22,291
Total current liabilities	<u>59,453</u>	<u>87,454</u>
Net Assets		
Without donor restrictions		
General operating	220,426	164,254
Board designated endowment fund	901,405	765,615
Total net assets without donor restriction	<u>1,121,831</u>	<u>929,869</u>
With donor restrictions	<u>1,763,269</u>	<u>1,606,498</u>
Total net assets	<u>2,885,100</u>	<u>2,536,367</u>
Total Liabilities and Net Assets	<u><u>\$ 2,944,553</u></u>	<u><u>\$ 2,623,821</u></u>

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<u>Public Support and Revenue</u>				
Contributions	\$ 191,255	\$ 201,364	\$ 392,619	\$ 541,162
Special events				
Ticket sales	-	-	-	-
Contributions	69,280	-	69,280	196,368
In-kind catering, facilities, and printing	-	-	-	1,575
Less costs of in-kind direct benefits to donors	-	-	-	(1,575)
Less costs of direct benefits to donors	-	-	-	(8,496)
Net revenues from special events	<u>69,280</u>	<u>-</u>	<u>69,280</u>	<u>187,872</u>
In-kind services	38,795	-	38,795	27,632
In-kind contributions	11,116	-	11,116	3,668
Investment income, net of related fees of \$17,939 and \$16,801, respectively	164,122	290,419	454,541	114,607
Net assets released from restrictions - satisfaction of program restrictions	<u>335,012</u>	<u>(335,012)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>809,580</u>	<u>156,771</u>	<u>966,351</u>	<u>874,941</u>
<u>Expenses</u>				
Program Services	506,520	-	506,520	662,446
Management and general	79,632	-	79,632	71,944
Fundraising expense	<u>31,466</u>	<u>-</u>	<u>31,466</u>	<u>30,501</u>
Total Expenses	<u>617,618</u>	<u>-</u>	<u>617,618</u>	<u>764,891</u>
Change in Net Assets	191,962	156,771	348,733	110,050
Net assets, beginning of year	<u>929,869</u>	<u>1,606,498</u>	<u>2,536,367</u>	<u>2,426,317</u>
Net assets, end of year	<u><u>\$ 1,121,831</u></u>	<u><u>\$ 1,763,269</u></u>	<u><u>\$ 2,885,100</u></u>	<u><u>\$ 2,536,367</u></u>

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	Program	Management and General	Fundraising	Total 2021	Total 2020
Grants	\$ 86,202	\$ -	\$ -	\$ 86,202	\$ 124,482
Pass-through expenses	116,634	-	-	116,634	99,488
School programs	134,879	-	-	134,879	258,269
Scholarships	111,817	-	-	111,817	133,410
Professional fees	48,737	28,312	24,829	101,878	97,516
In-kind	4,584	31,874	2,336	38,794	27,632
Fundraising	-	-	2,438	2,438	7,238
Bank and credit card fees	-	6,950	-	6,950	11,228
Marketing	709	268	362	1,339	3,956
Insurance	997	376	508	1,881	2,250
Dues and subscriptions	1,503	567	765	2,835	1,394
Travel and meetings	-	-	-	-	-
Office Expense	162	61	83	306	1,593
Miscellaneous	296	11,224	145	11,665	4,033
Total Expenses	\$ 506,520	\$ 79,632	\$ 31,466	\$ 617,618	\$ 772,489

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 348,733	\$ 110,050
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gains) losses on investments	(442,623)	(49,920)
Decrease (increase) in		
Contributions receivable	(6,502)	3,950
Prepaid expenses	-	(1,000)
Increase (decrease) in		
Accounts payable	(701)	701
Accrued expenses	(34,962)	22,462
Deferred revenue	7,662	11,826
Net cash provided by (used in) operating activities	<u>(128,393)</u>	<u>98,069</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	2,860,206	818,394
Purchase of investments	<u>(2,850,101)</u>	<u>(867,586)</u>
Net cash provided by (used in) investing activities	<u>10,105</u>	<u>(49,192)</u>
Net increase (decrease) in cash	(118,288)	48,877
Cash, beginning of year	<u>424,644</u>	<u>375,767</u>
Cash, end of year	<u><u>\$ 306,356</u></u>	<u><u>\$ 424,644</u></u>

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

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Foundation

Naperville Education Foundation (the “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 financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Foundation is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restrictions.

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 and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid debt instruments with an original maturity or anticipated liquidation of three months or less and all certificates of deposit to be cash equivalents. No cash was paid for taxes or interest during the year ended June 30, 2021.

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, net assets with donor restrictions are reclassified to net assets without donor restriction 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; therefore, no allowance or discount is deemed necessary.

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, 2021, this amounted to \$38,794 for donated 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, 2021, \$11,116 was received as in-kind contributions, and was included as part of special events, direct benefits to donors.

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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 a Foundation 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 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, 2020, 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 October 26, 2021, 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 – Financial Assets and Liquidity Resources

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2 – Financial Assets and Liquidity Resources (cont.)

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end	
Cash	\$ 306,356
Investments	2,630,695
Total financial assets, at year-end	<u>2,937,051</u>
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,763,269)
Board designations:	
Quasi-endowment fund, primarily long-term investing	<u>(901,405)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 272,377</u>

In addition to financials assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 3 – Investments

The Foundation’s investments, recorded at fair value at June 30, 2021 consist of mutual funds and money market funds totaling \$2,630,695.

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

Note 4 – 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.

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 4 – Fair Value Measurements (cont.)

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

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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for fair value measurement of investments:

Mutual Funds: Valued at the daily closing price as reported by the mutual fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Money Market Funds: Valued at the daily net asset value (NAV) and aim for an asset value of \$1, with earnings being paid as interest on the fund

Assets Measured on a Recurring Basis

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

	Fair Value Measurements at June 30, 2021			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 2,437,518	\$ 2,437,518		
Money market funds	193,177		193,177	
Total Investments, at fair value	<u>\$ 2,630,695</u>	<u>\$ 2,437,518</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 – 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. Nine awardees met the conditions resulting in \$31,500 of expense for the current year. Over the next three years, \$45,500 is payable to the seven remaining students who have received this award.

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 6 – 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 net assets without donor restriction. Endowment funding as well as use of the accumulated endowment funds are subject to the Board's approval. As of June 30, 2021, 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, 2021:

Endowment net assets, beginning of year	\$ 765,615
Investment return	
Investment income	169,908
Release of board designation	(28,155)
Net of related fees	<u>(5,963)</u>
Endowment net assets, end of year	<u><u>\$ 901,405</u></u>

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 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Naperville School District 203	
Literacy programs	\$ 498,218
Scholarships	1,118,850
Special Olympics	9,877
Other various programs	<u>136,324</u>
Total Naperville School District 203	<u><u>\$ 1,763,269</u></u>

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 8 – Related Party Transactions

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2021, the Foundation distributed \$228,150 to NCUSD 203 consisting of grant awards and reimbursement for district employee services.

At June 30, 2021, \$1,763,269 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.