

**NAPERVILLE EDUCATION  
FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2015**

**Naperville Education Foundation**

**Annual Financial Report**

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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, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from the Organization's 2014 financial statements, and, in our report dated October 24, 2014, we expressed an unqualified opinion on those 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, 2015, 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.

*Desmond & Ahern, Ltd.*

November 24, 2015  
Chicago, IL

**NAPERVILLE EDUCATION FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
As of June 30, 2015 (with comparative totals for 2014)**

|  | <u>2015</u>                       | <u>2014</u>                       |
|--|-----------------------------------|-----------------------------------|
| <b><u>Assets</u></b>                     |                                   |                                   |
| Cash                                     | \$ 258,407                        | \$ 259,563                        |
| Investments                              | 1,948,205                         | 1,944,329                         |
| Accounts receivable - NCUSD 203          | 13,316                            | 12,495                            |
| Prepaid expenses                         | 1,486                             | -                                 |
| <b>Total Assets</b>                      | <b><u><u>\$ 2,221,414</u></u></b> | <b><u><u>\$ 2,216,387</u></u></b> |
| <b><u>Liabilities and Net Assets</u></b> |                                   |                                   |
| Current Liabilities                      |                                   |                                   |
| Accounts payable                         | \$ 56,341                         | \$ 70,169                         |
| Deferred revenue                         | 17,568                            | 13,843                            |
| Total current liabilities                | <u>73,909</u>                     | <u>84,012</u>                     |
| Net Assets                               |                                   |                                   |
| Unrestricted                             |                                   |                                   |
| General operating                        | 29,663                            | 52,966                            |
| Board designated - Endowment fund        | 631,310                           | 618,147                           |
| Total unrestricted net assets            | <u>660,973</u>                    | <u>671,113</u>                    |
| Temporarily restricted                   | <u>1,486,532</u>                  | <u>1,461,262</u>                  |
| Total net assets                         | <u>2,147,505</u>                  | <u>2,132,375</u>                  |
| <b>Total Liabilities and Net Assets</b>  | <b><u><u>\$ 2,221,414</u></u></b> | <b><u><u>\$ 2,216,387</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, 2015 (with comparative totals for 2014)**

|   | Unrestricted | Temporarily<br>Restricted | Total<br>2015 | Total<br>2014 |
|---|--------------|---------------------------|---------------|---------------|
| <b><u>Public Support and Revenue</u></b>  |              |                           |               |               |
| Contributions   | \$ 98,862    | \$ 135,397                | \$ 234,259    | \$ 196,401    |
| Special events  |              |                           |               |               |
| Ticket sales  | 46,809       | -                         | 46,809        | 71,566        |
| Contributions   | 85,125       | 102,098                   | 187,223       | 138,920       |
| In-kind catering, facilities, and printing  | 3,150        | -                         | 3,150         | 11,856        |
| Less costs of in-kind direct benefits to donors   | (3,150)      | -                         | (3,150)       | (11,856)      |
| Less costs of direct benefits to donors   | (26,896)     | (35,088)                  | (61,984)      | (52,882)      |
| Net revenues from special events  | 105,038      | 67,010                    | 172,048       | 157,604       |
| Interest and dividend income  | 42,219       | 85,893                    | 128,112       | 108,849       |
| Donated services  | 33,208       | -                         | 33,208        | 22,000        |
| Net realized and unrealized gains (losses)<br>on investments, net of related fees of<br>\$11,667 and \$11,254, respectively | (37,216)     | (75,555)                  | (112,771)     | 165,605       |
| Net assets released from restrictions -<br>satisfaction of program restrictions   | 187,475      | (187,475)                 | -             | -             |
| Total Public Support and Revenue  | 429,586      | 25,270                    | 454,856       | 650,459       |
| <b><u>Expenses</u></b>  |              |                           |               |               |
| Program Services  |              |                           |               |               |
| Grants to NCUSD 203   | 156,348      | -                         | 156,348       | 172,617       |
| Study Skills Academy NCUSD 203  | 52,372       | -                         | 52,372        | 52,619        |
| Scholarships  | 51,392       | -                         | 51,392        | 63,664        |
| Kid Boosters Program  | 23,498       | -                         | 23,498        | 27,374        |
| Other program expenses  | 12,524       | -                         | 12,524        | 28,886        |
| Total program services  | 296,134      | -                         | 296,134       | 345,160       |
| Management and general  | 74,085       | -                         | 74,085        | 78,698        |
| Fundraising expense   | 69,507       | -                         | 69,507        | 40,449        |
| Total Expenses  | 439,726      | -                         | 439,726       | 464,307       |
| <b>Change in Net Assets</b>   | (10,140)     | 25,270                    | 15,130        | 186,152       |
| Net assets, beginning of year   | 671,113      | 1,461,262                 | 2,132,375     | 1,946,223     |
| Net assets, end of year   | \$ 660,973   | \$ 1,486,532              | \$ 2,147,505  | \$ 2,132,375  |

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

**NAPERVILLE EDUCATION FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2015 (with comparative totals for 2014)**

|  | <u>2015</u>              | <u>2014</u>              |
|--|--------------------------|--------------------------|
| <b><u>Cash Flows from Operating Activities</u></b>   |                          |                          |
| Cash received - contributions  | \$ 234,259               | \$ 196,401               |
| Cash received - special events   | 175,773                  | 160,649                  |
| Cash received - investment income  | 128,112                  | 108,849                  |
| Payments for investment fees   | (11,667)                 | (11,254)                 |
| Payments for operating activities  | <u>(422,653)</u>         | <u>(377,925)</u>         |
| Net cash provided by operating activities  | <u>103,824</u>           | <u>76,720</u>            |
| <b><u>Cash Flows from Investing Activities</u></b>   |                          |                          |
| Proceeds from sale of investments  | 84,534                   | 112,372                  |
| Purchase of investments  | <u>(189,514)</u>         | <u>(186,998)</u>         |
| Net cash used by investing activities  | <u>(104,980)</u>         | <u>(74,626)</u>          |
| <b>Net increase (decrease) in cash</b>   | (1,156)                  | 2,094                    |
| <b>Cash, beginning of year</b>   | <u>259,563</u>           | <u>257,469</u>           |
| <b>Cash, end of year</b>   | <u><u>\$ 258,407</u></u> | <u><u>\$ 259,563</u></u> |
| <b><u>Reconciliation of Change in Net Assets to Net Cash</u></b>                           |                          |                          |
| <b><u>Provided by Operating Activities</u></b>   |                          |                          |
| Change in net assets   | \$ 15,130                | \$ 186,152               |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                          |                          |
| Net realized and unrealized losses (gains) on investments                                  | 101,104                  | (176,859)                |
| Decrease (increase) in   |                          |                          |
| Accounts receivable  | (821)                    | 15,627                   |
| Prepays  | (1,486)                  | -                        |
| Increase (decrease) in   |                          |                          |
| Accounts payable   | (13,828)                 | 48,755                   |
| Deferred revenue   | <u>3,725</u>             | <u>3,045</u>             |
| Net cash provided by operating activities  | <u><u>\$ 103,824</u></u> | <u><u>\$ 76,720</u></u>  |

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

**NAPERVILLE EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Organization

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

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

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

Cash

Cash consist of bank deposits in federally insured accounts. At June 30, 2015 the Foundation's cash accounts exceeded federally insured limits by approximately \$114,000. The Foundation has not experienced any losses in these accounts and the Board of Trustees (the Board) does not believe that a significant credit risk exists at this time.

Investments

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

Support and Revenue

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

Accounts Receivable – School District 203

NCUSD consists of overpayments of programs paid in advance to NCUSD 203 not fully utilized by June 30, 2015.

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, 2015, this amounted to \$33,208 for donated accounting services.

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, 2015, \$3,150 was received as in-kind contributions, and was included as part of special events, direct benefits to donors.

Tax Exempt Status

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

The Foundation's annual information and income tax returns are filed annually with the federal and state governments. At June 30, 2015, the returns for tax years ending June 30, 2012 through 2015 remain open to potential examination by the federal and state governments.

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 U.S. generally accepted accounting principles. Accordingly, such prior year information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**Note 2 – Investments**

The Foundation’s investments, recorded at fair value at June 30, 2015 are as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Money market funds                | \$ 100,596          |
| Mutual funds - equities and bonds | <u>1,847,609</u>    |
|                                   | <u>\$ 1,948,205</u> |

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

**Note 3 – Fair Value Measurements**

Generally Accepted Accounting Principles define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation’s principal or most advantageous market 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, 2015</u> |                |                |
|--------------------------------|---|----------------|----------------|
|                                | <u>Level 1</u>                                  | <u>Level 2</u> | <u>Level 3</u> |
| Money markets and mutual funds | \$ 1,948,205                                    | \$ -           | \$ -           |

**NAPERVILLE EDUCATION FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015**

**Note 4 – Conditional Promises to Give**

The Foundation administers the Scherer Scholarship Fund, which stipulates that selected students will be awarded four year scholarships, with subsequent annual awards conditional upon maintaining adequate academic status. For the year ended June 30, 2015, two additional students were awarded scholarships of \$3,500 each per year but the conditions for the distribution of these awards was not met as of June 30, 2015. Seven awardees met the conditions resulting in \$24,500 of expense for the current year. Over the next four years, \$63,000 is payable to the seven remaining students who have received this award, conditional upon annual academic status and the Board of Trustees' approval.

**Note 5 – Board Designated Net Assets**

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

This fund was established through an appropriation of the Foundation's unrestricted net assets. Endowment funding as well as use of the accumulated endowment funds are subject to the Board's approval. As of June 30, 2015, the Board has not allocated the use of accumulated endowment funds.

**Return Objectives and Risk Parameters**

The Foundation has adopted an investment policy for endowment assets that takes into consideration the desire to grow and preserve capital as well as generate income. Under the policy, as approved by the Board on November 9, 1995, the endowment assets may be invested in long term, diversified growth/equity funds.

Changes in Board-designated endowment net assets for the fiscal year ended June 30, 2015:

|   |                          |
|---|--------------------------|
| Endowment net assets, beginning of year                                   | \$ 618,147               |
| Investment return   |                          |
| Investment income   | 41,931                   |
| Net depreciation - realized and unrealized net of related fees of \$3,822 | <u>(28,768)</u>          |
| Endowment net assets, end of year   | <u><u>\$ 631,310</u></u> |

The Foundation expects its endowment funds, over time, will provide an average rate of return equivalent to benchmarks for the following groups of investments:

|   |                    |
|---|--------------------|
| Investment  | <u>Benchmark</u>   |
| Money market funds (5-10% for liquidity purposes) | 90 day T-bill rate |
| Mutual funds - equities and bonds                 | S & P 500 Index    |

**NAPERVILLE EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

Strategies Employed for Achieving Objectives

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

**Note 6 – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2015 are available for the following purposes:

|                                      |                     |
|--------------------------------------|---------------------|
| Naperville School District 203       |                     |
| Literacy programs                    | \$ 374,970          |
| Scholarships                         | 1,056,118           |
| Other various programs               | 47,312              |
| Total Naperville School District 203 | <u>1,478,400</u>    |
| Special Olympics                     | 8,132               |
|                                      | <u>\$ 1,486,532</u> |

**Note 7 – Related Party Transactions**

The Foundation is organized for the benefit of NCUSD 203. During the year ended June 30, 2015, the Foundation distributed \$224,128 to NCUSD 203 consisting of grant awards and reimbursement for district employee services, of which \$56,341 is included in accounts payable. Also, \$13,316 is included in accounts receivable for overpayments to NCUSD 203. Additionally, the donated services of \$33,208 were provided by a firm represented on the Board.

At June 30, 2015, \$1,478,400 of the Foundation's net assets consist of contributions that are donor restricted to specific NCUSD 203 projects, programs and scholarships.

**Note 8 – Subsequent Event**

For the fiscal year ended June 30, 2015, the Foundation has evaluated subsequent events through November 24, 2015, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed at that date.