

**HIGHLAND PARK COMMUNITY FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of the Highland Park Community Foundation, which comprise the statements of assets and net assets-modified cash basis as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Highland Park Community Foundation as of December 31, 2022 and 2021, 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 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 the Highland Park Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, 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 the Highland



Park Community 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 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, including omissions, 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 in the effectiveness of the Highland Park Community 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 the Highland Park Community 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.

Lipschultz, Levin & Gray, LLC  
Northbrook, Illinois  
October 24, 2023

HIGHLAND PARK COMMUNITY FOUNDATIONSTATEMENTS OF ASSETS AND NET ASSETS -  
MODIFIED CASH BASISDECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash	\$ 863,485	\$ 371,506
Investments, at Fair Value	<u>5,121,107</u>	<u>5,661,125</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 5,984,592</u></u></b>	<b><u><u>\$ 6,032,631</u></u></b>
<b><u>NET ASSETS</u></b>		
<b>NET ASSETS:</b>		
Without Donor Restrictions	\$ 5,954,026	\$ 5,985,247
With Donor Restrictions	<u>30,566</u>	<u>47,384</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 5,984,592</u></u></b>	<b><u><u>\$ 6,032,631</u></u></b>



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, 2022 AND 2021**

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>REVENUES:</b>				
Public Support:				
Contributions for Local Activities	\$ 1,548,074	\$ 7,671	\$ 898,220	\$ 3,305
July 4th Fund	5,803,168			
Revenue from Fundraiser	202,799		125,889	
	7,554,041	7,671	1,024,109	3,305
Investment Income (Loss):				
Interest and Dividends, Net of Management Fees	104,448	1,151	102,054	1,249
Unrealized Gains (Losses) on Securities Portfolio	(894,617)	(12,122)	440,414	6,600
Net Investment Income (Loss)	(790,169)	(10,971)	542,468	7,849
Donated Services	761,765			
Other Income	180		99	
Net Assets Released from Restrictions	13,518	(13,518)	4,953	(4,953)
<b>TOTAL REVENUES</b>	<b>7,539,335</b>	<b>(16,818)</b>	<b>1,571,629</b>	<b>6,201</b>
<b>OPERATING EXPENSES:</b>				
Outside Services	9,022		7,789	
Postage	3,005		2,733	
Professional Services	904,608		99,768	
Stationery and Printing	7,022		3,694	
Other Miscellaneous	65,247		16,975	
<b>TOTAL OPERATING EXPENSES</b>	<b>988,904</b>		<b>130,959</b>	
<b>EXCESS OF REVENUES (EXPENSES) OVER OPERATING EXPENSES (REVENUES) PRIOR TO GRANTS</b>	<b>6,550,431</b>	<b>(16,818)</b>	<b>1,440,670</b>	<b>6,201</b>
<b>GRANTS MADE</b>	<b>6,581,652</b>		<b>714,275</b>	
<b>CHANGE IN NET ASSETS</b>	<b>(31,221)</b>	<b>(16,818)</b>	<b>726,395</b>	<b>6,201</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>5,985,247</b>	<b>47,384</b>	<b>5,258,852</b>	<b>41,183</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,954,026</b>	<b>\$ 30,566</b>	<b>\$ 5,985,247</b>	<b>\$ 47,384</b>

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

# HIGHLAND PARK COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 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 is 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, 2022 AND 2021**

**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. In conjunction with the activities described further in the *July 4<sup>th</sup> Fund* note, the Foundation received legal and accounting services valued at \$761,765 during 2022. These amounts are included in Donated Services and Professional Fees in the 2022 statement of revenues, expenses and changes in net assets - modified cash basis. During the year ended December 31, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and therefore was not recorded.

Cash:

The Foundation maintains its cash accounts at what it believes are high-quality financial institutions. Nevertheless, there is exposure where balances exceed the federally insured limit of \$250,000.

**LIQUIDITY AND AVAILABILITY**

Financial assets available to meet cash needs for general expenditures within one year consist of the cash shown on the statements of assets and net assets-modified cash basis. The Foundation also has the ability to liquidate investments as needed.

**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 or 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.

HIGHLAND PARK COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**FAIR VALUE MEASUREMENTS (Continued):**

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.

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, 2022 and 2021.

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds		\$ 2,243	\$ 2,243
Mutual Funds	\$ 5,118,864		5,118,864
Total	<u>\$ 5,118,864</u>	<u>\$ 2,243</u>	<u>\$ 5,121,107</u>



**HIGHLAND PARK COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**FAIR VALUE MEASUREMENTS (Continued):**

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds		\$ 199,824	\$ 199,824
Mutual Funds	\$ 5,461,301		5,461,301
Total	<u>\$ 5,461,301</u>	<u>\$ 199,824</u>	<u>\$ 5,661,125</u>

**CONCENTRATIONS OF RISK**

A contribution from separate individual donors comprised 12% and 29% of total public support for the years ended December 31, 2022 and 2021, respectively.

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 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 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 October 24, 2023, 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.



**HIGHLAND PARK COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**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, 2022.

**JULY 4<sup>TH</sup> FUND**

In July 2022, the Foundation, in cooperation and with the support of the City of Highland Park, created the July 4th Highland Park Shooting Response Fund (the Fund) to assist the victims of the event, support non-profit organizations serving the needs of impacted residents and assist Highland Park and Highwood in supporting the community. The Fund received a total of \$5,803,168 in contributions during 2022, which is reported on the statement of revenues, expenses and changes in net assets – modified cash basis. A total of \$5,805,127 in grants were distributed from the contributions received and interest earned on those amounts, and this amount is included in grants made on the 2022 statement of revenues, expenses and changes in net assets – modified cash basis.

**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 expended for grants at the Foundation’s discretion.

This agreement expires in 2028. The Foundation received \$300,000 in funds from the City in both 2022 and 2021.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 24, 2023, the date that the financial statements were available for issue.