

**NAPERVILLE EDUCATION  
FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2022**

# 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

### ***Opinion***

We have audited the accompanying financial statements of Naperville Education Foundation (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Naperville Education Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Naperville Education Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Naperville Education Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Naperville Education Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited Naperville Education Foundation's 2021 financial statement, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

October 4, 2022  
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2022 (with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
Cash	\$ 290,281	\$ 306,356
Investments	2,274,977	2,630,695
Contributions receivable	-	6,502
Prepaid expenses	-	1,000
<b>Total Assets</b>	<b><u><u>\$ 2,565,258</u></u></b>	<b><u><u>\$ 2,944,553</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accrued expenses	\$ 46,500	\$ 29,500
Deferred revenue	18,696	29,953
Total current liabilities	<u>65,196</u>	<u>59,453</u>
Net Assets		
Without donor restrictions		
General operating	244,232	220,426
Board designated endowment fund	761,371	901,405
Total net assets without donor restriction	<u>1,005,603</u>	<u>1,121,831</u>
With donor restrictions	<u>1,494,459</u>	<u>1,763,269</u>
Total net assets	<u>2,500,062</u>	<u>2,885,100</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 2,565,258</u></u></b>	<b><u><u>\$ 2,944,553</u></u></b>

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

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022 (with comparative totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
<b><u>Public Support and Revenue</u></b>				
Contributions	\$ 152,360	\$ 344,705	\$ 497,065	\$ 392,619
Special events				
Contributions	172,912	-	172,912	69,280
Less costs of direct benefits to donors	<u>(13,186)</u>	<u>-</u>	<u>(13,186)</u>	<u>-</u>
Net revenues from special events	159,726	-	159,726	69,280
In-kind services	22,028	-	22,028	38,795
In-kind contributions	13,479	-	13,479	11,116
Investment income, net of related fees of \$15,757 and \$17,939, respectively	(109,923)	(187,641)	(297,564)	454,541
Net assets released from restrictions - satisfaction of program restrictions	<u>425,874</u>	<u>(425,874)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>663,544</u>	<u>(268,810)</u>	<u>394,734</u>	<u>966,351</u>
<b><u>Expenses</u></b>				
Program Services	673,793	-	673,793	506,520
Management and general	67,116	-	67,116	79,632
Fundraising expense	<u>38,863</u>	<u>-</u>	<u>38,863</u>	<u>31,466</u>
Total Expenses	<u>779,772</u>	<u>-</u>	<u>779,772</u>	<u>617,618</u>
<b>Change in Net Assets</b>	(116,228)	(268,810)	(385,038)	348,733
Net assets, beginning of year	<u>1,121,831</u>	<u>1,763,269</u>	<u>2,885,100</u>	<u>2,536,367</u>
Net assets, end of year	<u>\$ 1,005,603</u>	<u>\$ 1,494,459</u>	<u>\$ 2,500,062</u>	<u>\$ 2,885,100</u>

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

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022 (with comparative totals for 2021)**

	Program	Management and General	Fundraising	Total 2022	Total 2021
Grants	\$ 103,621	\$ -		\$ 103,621	\$ 86,202
Pass-through expenses	252,781	-	-	252,781	116,634
School programs	111,989	-	-	111,989	134,879
Scholarships	131,609	-	-	131,609	111,817
Professional fees	59,056	32,200	30,085	121,341	101,878
In-kind	548	23,079	-	23,627	38,794
Fundraising	-	-	3,058	3,058	2,438
Bank and credit card fees	-	6,860	-	6,860	6,950
Marketing	2,251	849	1,147	4,247	1,339
Insurance	997	376	508	1,881	1,881
Dues and subscriptions	3,219	837	130	4,186	2,835
Office Expense	287	109	147	543	306
Miscellaneous	7,435	2,806	3,788	14,029	11,665
<b>Total Expenses</b>	<b>\$ 673,793</b>	<b>\$ 67,116</b>	<b>\$ 38,863</b>	<b>\$ 779,772</b>	<b>\$ 617,618</b>

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

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022 (with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ (385,038)	\$ 348,733
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	361,267	(442,623)
Decrease (increase) in		
Contributions receivable	6,502	(6,502)
Prepaid expenses	1,000	-
Increase (decrease) in		
Accounts payable	-	(701)
Accrued expenses	17,000	(34,962)
Deferred revenue	(11,257)	7,662
Net cash used in operating activities	<u>(10,526)</u>	<u>(128,393)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Proceeds from sale of investments	745,975	2,860,206
Purchase of investments	<u>(751,524)</u>	<u>(2,850,101)</u>
Net cash provided by (used in) investing activities	<u>(5,549)</u>	<u>10,105</u>
<b>Net decrease in cash</b>	(16,075)	(118,288)
<b>Cash, beginning of year</b>	<u>306,356</u>	<u>424,644</u>
<b>Cash, end of year</b>	<u><u>\$ 290,281</u></u>	<u><u>\$ 306,356</u></u>

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



**NAPERVILLE EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022**

**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, 2022.

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, 2022, this amounted to \$21,480 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, 2022, \$13,479 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, 2022**

**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, 2021, 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 4, 2022, 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, 2022**

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

As of June 30, 2022, 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	\$ 290,281
Investments	2,274,977
Total financial assets, at year-end	<u>2,565,258</u>
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,494,459)
Board designations:	
Quasi-endowment fund, primarily long-term investing	<u>(761,371)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 309,428</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, 2022 consist of mutual funds and money market funds totaling \$2,274,977.

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, 2022**

**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:

	Total	Fair Value Measurements at June 30, 2022		
		Level 1	Level 2	Level 3
Mutual funds	\$ 2,030,975	\$ 2,030,975	\$ -	\$ -
Money market funds	244,002	-	244,002	-
Total Investments, at fair value	<u>\$ 2,274,977</u>	<u>\$ 2,030,975</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, \$70,000 is payable to the six remaining students who have received this award.

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**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, 2022, 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, 2022:

Endowment net assets, beginning of year	\$ 901,405
Investment return	
Investment income	(104,240)
Release of board designation	(30,068)
Net of related fees	<u>(5,726)</u>
Endowment net assets, end of year	<u>\$ 761,371</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, 2022 are available for the following purposes:

Literacy programs	\$ 404,666
Scholarships	903,063
Special Olympics	8,671
Other various programs	<u>178,059</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,494,459</u>

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 8 – Related Party Transactions**

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2022, the Foundation distributed \$304,186 to NCUSD 203 consisting of grant awards and reimbursement for district employee services.

At June 30, 2022, \$1,494,459 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.