

HIGHLAND PARK COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016



Lipschultz, Levin & Gray
L.L.C. Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Highland Park Community Foundation
Highland Park, Illinois

We have audited the accompanying financial statements of Highland Park Community Foundation, which comprise the statements of assets and liability and net assets-modified cash basis as of December 31, 2017 and 2016, and the related statements of revenue, expenses and change in net assets-modified cash basis 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 the modified cash basis of accounting described in the *Summary of Significant Accounting Policies* note; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements 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 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 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 assets and net assets of Highland Park Community Foundation as of December 31, 2017 and 2016, and its revenues, expense and change in net assets for the years then ended in accordance with the modified cash basis of accounting described in the *Summary of Significant Accounting Policies* note.

Basis of Accounting

We draw attention to the *Summary of Significant Accounting Policies* note of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Lipschultz, Levin & Gray, L.L.C.

Lipschultz, Levin & Gray, LLC
Northbrook, Illinois
May 31, 2018



HIGHLAND PARK COMMUNITY FOUNDATIONSTATEMENTS OF ASSETS AND LIABILITY AND NET ASSETS -
MODIFIED CASH BASISDECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 141,696	\$ 99,184
Investments, at Fair Value	3,830,511	3,429,634
Rent Deposit		245
TOTAL ASSETS	<u>\$ 3,972,207</u>	<u>\$ 3,529,063</u>
<u>LIABILITY AND NET ASSETS</u>		
Due to Disaster Relief	\$ 2,314	
Unrestricted Net Assets - Board Designated Endowment	3,934,424	\$ 3,488,905
Temporarily Restricted Net Assets	20,041	18,089
Permanently Restricted Net Assets	15,428	22,069
TOTAL NET ASSETS	<u>3,969,893</u>	<u>3,529,063</u>
TOTAL LIABILITY AND NET ASSETS	<u>\$ 3,972,207</u>	<u>\$ 3,529,063</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.





HIGHLAND PARK COMMUNITY FOUNDATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted
REVENUES:				
Public Support:				
Contributions for Local Activities	\$ 222,611		\$ 222,611	\$ 215,322
Investment Income:				
Interest and Dividends, Net of Management Fees	74,435	\$ 313	\$ 940	
Realized Gains on Securities Transactions	64,952	3	10	
Unrealized Gains (Losses) on Securities Portfolio	323,977	1,636	4,909	
Net Investment Income	463,364	1,952	5,859	
Net Assets Released from Restrictions	12,500	(12,500)		
TOTAL REVENUES	698,475	1,952	(6,641)	587
OPERATING EXPENSES:				
Outside Services	32,890		32,890	28,705
Postage	1,973		1,973	1,665
Professional Services	4,500		4,500	4,000
Stationery and Printing	6,594		6,594	5,574
Other Miscellaneous	13,579		13,579	12,299
TOTAL OPERATING EXPENSES	59,536		59,536	52,243
EXCESS OF REVENUES OVER OPERATING EXPENSES (OPERATING EXPENSES OVER REVENUES) PRIOR TO GRANTS	638,939	1,952	(6,641)	587
GRANTS MADE	193,420		193,420	181,211
CHANGE IN NET ASSETS	445,519	1,952	(6,641)	587
NET ASSETS, BEGINNING OF YEAR	3,488,905	18,089	3,529,063	17,502
NET ASSETS, END OF YEAR	\$ 3,934,424	\$ 20,041	\$ 3,969,893	\$ 18,089
				\$ 22,069
				\$ 3,529,063

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

ORGANIZATION AND NATURE OF ACTIVITIES

Highland Park Community Foundation (the "Foundation") is an Illinois Not-For-Profit Corporation established to support various charitable groups that provide programs and/or services in a collaborative effort with community agencies or organizations in or related to the city of Highland Park, Illinois. Grant allocations are determined by its board of directors and, as appropriate, by the organizers of and contributors to various donor-advised funds maintained by the Foundation. Primary support efforts include children, youth and family services, arts and culture, environment and health issues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Foundation are prepared on the modified cash basis of accounting. Revenues and support, including interest and dividend income, are recognized when received rather than when earned or pledged, and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their quoted market values. Unrealized and realized gains and losses are included in revenue in the Statement of Revenues, Expenses and Change in Net Assets - Modified Cash Basis.

The Foundation has reported information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

Revenue Recognition for Contributions:

Contributions are recognized when received and are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted.



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition for Contributions (Continued):

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis as net assets released from restrictions.

Donated Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation. During the years ended December 31, 2017 and 2016, the value of these contributed services meeting the requirements for recognition in the financial statements was not material and therefore has not been recorded.

Cash:

The Foundation maintains its cash accounts at what it believes are high-quality financial institutions. Nevertheless, there is exposure where balances exceed federally insured limits.

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles in the United States of America have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets in active markets;
 - Quoted prices for identical or similar assets in inactive markets;
 - Inputs other than quoted prices that are observable for the asset;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

FAIR VALUE MEASUREMENTS (Continued):

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See *Summary of Significant Accounting Policies* for description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

The valuation methods described in the *Summary of Significant Accounting Policies* note may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds		\$ 307,653	\$ 307,653
Mutual Funds	\$ 3,522,858		3,522,858
Total	\$ 3,522,858	\$ 307,653	\$ 3,830,511

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds		\$ 259,579	\$ 259,579
Mutual Funds	\$ 3,170,055		3,170,055
Total	\$ 3,170,055	\$ 259,579	\$ 3,429,634



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CONCENTRATION OF RISK

One of the Foundation's donors accounted for approximately 11% and 16%, respectively, of total contributions for the years ended December 31, 2017 and 2016.

The Foundation invests in various types of investment securities, which are all exposed to various risks, such as interest rate, market conditions and credit. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets on the financial statements. The Foundation does not anticipate a significant adverse effect on its financial position resulting from the Foundation's investments. However, market and economic conditions could cause a loss in the fair value of the Foundation's investments, which could adversely affect operating results.

INCOME TAXES

The Fund has been granted status as an exempt organization by the Internal Revenue Service under Section 501(c)(3).

Management believes that its tax positions have been taken in accordance with the rules and regulations of the respective taxing authorities in which it files and that they have filed in jurisdictions where required.

The Foundation's federal excise tax returns have not been examined by the tax authorities for the last three years, which remain as the years that are generally still subject to examination. Management realizes that there may be differences of opinion relating to interpretations taken by taxing authorities and that certain tax jurisdictions may require filings that have not been made. However, through May 31, 2018, there have not been any material claims made by any taxing authorities that have not been appropriately defended or provided for in the financial statements, nor is management aware of any specific uncertain tax positions that currently exist.

NET ASSETS AND RESTRICTIONS THEREON

The Foundation classifies its net assets according to the nature of restrictions imposed by donors, with unrestricted net assets available for use as determined by the board of directors in its discretion. The board has historically considered all unrestricted net assets to be the equivalent of an endowment, from which earnings are only available for grants, although principal may be used at the direction of the board. Temporarily restricted net assets consist of funds separately established by donors for specific purposes that have not been expended as of December 31, 2017. Permanently restricted net assets consist of funds from which only



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NET ASSETS AND RESTRICTIONS THEREON (Continued):

the income (as defined in the respective contribution agreements) may be used for the Foundation's charitable and public service purposes, based upon advice from respective donor committees established for that purpose.

At December 31, 2017 and 2016, temporarily and permanently restricted net assets consist of the following:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Temporarily Restricted Net Assets:		
The Friends of Jens Jensen Park Fund (a)	\$ 20,041	\$ 18,089
Permanently Restricted Net Assets:		
The Friends of Jens Jensen Park Fund (a)	\$ 15,428	\$ 22,069

(a) The temporarily restricted portion of the fund is comprised of the unexpended portion of the "Legacy" Account; the permanently restricted portion consists of the "Preservation" Account, as both terms are defined in the underlying agreement.

LEASES

The Foundation rents office space on a month-to-month basis. Total rent expense for 2017 and 2016 amounted to \$3,449 and \$2,736, respectively.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2018, the date that the financial statements were available for issue.

