



**ROCKFORD PARK DISTRICT
FOUNDATION**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021

The background of the lower half of the page is a grayscale image of a modern building's interior, showing a grid of lines and architectural details. The image is overlaid with a semi-transparent teal band at the top and a semi-transparent orange band at the bottom right.

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ROCKFORD PARK DISTRICT FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rockford Park District Foundation

Opinion

We have audited the accompanying financial statements of Rockford Park District Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expense and cash flows for the years 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 Rockford Park District Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Rockford Park District 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 Rockford Park District 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 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 Rockford Park District 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 Rockford Park District 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.

Sikich LLP

Brookfield, Wisconsin
April 18, 2023

FINANCIAL STATEMENTS

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 241,900	\$ 290,661
Investments, current	135,442	115,913
Accounts receivable	430	288,038
Pledges receivable, net	1,558,226	767,964
Note receivable	2,940	2,370
Cash, restricted	3,539,109	3,665,500
Other assets:		
Real estate held for future donation	882,522	882,522
Other real estate	40,756	40,756
Property and equipment, net	240,502	251,181
Investment in Route 173 Realty	666,895	195,544
Investments, noncurrent	4,601,878	5,639,643
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TOTAL ASSETS	\$ 11,910,600	\$ 12,140,092
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(This statement is continued on the following page.)

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 173,231	\$ 664,618
Other liabilities	2,504	2,504
Long-term liability	249,256	399,400
Total liabilities	<u>424,991</u>	<u>1,066,522</u>
NET ASSETS		
Without donor restrictions		
Board designated		
Endowments	651,677	848,542
Eternal flame maintenance	7,610	7,610
Land and buildings, net of accumulated depreciation	<u>962,545</u>	<u>973,224</u>
Total board designated	1,621,832	1,829,376
Undesignated	<u>507,243</u>	<u>520,950</u>
Total without donor restrictions	<u>2,129,075</u>	<u>2,350,326</u>
With donor restrictions		
Interest in Route 173 Realty	666,895	195,544
Restricted for purpose	5,487,571	5,325,632
Perpetual in nature	<u>3,202,068</u>	<u>3,202,068</u>
Total with donor restrictions	<u>9,356,534</u>	<u>8,723,244</u>
Total net assets	<u>11,485,609</u>	<u>11,073,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,910,600</u>	<u>\$ 12,140,092</u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 115,446	\$ 2,141,211	\$ 2,256,657
Special events	-	2,890	2,890
Foundation grant contributions	-	122,857	122,857
In-kind donations	479	19,505	19,984
Investment return, net	(211,383)	(159,527)	(370,910)
Rental income	20,797	4,495	25,292
Total revenue, gains, and other support	(74,661)	2,131,431	2,056,770
Net assets released from restrictions	1,498,141	(1,498,141)	-
Total revenue	1,423,480	633,290	2,056,770
EXPENSES			
Program services			
Community	1,192,971	-	1,192,971
Memorial	51,143	-	51,143
Youth	254,026	-	254,026
Other	86,591	-	86,591
Total program services	1,584,731	-	1,584,731
Fundraising	123,043	-	123,043
General and administrative	195,126	-	195,126
Total expenses	1,902,900	-	1,902,900
Transfer from affiliate - donated services and occupancy from Rockford Park District	258,169	-	258,169
CHANGE IN NET ASSETS	(221,251)	633,290	412,039
NET ASSETS, BEGINNING OF YEAR	2,350,326	8,723,244	11,073,570
NET ASSETS, END OF YEAR	\$ 2,129,075	\$ 9,356,534	\$ 11,485,609

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 106,670	\$ 2,161,801	\$ 2,268,471
Special events	-	3,055	3,055
Foundation grant contributions	-	190,428	190,428
In-kind donations	-	32,600	32,600
Investment return, net	207,267	480,805	688,072
Rental income	20,797	4,495	25,292
Total revenue, gains, and other support	334,734	2,873,184	3,207,918
Net assets released from restrictions	1,937,087	(1,937,087)	-
Total revenue	2,271,821	936,097	3,207,918
EXPENSES			
Program services			
Community	1,573,309	-	1,573,309
Memorial	35,938	-	35,938
Youth	295,238	-	295,238
Other	81,705	-	81,705
Total program services	1,986,190	-	1,986,190
Fundraising	96,214	-	96,214
General and administrative	221,681	-	221,681
Total expenses	2,304,085	-	2,304,085
Transfer from affiliate - donated services and occupancy from Rockford Park District	257,895	-	257,895
CHANGE IN NET ASSETS	225,631	936,097	1,161,728
NET ASSETS, BEGINNING OF YEAR	2,124,695	7,787,147	9,911,842
NET ASSETS, END OF YEAR	\$ 2,350,326	\$ 8,723,244	\$ 11,073,570

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services					Management and General	Fundraising	Total
	Community	Memorial	Youth	Other	Total			
Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,711	\$ 111,517	\$ 272,228
Bad debt expense	-	-	-	25,685	25,685	-	-	25,685
Bank service fees	136	-	119	1,989	2,244	-	-	2,244
Depreciation expense	-	-	-	10,679	10,679	-	-	10,679
Printing	-	-	-	-	-	-	10,002	10,002
Donated goods expense	19,505	-	-	479	19,984	-	-	19,984
Education	-	-	-	-	-	262	-	262
Telephone	-	-	-	-	-	1,285	-	1,285
Postage	-	-	-	-	-	-	1,524	1,524
Travel	-	-	-	-	-	511	-	511
Professional relations	-	-	-	-	-	2,296	-	2,296
Office rental	-	-	-	-	-	13,500	-	13,500
Supplies	-	-	-	-	-	1,352	-	1,352
Audit fees	-	-	-	-	-	14,000	-	14,000
Meeting expense	-	-	-	-	-	1,059	-	1,059
Project expense & project service	1,168,765	51,143	253,907	27,026	1,500,841	-	-	1,500,841
Legal expense	3,351	-	-	13	3,364	150	-	3,514
Real estate fee	1,214	-	-	-	1,214	-	-	1,214
Utilities	-	-	-	20,655	20,655	-	-	20,655
Miscellaneous expense	-	-	-	65	65	-	-	65
Expenses before cost of sales	<u>\$ 1,192,971</u>	<u>\$ 51,143</u>	<u>\$ 254,026</u>	<u>\$ 86,591</u>	<u>\$ 1,584,731</u>	<u>\$ 195,126</u>	<u>\$ 123,043</u>	<u>1,902,900</u>
COST OF SALES								<u>-</u>
Cost of direct benefits to donors								<u>-</u>
TOTAL EXPENSES								<u><u>\$ 1,902,900</u></u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services					Total	Management and General	Fundraising	Total
	Community	Memorial	Youth	Other					
Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,739	\$ 89,809	\$ 279,548
Bad debt expense	-	-	-	10,111	10,111	-	-	-	10,111
Bank service fees	48	-	129	3,807	3,984	-	-	-	3,984
Depreciation expense	-	-	-	10,679	10,679	-	-	-	10,679
Printing	-	-	-	-	-	-	5,078	-	5,078
Donated goods expense	-	-	-	32,600	32,600	-	-	-	32,600
Telephone	-	-	-	-	-	-	1,015	-	1,015
Postage	-	-	-	-	-	-	-	1,327	1,327
Professional relations	-	-	-	-	-	-	1,529	-	1,529
Office rental	-	-	-	-	-	-	13,500	-	13,500
Supplies	-	-	-	-	-	-	980	-	980
Audit fees	-	-	-	-	-	-	14,000	-	14,000
Meeting expense	-	-	-	-	-	-	692	-	692
Project expense & project service	1,571,977	35,938	295,109	6,492	1,909,516	-	-	-	1,909,516
Legal expense	113	-	-	-	113	226	-	-	339
Real estate fee	1,171	-	-	-	1,171	-	-	-	1,171
Utilities	-	-	-	17,945	17,945	-	-	-	17,945
Miscellaneous expense	-	-	-	71	71	-	-	-	71
Expenses before cost of sales	<u>\$ 1,573,309</u>	<u>\$ 35,938</u>	<u>\$ 295,238</u>	<u>\$ 81,705</u>	<u>\$ 1,986,190</u>	<u>\$ 221,681</u>	<u>\$ 96,214</u>		<u>2,304,085</u>
COST OF SALES									
Cost of direct benefits to donors									-
TOTAL EXPENSES									<u>\$ 2,304,085</u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 412,039	\$ 1,161,728
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,679	10,679
Realized and unrealized loss (gain) on investments	938,478	(472,616)
Bad debt expense	25,685	10,111
Increase (decrease) in cash due to changes in:		
Pledges receivable	(815,947)	(307,706)
Accounts receivable	287,608	(285,816)
Notes receivable	(570)	(1,553)
Accrued interest	-	5,907
(Increase) decrease in cash due to changes in:		
Accounts payable	(491,387)	585,278
Net cash from operating activities	<u>366,585</u>	<u>706,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,809,966)	(32,396)
Proceeds from sale of investments	3,418,373	1,713,967
Net cash from investing activities	<u>(391,593)</u>	<u>1,681,571</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term liability	(150,144)	(415,038)
Net cash from financing activities	<u>(150,144)</u>	<u>(415,038)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(175,152)	1,972,545
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>3,956,161</u>	<u>1,983,616</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 3,781,009</u>	<u>\$ 3,956,161</u>

(This statement is continued on the following page.)

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash and cash equivalents	\$ 241,900	\$ 290,661
Cash, restricted	3,539,109	<u>3,665,500</u>
	<u>\$ 3,781,009</u>	<u>\$ 3,956,161</u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rockford Park District Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Illinois for the purpose of promoting educational, scientific, and charitable activities in the Rockford community area. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

The Foundation is operated in conjunction with and primarily for the benefit of the Rockford Park District (the District). The Foundation was established to support the operations and facilities of the District, to solicit and receive gifts, grants and bequests of real and personal property, and to make contributions, grants, gifts, and transfers of property for the benefit of the District or others associated with the District. The Foundation bylaws provide that the number of directors be not less than 10 or more than 40 and that one of the Directors shall be the President of the Rockford Park District Board or any other Park District Commissioner the President appoints. The Foundation is subsidized by the District for general and administrative expenses, which is included in the statement of activities as a transfer from affiliate – in-kind contributions from the Rockford Park District.

Accounting and Reporting Basis

Assets, liabilities, revenue, and expenses are recognized on the accrual basis method of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Undesignated – Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations.

Designated – Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Net assets which require, by donor-imposed restriction, that the corpus be invested in perpetuity. In the absence of donor specifications, earnings on such funds are recognized as restricted for time until formally appropriated by the Foundation's board.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting and Reporting Basis (Continued)

The Foundation has presented its assets and liabilities on the statements of financial position in an unclassified manner but in the order of liquidity.

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 revenues and expenses, including functional allocations during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits and highly liquid investments in various checking and money market accounts that are readily convertible to known amounts of cash. The Foundation's depository accounts from time-to-time may exceed FDIC insured limits. The Foundation did not have deposits in excess of federally insured limits at December 31, 2022 and 2021. Management has not experienced any losses and does not believe there is any significant market risk associated with such balances.

Restricted Cash

The Foundation has restricted cash related to donor restricted contributions of \$3,539,109 and \$3,665,500 as of December 31, 2022 and 2021, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Foundation includes any receivable balances that are deemed to be uncollectible in the allowance for doubtful accounts. After all attempts to collect have failed, the receivable is written off against the allowance. Based on management's evaluation as of December 31, 2022 and 2021, no allowance is deemed necessary. However, actual write-offs may occur.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions

When the Foundation receives contributions of cash, securities, other assets, services or space; an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received and unconditional promises to give are measured at their fair values and are reported in net assets without donor restrictions unless the use of the related assets is limited by the donor-imposed restrictions. 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, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues with donor restrictions and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An estimate made for uncollectible pledges is based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible pledges by regularly evaluating individual receivables and considering a donor's financial condition and current economic conditions. Pledges receivable are written off when deemed uncollectible. Recoveries of pledges receivable previously written off are recorded when received. Interest on outstanding receivables is not charged.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor. The Foundation has a 50% equity investment in a limited liability company (LLC). Based on donor's restrictions, the Foundation's proportionate income or loss allocated from the LLC, if any, is included in changes in net assets with donor restrictions. Investment return on the statement of activities is reported net of external and direct internal investment expense.

Fair Value Measurements

Generally accepted accounting principles (GAAP) establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2022 and 2021.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Equity securities and common stock: Valued at the closing quoted price in an active market.

Fixed income corporate bonds: The investment grade corporate bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Fixed income municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings when quoted prices are not available for identical or similar bonds.

Real Estate Held for Future Donation

Real estate held for future donation consists of land and buildings that were donated or purchased with the intent that the property will be held until it can be used by the District. Real estate is recorded at its estimated fair market value at the date of donation or cost at the date of purchase. At the date of donation to the District, the property is recorded as a donation expense.

Property and Equipment

All purchased property is recorded at the lower of cost or fair market value at the time of purchase. Donated property is recorded at the estimated fair market value on the date of donation. Buildings with a cost of \$5,000 or more are depreciated over an estimated useful life of 40 years using the straight-line method. Improvements are depreciated over an estimated useful life of 25-40 years using the straight-line method.

Investment in Route 173 Realty

This investment is reported as a separate component of net assets on the statement of financial position using the equity method of accounting. The investment's proportionate share of net earnings is reported in the statement of activities and changes in net assets.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donated Services and Facilities

The Foundation received the following contributions of nonfinancial assets for the year ending December 31, 2022:

Donated goods	\$ 19,984
Transfer from affiliate - Rockford Park District	
Salaries and benefits	212,228
Occupancy	14,785
Supplies, postage and printing	13,937
Professional fees	<u>17,219</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u><u>\$ 278,153</u></u>

The Foundation receives contributions of donated goods with and without donor restrictions. The donated goods are valued at the wholesale prices that would be received for selling similar products. The donated goods were used in the Foundation's program services.

The Foundation also receives contributed services from Rockford Park District (Park District) in the form of personnel salaries and benefits without restriction. The personnel salaries and benefits are reported using the personnel's current rates as reported by the Park District. The contributed services were utilized in the Foundation's program services, as well as the Foundation's management and general and fundraising functions.

In addition, the Foundation receives in-kind professional fees, supplies, postage and printing without restriction from the Park District. These in-kind services are valued based on actual costs incurred as invoiced by the vendor. The services are utilized in the Foundation's program, management and general, and fundraising functions.

The Park District also provides in-kind occupancy to the Foundation without restriction based on the square footage allocated to the Foundation and actual operating expenditures as reported by the Park District. Occupancy is utilized in the Foundation's management and general function.

The donated services are shown as a transfer from affiliate in the Statement of Activities and allocated to the respective natural and functional classifications on the Statement of Functional Expenses.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged to the program or supporting service. Costs that cannot be directly charged are allocated based on the services benefited. Expenses that are allocated include salaries and wages, which are allocated based on time and effort.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new guidance requires contributed nonfinancial assets be presented as a separate line item in the statements of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization adopted this new standard during 2022 with no material impact to the financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	2022	2021
Cash and cash equivalents and restricted cash	\$ 3,781,009	\$ 3,956,161
Accounts receivable	430	288,038
Pledges receivable	1,558,226	767,964
Note receivable	2,940	2,370
Investments	5,404,215	5,951,100
Total financial assets	10,746,820	10,965,633
Less donor imposed restrictions:		
Accounts payable and long term liability	(420,115)	(1,055,305)
Restricted funds	(5,713,555)	(4,319,627)
Endowments	(3,537,395)	(4,348,823)
Net financial assets after donor-imposed restrictions	1,075,755	1,241,878
Less board designations		
Quasi endowments	(651,677)	(848,542)
Quasi admin endowment spending appropriated	2,223	2,036
Eternal flame maintenance	(7,610)	(7,610)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 418,691</u>	<u>\$ 387,762</u>

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments are used to fund programs, capital projects and maintenance needs. In addition, the Foundation receives support without donor restrictions; such support includes contributions of \$115,446 and \$106,670 in 2022 and 2021, respectively, net lease (loss) income of (\$4,982) and \$17 in 2022 and 2021, respectively, and investment (loss) income (net of fees) without restrictions of (\$24,123) and \$65,792 in 2022 and 2021, respectively. The Foundation also has a board designated administrative endowment to help fund general expenditures for the Foundation. The amount appropriated for expenditure from the administrative endowment was \$2,036 and \$1,686 in 2022 and 2021, respectively.

The Rockford Park District pays the Foundation's general and administrative and fundraising costs. The total cost of the general and administrative and fundraising costs was \$318,169 and \$317,895 in 2022 and 2021, respectively. The Foundation reimbursed the Rockford Park District \$60,000 in 2022 and 2021 for general expenditures.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Contributions to be collected:		
Within one year	\$ 889,400	\$ 248,400
One to five years	752,687	508,400
More than five years	50,885	80,000
	<u>1,692,972</u>	<u>836,800</u>
Less:		
Allowance for doubtful accounts	50,789	25,104
Adjustments to present value for future cash flows from pledges receivable	83,957	43,732
	<u>134,746</u>	<u>68,836</u>
TOTAL	<u><u>\$ 1,558,226</u></u>	<u><u>\$ 767,964</u></u>

Pledge receivables have been reduced by 3% for general allowances for bad debts in 2022 and 2021. Pledge receivables which are not to be collected within one year have been discounted at rates between 3.25% and 7.5%.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS

The following tables set forth, by level, the Foundation's investments at fair value, except for the certificates of deposit, which are reported at cost, and the Investment in LLC, which is reported on the equity method, at December 31, 2022 and 2021:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,203,368	\$ -	\$ -	\$ 3,203,368
Fixed income corporate and municipal bonds	-	1,533,952	-	1,533,952
TOTAL INVESTMENTS	\$ 3,203,368	\$ 1,533,952	\$ -	\$ 4,737,320

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,979,338	\$ -	\$ -	\$ 3,979,338
Fixed income corporate and municipal bonds	-	1,366,896	-	1,366,896
	\$ 3,979,338	\$ 1,366,896	\$ -	5,346,234
Certificates of deposit - at cost				409,322
TOTAL INVESTMENTS				\$ 5,755,556

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

5. INVESTMENT IN ROUTE 173 REALTY

On December 14, 2001, the Foundation entered into an operating agreement with Route 173 Realty, a limited liability company (LLC). Pursuant to the agreement, the Foundation has a 50% ownership in the LLC. The carrying amount of the investment increases or decreases based on the net earnings or losses of Route 173 Realty and decreases for any distributions. A summary of changes in the investment are as follows for the years ended December 31:

	2022	2021
Balance, beginning of year	\$ 195,544	\$ 192,332
Proportionate share of change in equity	471,351	3,212
BALANCE, END OF YEAR	\$ 666,895	\$ 195,544

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

5. INVESTMENT IN ROUTE 173 REALTY (Continued)

Route 173 Realty held cash of \$1,333,790 and \$102,449 as of December 31, 2022 and 2021, respectively, as well as land of \$288,640 as of December 31, 2021. During 2022, the land was sold. Subsequent to year end the members elected to disband the LLC and distribute all assets.

Annual rental income for the years ending December 31, 2022 and 2021 was \$8,990. There were no liabilities or distributions from the entity for 2022 or 2021.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 98,000	\$ 98,000
Building	418,344	418,344
	<u>516,344</u>	<u>516,344</u>
Less accumulated depreciation	<u>(275,842)</u>	<u>(265,163)</u>
TOTAL	<u><u>\$ 240,502</u></u>	<u><u>\$ 251,181</u></u>

Depreciation expense for 2022 and 2021 was \$10,679.

7. RELATED PARTY TRANSACTIONS

The District provides office space, equipment, and support services for the Foundation. The value of such in-kind benefits to the Foundation was \$258,169 and \$257,895 in 2022 and 2021, respectively. The total cost for general and administrative and fundraising expenses for the Foundation was \$318,169 and \$317,895 in 2022 and 2021, respectively, which includes donated salaries and benefits of district personnel of \$272,228 and \$279,548 in 2022 and 2021, respectively. The Foundation reimbursed the District \$60,000 for general and administration costs during December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total general and administrative expenses of the Foundation	\$ 318,169	\$ 317,895
Less: Reimbursement	<u>(60,000)</u>	<u>(60,000)</u>
TOTAL IN-KIND CONTRIBUTION FROM THE ROCKFORD PARK DISTRICT	<u><u>\$ 258,169</u></u>	<u><u>\$ 257,895</u></u>

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

The Foundation incurred the following expenses relating to transactions with the District for the years ended December 31:

	2022	2021
General and administration	\$ 36,797	\$ 41,841
Fundraising	23,203	18,159
Programs and capital improvements:		
Aldeen Golf	373,606	373,078
Alpine Hills Snow Park	-	10,000
Atwood Bike Trails	237	165,443
Atwood Outdoor Education Center	-	1,086
City of Gardens	34,491	38,579
Endowment - Jane Lyons Earnings	55,504	50,895
Endowment - Olson Park	16,164	14,557
Disc Golf	9,657	9,716
Help Me Play	64,745	42,493
Junior Ice Hogs	-	6,000
Levings Lake Master Plan	226	85,000
Lockwood	30,300	9,211
Music in the Park	10,250	7,250
NFL Flag Football	33,924	1,165
Nicholas Conservatory	444,820	650,775
Other	31,175	28,780
Perryville Peace Plaza	32,809	13,272
Playground - Keye Mallquist	1,565	125,000
Playgrounds	21,455	-
Riverview Ice Support	41,886	-
Sandy Hollow Golf Course	11,916	1,123
Seth B. Atwood Endowment	107,851	94,961
Snow Sculpting	9,500	10,500
Therapeutic Recreational Grant Programs	56,071	50,000
Washington Park Playground	-	10,243
Youth Golf	18,500	15,945
TOTAL	\$ 1,466,652	\$ 1,875,072

Accounts payable includes amounts due to the District. At December 31, 2022 and 2021, this amount totaled \$171,659 and \$657,640, respectively.

See Note 8 for long-term liability due to the District.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG-TERM LIABILITY

	<u>2022</u>	<u>2021</u>
Long-term liability due to the District for a specific project supported by a restricted donor pledge receivable to the Foundation. Payments are due in annual installments of varying amounts through 2024. The liability is unsecured.	\$ 249,256	\$ 399,400
TOTAL	<u>\$ 249,256</u>	<u>\$ 399,400</u>

The scheduled maturities of long-term liabilities at December 31, 2022 are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Amount Due</u>
2023	\$ 149,928
2024	99,328
TOTAL	<u>\$ 249,256</u>

9. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Restricted for purpose:		
Rockford Park District Programs		
Community	\$ 4,631,192	\$ 3,925,611
Memorials	104,128	151,631
Youth	752,251	1,248,390
Total restricted for purpose	5,487,571	5,325,632
Route 173 Realty	666,895	195,544
Perpetual restriction	3,202,068	3,202,068
TOTAL	<u>\$ 9,356,534</u>	<u>\$ 8,723,244</u>

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS (Continued)

The restrictions on net assets for Community programs at the end of fiscal year December 31, 2022 are related to funds raised for Nicholas Conservatory and Gardens, Aldeen Golf Club, Lockwood Indoor Equine Center, Riverview Ice House Support, Jane Lyons Girls Golf Endowment, Olson Park, Davis Park, City of Gardens, Rose Garden fund, Canine Corners (Dog Parks), Therapeutic Recreational Programs, and Perryville Peace Plaza.

The restrictions on net assets for Memorials include contributions raised for the Field of Honor, Celebrate Life Program and Harkins Memorial Fund. The restrictions on net assets for Youth's main projects include Help Me Play, Atwood Outdoor Education Center, Atwood Park, Playgrounds and Youth Sports programs.

10. RENTAL INCOME

The Foundation leased land to a third party under an operating lease agreement. Annual rental payments due to the Foundation under this agreement were approximately \$4,500 in December 31, 2022 and 2021.

The Foundation entered into an agreement to lease land and building space to a third party under an operating agreement which expires in January 2023. Under this agreement, rent of approximately \$430 per month was due to the Foundation in 2022, with annual increases based on Consumer Price Index - All Urban Consumers.

The Foundation has an agreement to lease land and building space to a third party under an operating agreement through January 2027. Under this agreement, rent due to the Foundation is approximately \$1,300 per month.

Future minimum rental income under these leases are:

2023	\$	15,775
2024		15,932
2025		16,092
2026		16,253
2027		1,356
TOTAL	\$	<u>65,408</u>

11. RISK MANAGEMENT

The Foundation is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The Foundation is covered under the District's membership in the Park District Risk Management Agency (PDRMA) Property/Casualty Program, a joint risk management pool of park and forest preserve districts, and special recreation associations through which property, general liability, automobile liability, crime, boiler and machinery, public officials, employment practices liability, and workers' compensation coverage is provided in excess of specified limits for the members, acting as a single insurance unit. The Foundation could be required to fund deficits of PDRMA attributable to a membership year during which it was covered by the District.

12. ENDOWMENT

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in accordance with predetermined asset allocation and performance benchmarks. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

At the beginning of the fourth quarter each year, the Foundation will determine how much of the endowments may be spent. In an effort to smooth the impact of particularly good or bad years, a three point average of the previous ending two year-end values and the current ending August 31 month-end value will be calculated. The amount available to be spent will be 4.50% of this three point average for endowments that have not specified how income is to be spent. The Foundation's Board may, by simple majority vote, choose to spend more or less than this amount. The Foundation's Rose Garden Fund has a spending policy that allows for half of the 4 year average realized net earnings to be available for operations.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of December 31, 2022 and 2021.

The endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Historical gift value	\$ -	\$ 3,202,068	\$ 3,202,068
Investment return	-	335,327	335,327
Total donor restricted endowment funds	-	3,537,395	3,537,395
Board designated endowment funds	651,677	412,806	1,064,483
TOTAL	\$ 651,677	\$ 3,950,201	\$ 4,601,878

The endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Historical gift value	\$ -	\$ 3,202,068	\$ 3,202,068
Investment return	-	1,146,755	1,146,755
Total donor restricted endowment funds	-	4,348,823	4,348,823
Board designated endowment funds	848,542	442,278	1,290,820
TOTAL	\$ 848,542	\$ 4,791,101	\$ 5,639,643

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

During the year ended December 31, 2022, the Foundation had the following endowment related activities:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 848,542	\$ 4,791,101	\$ 5,639,643
Investment return, net	(187,260)	(631,011)	(818,271)
Contributions	8,595	-	8,595
Amounts appropriated for expenditure	(18,200)	(209,889)	(228,089)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 651,677	\$ 3,950,201	\$ 4,601,878

During the year ended December 31, 2021, the Foundation had the following endowments related activities:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 701,303	\$ 4,511,384	\$ 5,212,687
Investment return, net	141,476	480,805	622,281
Contributions	7,449	-	7,449
Amounts appropriated for expenditure	(1,686)	(201,088)	(202,774)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 848,542	\$ 4,791,101	\$ 5,639,643

13. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 18, 2023, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date, except as disclosed in Note 5.