

HIGHLAND PARK COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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



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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 net assets-modified cash basis as of December 31, 2019 and 2018, and the related statements of revenues, 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, 2019 and 2018, and its revenues, expenses 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, 2020



HIGHLAND PARK COMMUNITY FOUNDATIONSTATEMENTS OF ASSETS AND NET ASSETS -
MODIFIED CASH BASISDECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|----------------------------|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 182,047 | \$ 178,682 |
| Investments, at Fair Value | 4,503,269 | 3,621,256 |
| TOTAL ASSETS | \$ 4,685,316 | \$ 3,799,938 |
| <u>NET ASSETS</u> | | |
| NET ASSETS: | | |
| Without Donor Restrictions | \$ 4,652,108 | \$ 3,769,551 |
| With Donor Restrictions | 33,208 | 30,387 |
| TOTAL NET ASSETS | \$ 4,685,316 | \$ 3,799,938 |

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

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HIGHLAND PARK COMMUNITY FOUNDATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET
ASSETS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Year Ended December 31, 2019 | | | Year Ended December 31, 2018 | | |
|--|------------------------------|-------------------------|---------------------|------------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES: | | | | | | |
| Public Support: | | | | | | |
| Contributions for Local Activities | \$ 733,694 | | \$ 733,694 | \$ 259,025 | \$ 3,000 | \$ 262,025 |
| Revenue from Fundraiser | 140,435 | | 140,435 | 87,082 | | 87,082 |
| | <u>874,129</u> | | <u>874,129</u> | <u>346,107</u> | <u>3,000</u> | <u>349,107</u> |
| Investment Income: | | | | | | |
| Interest and Dividends, Net of Management Fees | 102,873 | \$ 1,160 | 104,033 | 85,967 | 1,264 | 87,231 |
| Realized Gains on Securities Transactions | | | | 74 | 2,596 | 2,670 |
| Unrealized Gains (Losses) on Securities Portfolio | 557,436 | 7,661 | 565,097 | (285,823) | 1,158 | (284,665) |
| Net Investment Income (Loss) | 660,309 | 8,821 | 669,130 | (199,782) | 5,018 | (194,764) |
| Other Income | 23 | | 23 | | | |
| Net Assets Released from Restrictions | 6,000 | (6,000) | | 13,100 | (13,100) | |
| TOTAL REVENUES | <u>1,540,461</u> | <u>2,821</u> | <u>1,543,282</u> | <u>159,425</u> | <u>(5,082)</u> | <u>154,343</u> |
| OPERATING EXPENSES: | | | | | | |
| Outside Services | 18,762 | | 18,762 | 8,207 | | 8,207 |
| Postage | 2,057 | | 2,057 | 1,993 | | 1,993 |
| Professional Services | 68,333 | | 68,333 | 71,565 | | 71,565 |
| Stationery and Printing | 6,437 | | 6,437 | 6,852 | | 6,852 |
| Other Miscellaneous | 19,315 | | 19,315 | 17,581 | | 17,581 |
| TOTAL OPERATING EXPENSES | <u>114,904</u> | | <u>114,904</u> | <u>106,198</u> | | <u>106,198</u> |
| EXCESS OF REVENUES OVER OPERATING EXPENSES (OPERATING EXPENSES OVER REVENUES) PRIOR TO GRANTS | 1,425,557 | 2,821 | 1,428,378 | 53,227 | (5,082) | 48,145 |
| GRANTS MADE | <u>543,000</u> | | <u>543,000</u> | <u>218,100</u> | | <u>218,100</u> |
| CHANGE IN NET ASSETS | 882,557 | 2,821 | 885,378 | (164,873) | (5,082) | (169,955) |
| NET ASSETS, BEGINNING OF YEAR | <u>3,769,551</u> | <u>30,387</u> | <u>3,799,938</u> | <u>3,934,424</u> | <u>35,469</u> | <u>3,969,893</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,652,108</u> | <u>\$ 33,208</u> | <u>\$ 4,685,316</u> | <u>\$ 3,769,551</u> | <u>\$ 30,387</u> | <u>\$ 3,799,938</u> |

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

HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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. 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 are valued at their quoted market values. Unrealized and realized gains and losses are included in revenue in the Statements of Revenues, Expenses and Change in Net Assets - Modified Cash Basis.

The Foundation has reported information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 without donor restrictions or with donor restrictions, 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 without donor restrictions.



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements 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, 2019 and 2018, 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.

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.



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

FAIR VALUE MEASUREMENTS (Continued):

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, 2019 and 2018.

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, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------|--------------------|-------------------|---------------------|
| Money Market Funds | | \$ 301,706 | \$ 301,706 |
| Mutual Funds | \$4,201,563 | | 4,201,563 |
| Total | <u>\$4,201,563</u> | <u>\$ 301,706</u> | <u>\$ 4,503,269</u> |

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| Money Market Funds | | \$ 313,132 | \$ 313,132 |
| Mutual Funds | \$ 3,308,124 | | 3,308,124 |
| Total | <u>\$ 3,308,124</u> | <u>\$ 313,132</u> | <u>\$ 3,621,256</u> |

CONCENTRATION OF RISK

Contributions from two donors comprised 46% of total public support for the year ended December 31, 2019.

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



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CONCENTRATION OF RISK (Continued):

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 Foundation 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, 2020, 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. Net Assets Without Donor Restrictions are available for use as determined by the board of directors at its discretion. The board has historically considered all Net Assets Without Donor Restrictions 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. Net Assets With Donor Restrictions consist of funds separately established by donors for specific purposes that have not been expended as of December 31, 2019.

AGREEMENT WITH CITY OF HIGHLAND PARK

In December 2018, the Foundation entered into an agreement with the city of Highland Park (the "City"), whereby the City will provide an annual grant to the Foundation. The funds received by the Foundation are to be expensed for grants at the Foundation's discretion.



HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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AGREEMENT WITH CITY OF HIGHLAND PARK (Continued):

This agreement expires in 2028. The initial amount awarded to the Foundation for 2019 was \$300,000. This amount was received by the Foundation in May 2019.

SUBSEQUENT EVENTS

Subsequent to year-end, the world-wide coronavirus pandemic has caused significant disruptions to global economic conditions. Although the Foundation has not been significantly affected by this event, a prolonged outbreak could have negative repercussions on the Foundation's activities and on the investment performance of the assets held by the Foundation. The Foundation's management and board of directors are closely monitoring the situation to minimize any potential future impact of this unprecedented situation.

Management has evaluated subsequent events through May 31, 2020, the date that the financial statements were available for issue.

