

**NAPERVILLE EDUCATION
FOUNDATION**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2019**

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Naperville Education Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

November 7, 2019
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 (with comparative totals for 2018)**

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash	\$ 375,767	\$ 334,140
Investments	2,099,065	2,154,587
Contributions receivable	3,950	-
Prepaid expenses	-	1,062
Total Assets	<u>\$ 2,478,782</u>	<u>\$ 2,489,789</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 42,000	\$ 72,476
Deferred revenue	10,465	22,040
Total current liabilities	<u>52,465</u>	<u>94,516</u>
Net Assets		
Without donor restrictions		
General operating	76,441	49,772
Board designated endowment fund	747,440	723,191
Total net assets without donor restriction	<u>823,881</u>	<u>772,963</u>
With donor restrictions	<u>1,602,436</u>	<u>1,622,310</u>
Total net assets	<u>2,426,317</u>	<u>2,395,273</u>
Total Liabilities and Net Assets	<u>\$ 2,478,782</u>	<u>\$ 2,489,789</u>

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<u>Public Support and Revenue</u>				
Contributions	\$ 120,478	\$ 132,980	\$ 253,458	\$ 297,101
Special events				
Ticket sales	37,225	55,280	92,505	47,661
Contributions	159,181	31,419	190,600	191,257
In-kind catering, facilities, and printing	5,274	11,158	16,432	11,404
Less costs of in-kind direct benefits to donors	(5,274)	(11,158)	(16,432)	(11,404)
Less costs of direct benefits to donors	(22,404)	(23,333)	(45,737)	(59,778)
Net revenues from special events	174,002	63,366	237,368	179,140
In-kind services	40,123	-	40,123	26,715
In-kind contributions	8,221	-	8,221	-
Investment income, net of related fees of \$16,425 and \$17,032, respectively	24,396	44,220	68,616	118,612
Net assets released from restrictions - satisfaction of program restrictions	260,440	(260,440)	-	-
Total Public Support and Revenue	627,660	(19,874)	607,786	621,568
<u>Expenses</u>				
Program Services	448,801	-	448,801	358,433
Management and general	74,620	-	74,620	83,607
Fundraising expense	53,321	-	53,321	37,770
Total Expenses	576,742	-	576,742	479,810
Change in Net Assets	50,918	(19,874)	31,044	141,758
Net assets, beginning of year	772,963	1,622,310	2,395,273	2,253,515
Net assets, end of year	\$ 823,881	\$ 1,602,436	\$ 2,426,317	\$ 2,395,273

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Program	Management and General	Fundraising	Total 2019	Total 2018
Grants	\$ 141,788	\$ -	\$ -	\$ 141,788	\$ 182,745
School programs	136,745	-	-	136,745	87,149
Scholarships	123,655	-	-	123,655	67,942
Professional fees	40,772	25,276	20,771	86,819	60,926
In-kind	-	40,385	7,959	48,344	26,715
Fundraising	-	-	21,614	21,614	37,770
Bank and credit card fees	-	6,754	-	6,754	5,972
Marketing	2,352	888	1,198	4,438	2,671
Insurance	1,192	450	608	2,250	2,250
Dues and subscriptions	670	253	342	1,265	1,814
Travel and meetings	739	279	377	1,395	1,832
Office Expense	345	130	176	651	1,678
Miscellaneous	543	205	276	1,024	346
Total Expenses	\$ 448,801	\$ 74,620	\$ 53,321	\$ 576,742	\$ 479,810

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 31,044	\$ 141,758
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net realized and unrealized gains (losses) on investments	1,021	(40,949)
Decrease (increase) in		
Contributions receivable	(3,950)	-
Accounts receivable	-	21,884
Prepaid expenses	1,062	(1,062)
Increase (decrease) in		
Accounts payable	(30,476)	67,744
Deferred revenue	(11,575)	6,134
Net cash (used) provided by operating activities	<u>(12,874)</u>	<u>195,509</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	170,579	244,735
Purchase of investments	(116,078)	(254,799)
Net cash provided by (used) investing activities	<u>54,501</u>	<u>(10,064)</u>
Net increase in cash	41,627	185,445
Cash, beginning of year	<u>334,140</u>	<u>148,695</u>
Cash, end of year	<u><u>\$ 375,767</u></u>	<u><u>\$ 334,140</u></u>

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

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019**

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

Cash and Cash Equivalents (cont.)

For purposes of the Statement of Cash Flows, the Organization 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, 2019.

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.

Accounts Receivable

Accounts receivable consists of overpayments of programs paid in advance to NCUSD 203 not fully utilized. As of June 30, 2019, the balance of account receivable was \$0.

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, 2019, this amounted to \$40,123 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.

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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, 2019, \$8,221 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 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, 2018, 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 November 7, 2019, 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.

Not-for-Profit Financial Statement Presentation

During fiscal 2019, the Foundation adopted Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that impact the Organization are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by the Foundation as of June 30, 2019.

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.

As of June 30, 2019, 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 and cash equivalents	\$ 375,767
Investments	2,099,065
Contributions receivable	3,950
Total financial assets, at year-end	<u>2,478,782</u>
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,602,436)
Board designations:	
Quasi-endowment fund, primarily long-term investing	<u>(747,440)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 128,906</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.

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 3 – Investments

The Foundation’s investments, recorded at fair value at June 30, 2019 are as follows:

Mutual funds - equities and bonds	<u>\$ 2,099,065</u>
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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.

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.

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:

	<u>Fair Value Measurements at June 30, 2018</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	<u>\$ 2,099,065</u>	<u>\$ -</u>	<u>\$ -</u>

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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. Ten awardees met the conditions resulting in \$35,000 of expense for the current year. Over the next three years, \$49,000 is payable to the eight remaining students who have received this award.

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, 2019, 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, 2019:

Endowment net assets, beginning of year	\$ 723,191
Investment return	
Investment income	29,913
Net of related fees	<u>(5,664)</u>
Endowment net assets, end of year	<u><u>\$ 747,440</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, 2019 are available for the following purposes:

Naperville School District 203	
Literacy programs	\$ 443,896
Scholarships	1,030,480
Other various programs	<u>119,420</u>
Total Naperville School District 203	<u>1,593,796</u>
Special Olympics	<u>8,640</u>
	<u><u>\$ 1,602,436</u></u>

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 8 – Related Party Transactions

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2019, the Foundation distributed \$325,320 to NCUSD 203 consisting of grant awards and reimbursement for district employee services. Additionally, the donated services of \$20,000 were provided by a firm represented on the Board.

At June 30, 2019, \$1,593,796 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.