

**NAPERVILLE EDUCATION
FOUNDATION**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2020**

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

November 3, 2020
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 (with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash	\$ 424,644	\$ 375,767
Investments	2,198,177	2,099,065
Contributions receivable	-	3,950
Prepaid expenses	1,000	-
Total Assets	<u>\$ 2,623,821</u>	<u>\$ 2,478,782</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 701	\$ -
Accrued expenses	64,462	42,000
Deferred revenue	22,291	10,465
Total current liabilities	<u>87,454</u>	<u>52,465</u>
Net Assets		
Without donor restrictions		
General operating	164,254	76,441
Board designated endowment fund	765,615	747,440
Total net assets without donor restriction	<u>929,869</u>	<u>823,881</u>
With donor restrictions	1,606,498	1,602,436
Total net assets	<u>2,536,367</u>	<u>2,426,317</u>
Total Liabilities and Net Assets	<u>\$ 2,623,821</u>	<u>\$ 2,478,782</u>

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2020 (with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<u>Public Support and Revenue</u>				
Contributions	\$ 146,481	\$ 394,681	\$ 541,162	\$ 253,458
Special events				
Ticket sales	-	-	-	92,505
Contributions	196,368	-	196,368	190,600
In-kind catering, facilities, and printing	1,575	-	1,575	16,432
Less costs of in-kind direct benefits to donors	(1,575)	-	(1,575)	(16,432)
Less costs of direct benefits to donors	(8,496)	-	(8,496)	(45,737)
Net revenues from special events	187,872	-	187,872	237,368
In-kind services	27,632	-	27,632	40,123
In-kind contributions	3,668	-	3,668	8,221
Investment income, net of related fees of \$16,801 and \$16,425, respectively	43,387	71,220	114,607	68,616
Net assets released from restrictions - satisfaction of program restrictions	461,839	(461,839)	-	-
Total Public Support and Revenue	870,879	4,062	874,941	607,786
<u>Expenses</u>				
Program Services	662,446	-	662,446	448,801
Management and general	71,944	-	71,944	74,620
Fundraising expense	30,501	-	30,501	53,321
Total Expenses	764,891	-	764,891	576,742
Change in Net Assets	105,988	4,062	110,050	31,044
Net assets, beginning of year	823,881	1,602,436	2,426,317	2,395,273
Net assets, end of year	\$ 929,869	\$ 1,606,498	\$ 2,536,367	\$ 2,426,317

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020 (with comparative totals for 2019)

	Program	Management and General	Fundraising	Total 2020	Total 2019
Grants	\$ 219,318	\$ -	\$ -	\$ 219,318	\$ 141,788
School programs	258,269	-	-	258,269	136,745
Scholarships	133,410	-	-	133,410	123,655
Professional fees	46,408	27,467	23,641	97,516	86,819
In-kind	-	27,632	-	27,632	48,344
Fundraising	-	-	4,292	4,292	21,614
Bank and credit card fees	-	11,228	-	11,228	6,754
Marketing	1,860	702	948	3,510	4,438
Insurance	1,192	450	608	2,250	2,250
Dues and subscriptions	739	279	376	1,394	1,265
Travel and meetings	-	-	-	-	1,395
Office Expense	845	318	430	1,593	651
Miscellaneous	405	3,868	206	4,479	1,024
Total Expenses	\$ 662,446	\$ 71,944	\$ 30,501	\$ 764,891	\$ 576,742

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

NAPERVILLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 110,050	\$ 31,044
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net realized and unrealized (gains) losses on investments	(49,920)	1,021
Decrease (increase) in		
Contributions receivable	3,950	(3,950)
Prepaid expenses	(1,000)	1,062
Increase (decrease) in		
Accounts payable	701	(30,476)
Accrued expenses	22,462	-
Deferred revenue	11,826	(11,575)
Net cash provided (used) by operating activities	<u>98,069</u>	<u>(12,874)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	818,394	170,579
Purchase of investments	<u>(867,586)</u>	<u>(116,078)</u>
Net cash provided by (used) investing activities	<u>(49,192)</u>	<u>54,501</u>
Net increase in cash	48,877	41,627
Cash, beginning of year	<u>375,767</u>	<u>334,140</u>
Cash, end of year	<u><u>\$ 424,644</u></u>	<u><u>\$ 375,767</u></u>

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

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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, 2020

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, 2020.

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, 2020, this amounted to \$27,632 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, 2020, \$3,668 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, 2020

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, 2019, 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 3, 2020, 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. See Note 9 for additional disclosures.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundations financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2020.

NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Foundation’s reported historical revenue.

Accounting Standards Update

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Foundation’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Revenue recognition related to contribution revenue remained unchanged.

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, 2020, 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	\$ 424,644
Investments	2,198,177
Total financial assets, at year-end	<u>2,622,821</u>
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,606,498)
Board designations:	
Quasi-endowment fund, primarily long-term investing	<u>(765,615)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 250,708</u>

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

In addition to financial 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, 2020 consist of mutual funds totaling \$2,198,177.

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. 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.

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 4 – Fair Value Measurements (cont.)

Assets Measured on a Recurring Basis

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

	Fair Value Measurements at June 30, 2020		
	Level 1	Level 2	Level 3
Mutual funds	\$ 2,198,177	\$ -	\$ -

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, \$45,500 is payable to the six 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, 2020, 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, 2020:

Endowment net assets, beginning of year	\$ 747,440
Investment return	
Investment income	49,170
Release of board designation	(25,026)
Net of related fees	(5,969)
Endowment net assets, end of year	<u>\$ 765,615</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).

**NAPERVILLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 are available for the following purposes:

Naperville School District 203	
Literacy programs	\$ 441,132
Scholarships	980,075
Kid Booster	50,707
Other various programs	126,158
Total Naperville School District 203	<u>1,598,072</u>
Special Olympics	8,426
	<u>\$ 1,606,498</u>

Note 8 – Related Party Transactions

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2020, the Foundation distributed \$439,728 to NCUSD 203 consisting of grant awards and reimbursement for district employee services.

At June 30, 2020, \$1,598,072 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.

Note 9 – Subsequent Event

The Foundation's operations could be significantly impacted by the novel coronavirus pandemic after the Foundation fiscal year end of June 30, 2020. Management is maintaining operations to the extent possible however some operations will be affected. The value of several of the Foundation's assets could be affected by this crisis. It is not possible to reasonably estimate the effect of this Crisis on the Foundation or whether it would be material to the Foundation's financial statements as of June 30, 2020.

Note 10 – Reclassification

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. This reclassification has no effect on previously reported net income.