



**ROCKFORD PARK DISTRICT  
FOUNDATION**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2020 and 2019



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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

### **Report on the Financial Statements**

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, 2020 and 2019, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 audits. We conducted our audits 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 from 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 Rockford Park District Foundation as of December 31, 2020 and 2019, 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.

*Sikich LLP*

Brookfield, Wisconsin  
April 20, 2021

## **FINANCIAL STATEMENTS**

**ROCKFORD PARK DISTRICT FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 194,381	\$ 256,703
Investments, current	1,755,036	2,322,600
Accounts receivable	2,222	12,369
Pledges receivable, net	470,369	1,057,545
Note receivable	817	3,594
Accrued interest	5,907	10,306
Cash, restricted	1,789,235	577,819
Other assets:		
Real estate held for future donation	882,522	882,522
Other real estate	40,756	40,756
Property and equipment, net	261,860	272,540
Investment in Route 173 Realty	192,332	189,077
Investments, noncurrent	5,212,687	4,807,902
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 10,808,124</b>	<b>\$ 10,433,733</b>

(This statement is continued on the following page.)

**ROCKFORD PARK DISTRICT FOUNDATION**

STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2020 and 2019

<b>LIABILITIES AND NET ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 79,340	\$ 510,435
Other liabilities	2,504	1,200
Long-term liability	814,438	1,005,878
Total liabilities	<u>896,282</u>	<u>1,517,513</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated		
Endowments	701,303	569,880
Eternal flame maintenance	7,610	7,610
Land and buildings, net of accumulated depreciation	983,902	994,581
Total board designated	1,692,815	1,572,071
Undesignated	431,880	432,762
Total without donor restrictions	<u>2,124,695</u>	<u>2,004,833</u>
With donor restrictions		
Interest in Route 173 Realty	192,332	189,077
Restricted for purpose	4,392,747	3,520,242
Perpetual in nature	3,202,068	3,202,068
Total with donor restrictions	<u>7,787,147</u>	<u>6,911,387</u>
Total net assets	<u>9,911,842</u>	<u>8,916,220</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,808,124</u>	<u>\$ 10,433,733</u>

See accompanying notes to financial statements.

# ROCKFORD PARK DISTRICT FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 63,770	\$ 1,396,491	\$ 1,460,261
Foundation grant contributions	-	210,987	210,987
In-kind donations	-	18,965	18,965
Investment return, net	193,209	436,637	629,846
Rental income	20,797	4,495	25,292
Total revenue, gains, and other support	277,776	2,067,575	2,345,351
Net assets released from restrictions	1,191,815	(1,191,815)	-
Total revenue	1,469,591	875,760	2,345,351
<b>EXPENSES</b>			
Program services			
Community	958,577	-	958,577
Memorial	31,352	-	31,352
Youth	182,920	-	182,920
Other	116,878	-	116,878
Total program services	1,289,727	-	1,289,727
Fundraising	95,455	-	95,455
General and administrative	214,365	-	214,365
Total expenses	1,599,547	-	1,599,547
Transfer from affiliate - donated services and occupancy from Rockford Park District	249,818	-	249,818
CHANGE IN NET ASSETS	119,862	875,760	995,622
NET ASSETS, BEGINNING OF YEAR	2,004,833	6,911,387	8,916,220
NET ASSETS, END OF YEAR	\$ 2,124,695	\$ 7,787,147	\$ 9,911,842

See accompanying notes to financial statements.



# ROCKFORD PARK DISTRICT FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 45,575	\$ 1,135,700	\$ 1,181,275
Special events	-	8,171	8,171
Foundation grant contributions	-	111,555	111,555
In-kind donations	-	26,240	26,240
Investment return, net	228,242	495,099	723,341
Rental income	20,797	4,495	25,292
Total revenue, gains, and other support	294,614	1,781,260	2,075,874
Net assets released from restrictions	1,794,215	(1,794,215)	-
Total revenue	2,088,829	(12,955)	2,075,874
<b>EXPENSES</b>			
Program services			
Community	1,394,755	-	1,394,755
Memorial	39,565	-	39,565
Youth	330,968	-	330,968
Other	62,783	-	62,783
Total program services	1,828,071	-	1,828,071
Fundraising	94,859	-	94,859
Costs of direct benefits to donors	2,685	-	2,685
General and administrative	199,068	-	199,068
Total expenses	2,124,683	-	2,124,683
Transfer from affiliate - donated services and occupancy from Rockford Park District	233,926	-	233,926
CHANGE IN NET ASSETS	198,072	(12,955)	185,117
NET ASSETS, BEGINNING OF YEAR	1,806,761	6,924,342	8,731,103
NET ASSETS, END OF YEAR	\$ 2,004,833	\$ 6,911,387	\$ 8,916,220

See accompanying notes to financial statements.

**ROCKFORD PARK DISTRICT FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2020

	<b>Program Services</b>					<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Community</b>	<b>Memorial</b>	<b>Youth</b>	<b>Other</b>	<b>Total</b>			
Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,046	\$ 91,162	\$ 275,208
Bad debt expense	-	-	-	(20,203)	(20,203)	-	-	(20,203)
Bank service fees	142	-	44	3,068	3,254	-	-	3,254
Depreciation expense	-	-	-	10,680	10,680	-	-	10,680
Printing	-	-	-	-	-	-	3,025	3,025
Donated goods expense	-	-	-	18,965	18,965	-	-	18,965
Telephone	-	-	-	-	-	1,064	-	1,064
Postage	-	-	-	-	-	-	1,268	1,268
Professional relations	-	-	-	-	-	1,454	-	1,454
Office rental	-	-	-	-	-	13,500	-	13,500
Supplies	-	-	-	-	-	656	-	656
Audit fees	-	-	-	-	-	13,000	-	13,000
Meeting expense	-	-	-	-	-	495	-	495
Project expense & project service	957,197	31,352	182,876	91,836	1,263,261	-	-	1,263,261
Legal expense	113	-	-	15	128	150	-	278
Real estate fee	1,125	-	-	-	1,125	-	-	1,125
Utilities	-	-	-	12,517	12,517	-	-	12,517
Expenses before cost of sales	<u>\$ 958,577</u>	<u>\$ 31,352</u>	<u>\$ 182,920</u>	<u>\$ 116,878</u>	<u>\$ 1,289,727</u>	<u>\$ 214,365</u>	<u>\$ 95,455</u>	<u>1,599,547</u>
<b>COST OF SALES</b>								<u>-</u>
Cost of direct benefits to donors								<u>-</u>
<b>TOTAL EXPENSES</b>								<u><u>\$ 1,599,547</u></u>

See accompanying notes to financial statements.

**ROCKFORD PARK DISTRICT FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2019

	<b>Program Services</b>					<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Community</b>	<b>Memorial</b>	<b>Youth</b>	<b>Other</b>	<b>Total</b>			
Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,836	\$ 85,621	\$ 250,457
Bad debt expense	1,000	-	-	(9,002)	(8,002)	-	-	(8,002)
Bank service fees	4	-	66	2,583	2,653	-	-	2,653
Depreciation expense	-	-	-	10,680	10,680	-	-	10,680
Printing	-	-	-	-	-	-	9,238	9,238
Donated goods expense	-	-	-	26,240	26,240	-	-	26,240
Security	-	-	-	-	-	359	-	359
Education	-	-	-	-	-	422	-	422
Telephone	-	-	-	-	-	1,117	-	1,117
Postage	-	-	-	-	-	1,354	-	1,354
Travel	-	-	-	-	-	798	-	798
Professional relations	-	-	-	-	-	1,066	-	1,066
Office rental	-	-	-	-	-	13,500	-	13,500
Supplies	-	-	-	-	-	1,936	-	1,936
Audit fees	-	-	-	-	-	12,000	-	12,000
Meeting expense	-	-	-	-	-	1,560	-	1,560
Miscellaneous expense	38	-	-	818	856	120	-	976
Project expense & project service	1,392,607	39,565	330,902	16,633	1,779,707	-	-	1,779,707
Legal expense	-	-	-	25	25	-	-	25
Real estate fee	1,106	-	-	-	1,106	-	-	1,106
Utilities	-	-	-	14,806	14,806	-	-	14,806
Expenses before cost of sales	\$ 1,394,755	\$ 39,565	\$ 330,968	\$ 62,783	\$ 1,828,071	\$ 199,068	\$ 94,859	2,121,998
<b>COST OF SALES</b>								
Cost of direct benefits to donors								2,685
<b>TOTAL EXPENSES</b>								<u>\$ 2,124,683</u>

See accompanying notes to financial statements.

# ROCKFORD PARK DISTRICT FOUNDATION

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 995,622	\$ 185,117
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,680	10,680
Realized and unrealized (gain) on investments	(487,574)	(546,046)
Bad debt (recovery) expense	(20,203)	(8,002)
Increase (decrease) in cash due to changes in:		
Pledges receivable	607,379	259,458
Accounts receivable	10,147	(8,809)
Notes receivable	2,777	3,384
Accrued interest	4,399	(1,032)
(Increase) decrease in cash due to changes in:		
Accounts payable	(431,095)	290,657
Other liabilities	1,304	(1,733)
Net cash from operating activities	<u>693,436</u>	<u>183,674</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,254,181)	(4,193,961)
Proceeds from sale of investments	1,901,279	3,275,199
Net cash from investing activities	<u>647,098</u>	<u>(918,762)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term liability	58,408	22,798
Payments on long-term liability	(249,848)	(250,452)
Net cash from financing activities	<u>(191,440)</u>	<u>(227,654)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	1,149,094	(962,742)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>834,522</u>	<u>1,797,264</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 1,983,616</u>	<u>\$ 834,522</u>

(This statement is continued on the following page.)

**ROCKFORD PARK DISTRICT FOUNDATION**

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash and cash equivalents	\$ 194,381	\$ 256,703
Cash, restricted	1,789,235	577,819
	<u>\$ 1,983,616</u>	<u>\$ 834,522</u>

See accompanying notes to financial statements.

# ROCKFORD PARK DISTRICT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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### 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)

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**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, 2020 and 2019. 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 and endowment gifts which were not yet invested at December 31, 2020 and 2019. Restricted cash was \$1,789,235 and \$577,819 as of December 31, 2020 and 2019, respectively.

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.

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

*Contributions* (Continued)

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)

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**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, 2020 and 2019.

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Fair Value Measurements (Continued)

*Mutual funds:* Valued at the NAV of shares on the last trading day of the fiscal year.

*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.

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

In-Kind Donated Services and Facilities

The Foundation receives donated services and facility expenses during the year which are recorded in the statement of activities as transfer from affiliate – in-kind contributions from the Rockford Park District at their fair value. The District is the donor of such services and facilities to the Foundation.

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.

Previously Adopted Accounting Pronouncement

The Foundation adopted the requirements of Topic 606 as of January 1, 2019, utilizing the modified retrospective method of transition. The new guidance was applied using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not completed as of January 1, 2019. The adoption of this new accounting pronouncement did not have a material impact on the financial statements.

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**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 balance sheet date, comprise of the following:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents and restricted cash	\$ 1,983,616	\$ 834,522
Accounts receivable	2,222	12,371
Pledges receivable	470,369	1,057,545
Note receivable	817	3,594
Accrued interest	5,907	10,306
Investments	7,160,055	7,319,579
Total financial assets	9,622,986	9,237,917
Less donor imposed restrictions:		
Accounts payable and long term liability	(891,481)	(1,510,480)
Restricted funds	(3,704,121)	(3,125,919)
Endowments	(4,028,232)	(3,714,931)
Net financial assets after donor-imposed restrictions	999,152	886,587
Less board designations		
Quasi endowments	(701,303)	(569,880)
Quasi admin endowment spending for 2019	1,686	1,464
Eternal flame maintenance	(7,610)	(7,610)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 291,925</u>	<u>\$ 310,561</u>

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 \$63,770 and \$45,575 in 2020 and 2019, respectively, net lease income of \$4,823 and \$5,447 in 2020 and 2019, respectively, and investment income (net of fees) without restrictions of \$64,806 and \$79,369 in 2020 and 2019, 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 \$1,464 and \$1,258 in 2020 and 2019, 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 \$309,820 and \$293,926 in 2020 and 2019, respectively. The Foundation reimbursed the Rockford Park District \$60,000 in 2020 and 2019 for general expenditures.

**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. PLEDGES RECEIVABLE**

Pledges receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Contributions to be collected:		
Within one year	\$ 217,530	\$ 533,435
One to five years	282,243	639,765
	<u>499,773</u>	<u>1,173,200</u>
Less:		
Allowance for doubtful accounts	14,993	35,195
Adjustments to present value for future cash flows from pledges receivable	14,411	80,460
	<u>29,404</u>	<u>115,655</u>
<b>TOTAL</b>	<u>\$ 470,369</u>	<u>\$ 1,057,545</u>

Pledge receivables have been reduced by 3% for general allowances for bad debts in 2020 and 2019. Pledge receivables which are not to be collected within one year have been discounted at the rate of 3.25%.

**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, 2020 and 2019:

	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 3,554,758	\$ -	\$ -	\$ 3,554,758
Fixed income corporate and municipal bonds	-	1,581,061	-	1,581,061
	<u>\$ 3,554,758</u>	<u>\$ 1,581,061</u>	<u>\$ -</u>	<u>5,135,819</u>
Certificates of deposit - at cost				<u>1,831,904</u>
<b>TOTAL INVESTMENTS</b>				<u>\$ 6,967,723</u>

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. INVESTMENTS (Continued)**

	<b>December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ 2,295,274	\$ -	\$ -	\$ 2,295,274
Mutual funds	1,019,842	-	-	1,019,842
Fixed income corporate bonds	-	398,207	-	398,207
Fixed income municipal bonds	-	89,452	-	89,452
Common stock	806,632	-	-	806,632
	<u>\$ 4,121,748</u>	<u>\$ 487,659</u>	<u>\$ -</u>	<u>4,609,407</u>
Certificates of deposit - at cost				<u>2,521,095</u>
<b>TOTAL INVESTMENTS</b>				<u><u>\$ 7,130,502</u></u>

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. 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:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 189,077	\$ 185,725
Proportionate share of change in equity	3,255	3,352
Balance, end of year	<u>\$ 192,332</u>	<u>\$ 189,077</u>

Route 173 Realty held cash of \$96,025 and \$89,512 as of December 31, 2020 and 2019, respectively, as well as land of \$288,640 as of December 31, 2020 and 2019. Annual rental income for the years ending December 31, 2020 and 2019 was \$8,990. There were no liabilities or distributions from the entity for 2020 or 2019.

**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 98,000	\$ 98,000
Building	418,344	418,344
	<u>516,344</u>	<u>516,344</u>
Less accumulated depreciation	(254,484)	(243,804)
<b>TOTAL</b>	<u><u>\$ 261,860</u></u>	<u><u>\$ 272,540</u></u>

Depreciation expense for 2020 and 2019 was \$10,680.

**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 \$249,818 and \$233,926 in 2020 and 2019, respectively. The total cost for general and administrative expenses for the Foundation was \$309,818 and \$293,926 in December 31, 2020 and 2019, respectively, which includes donated salaries and benefits of district personnel of \$254,705 and \$230,356 in 2020 and 2019, respectively. The Foundation reimbursed the District \$60,000 for general and administration costs during December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Total general and administrative expenses of the Foundation	\$ 309,818	\$ 293,926
Less: Reimbursement	(60,000)	(60,000)
<b>TOTAL IN-KIND CONTRIBUTION FROM THE ROCKFORD PARK DISTRICT</b>	<u><u>\$ 249,818</u></u>	<u><u>\$ 233,926</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:

	<u>2020</u>	<u>2019</u>
General and administration	\$ 41,514	\$ 60,000
Fundraising	18,486	-
Programs and capital improvements:		
Aldeen Golf	221,337	91,617
Aldeen Pavilion	-	1,963
Atwood Bike Trails	-	222,354
Atwood Outdoor Education Center	27,743	167,766
Children's Exploration Station	-	41,000
City of Gardens	34,640	32,146
Clarence Hicks Memorial Sports Park	-	20,000
Community Grants	-	4,459
Endowment - Jane Lyons Earnings	54,332	54,671
Endowment - Olson Park	14,217	14,296
Field of Honor - Eternal Flame	14,975	1,000
Disc Golf	12,592	5,806
Golf Outreach	117	14,295
Help Me Play	58,930	26,950
Internship Program	2,544	19,545
Junior Ice Hogs	4,002	3,466
Levings Lake Master Plan	50,000	50,000
Lockwood	12,300	8,563
Music in the Park	4,358	23,795
Nicholas Conservatory	368,119	540,183
Norris and Margaret Aldeen Foundation	-	20,346
Other	56,491	136,476
Perryville Peace Plaza	14,678	13,596
Rose Garden	1,995	26,178
Seth B. Atwood Endowment	59,693	-
Sinnissippi Gardens	4,211	21,156
Therapeutic Recreational Grant Programs	50,000	50,000
Washington Park Playground	86,118	13,882
<b>TOTAL</b>	<u>\$ 1,213,392</u>	<u>\$ 1,685,509</u>

Included in accounts payable are amounts due to the District. At December 31, 2020 and 2019, this amount totaled \$76,805 and \$509,445, respectively.

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



**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. LONG-TERM LIABILITY**

	<u>2020</u>	<u>2019</u>
Long-term liability due to the District resulting from the Foundation's contribution to the District related to the District's 2011A General Obligation Alternate Revenue Source Bonds. Payments are due in annual installments of varying amounts through 2021. The liability is unsecured.	\$ 265,000	\$ 365,000
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.	549,438	640,878
<b>TOTAL</b>	<u>\$ 814,438</u>	<u>\$ 1,005,878</u>

The scheduled maturities of long-term liabilities at December 31, 2020 are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Amount due</u>
2021	\$ 415,078
2022	150,104
2023	149,928
2024	99,328
<b>TOTAL</b>	<u>\$ 814,438</u>

**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**9. NET ASSETS**

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

	<u>2020</u>	<u>2019</u>
Restricted for purpose:		
Rockford Park District Programs		
Community	\$ 3,346,374	\$ 2,768,844
Memorials	179,234	208,442
Youth	1,059,471	732,033
Total restricted for purpose	<u>4,585,079</u>	<u>3,709,319</u>
Perpetual restriction	<u>3,202,068</u>	<u>3,202,068</u>
<b>TOTAL</b>	<u><u>\$ 7,787,147</u></u>	<u><u>\$ 6,911,387</u></u>

The restrictions on net assets for Community programs at the end of fiscal year December 31, 2020 are related to funds raised for Nicholas Conservatory and Gardens, Olson Park, City of Gardens, Atwood Trails, Aldeen Golf Club, Lockwood Park, Jane Lyons Endowment Earnings for Girl’s Golf, Canine Corners (Dog Parks), the Rose Garden and the internship program.

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 Atwood Outdoor Education, Youth Golf Programs, Help Me Play fund, Atwood Park and Keye Mallquist Playground.

**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, 2020 and 2019.

The Foundation entered into a lease in January 2016, which was amended in March 2016, to lease land and building space to a third party under an operating agreement which expires in August 2022, with an option to extend the lease for one additional five-year term. Under this agreement, rent of approximately \$430 per month was due to the Foundation in 2020, with annual increases based on Consumer Price Index - All Urban Consumers.

The Foundation renewed a lease in January 2015 to lease land and building space to a third party under an operating agreement through January 2022. Under this agreement, rent due to the Foundation is approximately \$1,303 per month.

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**10. RENTAL INCOME (Continued)**

Future minimum rental income under these leases are:

2021	\$	20,797
2022		4,747
TOTAL	\$	<u>25,544</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.

**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. ENDOWMENT (Continued)**

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).

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 beginning of the fourth quarter 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, 2020 and 2019.

The endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds			
Historical gift value	\$ -	\$ 3,202,068	\$ 3,202,068
Investment return	-	826,163	826,163
Total donor restricted endowment funds	-	4,028,231	4,028,231
Board designated endowment funds	701,303	483,153	1,184,456
<b>TOTAL</b>	<b>\$ 701,303</b>	<b>\$ 4,511,384</b>	<b>\$ 5,212,687</b>

**ROCKFORD PARK DISTRICT FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**12. ENDOWMENT (Continued)**

The endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds			
Historical gift value	\$ -	\$ 3,202,068	\$ 3,202,068
Investment return	-	512,862	512,862
Total donor restricted endowment funds	-	3,714,930	3,714,930
Board designated endowment funds	569,880	523,092	1,092,972
<b>TOTAL</b>	<b>\$ 569,880</b>	<b>\$ 4,238,022</b>	<b>\$ 4,807,902</b>

During the year ended December 31, 2020, the Foundation had the following endowment related activities:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 569,880	\$ 4,238,022	\$ 4,807,902
Investment return, net	128,403	436,637	565,040
Contributions	4,484	-	4,484
Amounts appropriated for expenditure	(1,464)	(163,275)	(164,739)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ 701,303</b>	<b>\$ 4,511,384</b>	<b>\$ 5,212,687</b>

**ROCKFORD PARK DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. ENDOWMENT (Continued)**

During the year ended December 31, 2019, the Foundation had the following endowments related activities:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 422,571	\$ 3,841,979	\$ 4,264,550
Investment return, net	146,289	495,099	641,388
Contributions	2,279	26,726	29,005
Amounts appropriated for expenditure	(1,259)	(125,782)	(127,041)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ 569,880</b>	<b>\$ 4,238,022</b>	<b>\$ 4,807,902</b>

**13. CONTINGENCY**

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Operations could be severely impacted for months or beyond as the governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**14. SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through April 20, 2021, 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.