



**ROCKFORD PARK DISTRICT
FOUNDATION**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2023 and 2022



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ROCKFORD PARK DISTRICT FOUNDATION
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3-4
Statements of Activities	5-6
Statements of Functional Expense	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements.....	11-27

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rockford Park District Foundation

Opinion

We have audited the accompanying financial statements of Rockford Park District Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockford Park District Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rockford Park District Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rockford Park District Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rockford Park District Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rockford Park District Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich LLP

Brookfield, Wisconsin
April 23, 2024

FINANCIAL STATEMENTS

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 393,742	\$ 241,900
Investments, current	6,029,596	135,442
Accounts receivable	14,135	430
Accrued interest receivable	15,375	-
Pledges receivable, net	1,812,482	1,558,226
Note receivable	3,021	2,940
Cash, restricted	823,824	3,539,109
Other assets		
Real estate held for future donation	882,522	882,522
Other real estate	40,756	40,756
Property and equipment, net	244,656	240,502
Investment in Route 173 Realty	-	666,895
Investments, noncurrent	5,051,212	4,601,878
	<u>\$ 15,311,321</u>	<u>\$ 11,910,600</u>

(This statement is continued on the following page.)

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,283,664	\$ 173,231
Other liabilities	34,921	2,504
Long-term liability	99,328	249,256
Total liabilities	2,417,913	424,991
NET ASSETS		
Without donor restrictions		
Board designated		
Endowments	807,612	651,677
Eternal flame maintenance	7,610	7,610
Land and buildings, net of accumulated depreciation	951,866	962,545
Total board designated	1,767,088	1,621,832
Undesignated	1,366,581	507,243
Total without donor restrictions	3,133,669	2,129,075
With donor restrictions		
Interest in Route 173 Realty	-	666,895
Restricted for purpose	6,557,671	5,487,571
Perpetual in nature	3,202,068	3,202,068
Total with donor restrictions	9,759,739	9,356,534
Total net assets	12,893,408	11,485,609
TOTAL LIABILITIES AND NET ASSETS	\$15,311,321	\$11,910,600

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 43,124	\$ 3,783,464	\$ 3,826,588
Special events	-	8,190	8,190
Foundation grant contributions	-	179,164	179,164
In-kind donations	-	25,371	25,371
Investment return, net	424,754	517,064	941,818
Rental income	22,697	-	22,697
Total revenue, gains, and other support	490,575	4,513,253	5,003,828
Net assets released from restrictions	4,110,048	(4,110,048)	-
Total revenue	4,600,623	403,205	5,003,828
EXPENSES			
Program services			
Community	3,131,948	-	3,131,948
Memorial	18,542	-	18,542
Youth	290,072	-	290,072
Other	76,377	-	76,377
Total program services	3,516,939	-	3,516,939
Fundraising	166,351	-	166,351
Costs of direct benefits to donors	2,590	-	2,590
General and administrative	212,731	-	212,731
Total expenses	3,898,611	-	3,898,611
Transfer from affiliate - donated services and occupancy from Rockford Park District	302,582	-	302,582
CHANGE IN NET ASSETS	1,004,594	403,205	1,407,799
NET ASSETS, BEGINNING OF YEAR	2,129,075	9,356,534	11,485,609
NET ASSETS, END OF YEAR	\$ 3,133,669	\$ 9,759,739	\$ 12,893,408

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

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

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services					Management and General	Fundraising	Total
	Community	Memorial	Youth	Other	Total			
Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,678	\$ 149,275	\$ 320,953
Bad debt expense	-	-	-	6,990	6,990	-	-	6,990
Bank service fees	184	-	75	2,235	2,494	-	-	2,494
Depreciation expense	-	-	-	10,679	10,679	-	-	10,679
Printing	-	-	-	-	-	-	14,203	14,203
Donated goods expense	10,771	-	14,600	-	25,371	-	-	25,371
Education	-	-	-	-	-	150	-	150
Telephone	-	-	-	-	-	1,440	-	1,440
Postage	-	-	-	-	-	-	2,873	2,873
Travel	-	-	-	-	-	858	-	858
Professional relations	-	-	-	-	-	3,703	-	3,703
Office rental	-	-	-	-	-	13,500	-	13,500
Supplies	-	-	-	-	-	2,431	-	2,431
Audit fees	-	-	-	-	-	16,100	-	16,100
Meeting expense	-	-	-	-	-	2,833	-	2,833
Project expense & project service	3,120,993	16,708	275,397	30,555	3,443,653	-	-	3,443,653
Legal expense	-	-	-	10	10	38	-	48
Utilities	-	-	-	20,384	20,384	-	-	20,384
Miscellaneous expense	-	1,834	-	5,524	7,358	-	-	7,358
Expenses before cost of sales	<u>\$ 3,131,948</u>	<u>\$ 18,542</u>	<u>\$ 290,072</u>	<u>\$ 76,377</u>	<u>\$ 3,516,939</u>	<u>\$ 212,731</u>	<u>\$ 166,351</u>	<u>3,896,021</u>
COST OF SALES								
Cost of direct benefits to donors								<u>2,590</u>
TOTAL EXPENSES								<u><u>\$ 3,898,611</u></u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

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

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,407,799	\$ 412,039
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	10,679	10,679
Realized and unrealized (gain) loss on investments	(599,825)	938,478
Bad debt expense	6,990	25,685
Increase (decrease) in cash due to changes in		
Pledges receivable	(261,246)	(815,947)
Accounts receivable	(13,705)	287,608
Notes receivable	(81)	(570)
Accrued interest	(15,375)	-
(Increase) decrease in cash due to changes in		
Accounts payable	2,110,433	(491,387)
Other liabilities	32,417	-
Net cash from operating activities	<u>2,678,086</u>	<u>366,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,025,521)	(3,809,966)
Proceeds from sale of investments	4,948,753	3,418,373
Purchase of property and equipment	(14,833)	-
Net cash from investing activities	<u>(5,091,601)</u>	<u>(391,593)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term liability	(149,928)	(150,144)
Net cash from financing activities	<u>(149,928)</u>	<u>(150,144)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(2,563,443)	(175,152)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>3,781,009</u>	<u>3,956,161</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 1,217,566</u></u>	<u><u>\$ 3,781,009</u></u>

(This statement is continued on the following page.)

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash and cash equivalents	\$ 393,742	\$ 241,900
Cash, restricted	823,824	3,539,109
	<u>\$ 1,217,566</u>	<u>\$ 3,781,009</u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

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 statements of activities as a transfer from affiliate – in-kind contributions from the Rockford Park District.

Accounting and Reporting Basis

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

Net Assets Without Donor Restrictions

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

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

Net Assets with Donor Restrictions

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

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Accounting and Reporting Basis (Continued)

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits and highly liquid investments in various checking and money market accounts that are readily convertible to known amounts of cash. The Foundation's depository accounts from time-to-time may exceed FDIC insured limits. The Foundation did not have deposits in excess of federally insured limits at December 31, 2023 and 2022. Management has not experienced any losses and does not believe there is any significant market risk associated with such balances.

Restricted Cash

The Foundation has restricted cash related to donor restricted contributions of \$823,824 and \$3,539,109 as of December 31, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Foundation includes any receivable balances that are deemed to be uncollectible in the allowance for doubtful accounts. After all attempts to collect have failed, the receivable is written off against the allowance. Based on management's evaluation as of December 31, 2023 and 2022, no allowance is deemed necessary. However, actual write-offs may occur.

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

Revenue Recognition

Contributions

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

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

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

Pledges Receivable

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor. The Foundation had 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, was included in changes in net assets with donor restrictions. This investment was liquidated during 2023. See Note 5. Investment return on the statements 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, 2023 and 2022.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Fair Value Measurements (Continued)

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

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

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

Real Estate Held for Future Donation

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

Property and Equipment

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

Investment in Route 173 Realty

This investment is reported as a separate component of net assets on the statements of financial position using the equity method of accounting. The investment's proportionate share of net earnings is reported in the statements of activities and changes in net assets. This investment was liquidated during the year ending December 31, 2023. See Note 5.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

In-Kind Donated Services and Facilities

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

	<u>2023</u>	<u>2022</u>
Donated goods	\$ 25,371	\$ 19,984
Transfer from affiliate - Rockford Park District:		
Salaries and benefits	244,453	212,228
Occupancy	14,940	14,785
Supplies, postage and printing	22,340	13,937
Professional fees	20,849	17,219
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u><u>\$ 327,953</u></u>	<u><u>\$ 278,153</u></u>

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

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

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

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

The donated services are shown as a transfer from affiliate in the statements of activities and allocated to the respective natural and functional classifications on the statements of functional expenses.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements 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.

Income Taxes

The Foundation evaluates their uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions recorded in 2023 and 2022. Therefore, no provision or liability for income taxes has been included in the financial statements. The Foundation files various federal or state non-profit tax returns. The Foundation is no longer subject to U.S. federal or state examinations by tax authorities for years prior to 2020.

Recently Adopted Accounting Pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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 statement of financial position date, comprise of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents and restricted cash	\$ 1,217,566	\$ 3,781,009
Accounts receivable	14,135	430
Pledges receivable	1,812,482	1,558,226
Note receivable	3,021	2,940
Accrued interest receivable	15,375	-
Investments	11,080,808	5,404,215
Total financial assets	14,143,387	10,746,820
Less donor imposed restrictions		
Accounts payable and long term liability	(2,413,028)	(420,115)
Restricted funds	(5,756,603)	(5,713,555)
Endowments	(3,875,729)	(3,537,395)
Net financial assets after donor-imposed restrictions	2,098,027	1,075,755
Less board designations		
Quasi endowments	(807,612)	(651,677)
Quasi admin endowment spending appropriated	4,149	2,223
Eternal flame maintenance	(7,610)	(7,610)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,286,954</u>	<u>\$ 418,691</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 \$43,124 and \$115,446 in 2023 and 2022, respectively, net lease income (loss) of \$305 and (\$4,982) in 2023 and 2022, respectively, and investment (loss) income (net of fees) without restrictions of \$269,289 and (\$24,123) in 2023 and 2022, respectively. The Foundation also has a board designated administrative endowment to help fund general expenditures for the Foundation. The amount appropriated for expenditure from the administrative endowment was \$2,223 and \$2,036 in 2023 and 2022, respectively.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIQUIDITY AND AVAILABILITY (Continued)

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 \$379,082 and \$318,169 in 2023 and 2022, respectively. The Foundation reimbursed the Rockford Park District \$76,500 and \$60,000 in 2023 and 2022, respectively, for general expenditures.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Contributions to be collected:		
Within one year	\$ 1,363,536	\$ 889,400
One to five years	531,546	752,687
More than five years	30,886	50,885
	<u>1,925,968</u>	<u>1,692,972</u>
Less:		
Allowance for doubtful accounts	57,779	50,789
Adjustments to present value for future cash flows from pledges receivable	55,707	83,957
	<u>113,486</u>	<u>134,746</u>
TOTAL	<u><u>\$ 1,812,482</u></u>	<u><u>\$ 1,558,226</u></u>

Pledge receivables have been reduced by 3% for general allowances for bad debts in 2023 and 2022. Pledge receivables which are not to be collected within one year have been discounted at rates between 3.25% and 8.50%.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS

The following tables set forth, by level, the Foundation's investments at fair value, except for the certificates of deposit, which are reported at cost, and the Investment in LLC, which is reported on the equity method, at December 31, 2023 and 2022:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,492,107	\$ -	\$ -	\$ 3,492,107
Fixed income corporate and municipal bonds	-	1,669,108	-	1,669,108
TOTAL INVESTMENTS	\$ 3,492,107	\$ 1,669,108	\$ -	5,161,215
Certificates of deposit - at cost				5,919,593
				<u>\$11,080,808</u>

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

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 statements of financial position.

5. INVESTMENT IN ROUTE 173 REALTY

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

5. INVESTMENT IN ROUTE 173 REALTY (Continued)

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 666,895	\$ 195,544
Proportionate share of change in equity	-	471,351
Distribution	(666,895)	-
BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 666,895</u></u>

Route 173 Realty held cash of \$0 and \$1,333,790 as of December 31, 2023 and 2022, respectively.

Annual rental income for the years ending December 31, 2023 and 2022 was \$0 and \$8,990, respectively. There were no liabilities or distributions from the entity during 2022. During 2023 the members elected to disband the LLC and distribute all assets. Based on the members respective ownership.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 98,000	\$ 98,000
Building	418,344	418,344
Construction in process	14,832	-
	<u>531,176</u>	<u>516,344</u>
Less accumulated depreciation	(286,520)	(275,842)
TOTAL	<u><u>\$ 244,656</u></u>	<u><u>\$ 240,502</u></u>

Depreciation expense for 2023 and 2022 was \$10,679.

7. RELATED PARTY TRANSACTIONS

The District provides office space, equipment, and support services for the Foundation. The value of such in-kind benefits to the Foundation was \$302,582 and \$258,169 in 2023 and 2022, respectively. The total cost for general and administrative and fundraising expenses for the Foundation was \$379,082 and \$318,169 in 2023 and 2022, respectively, which includes donated salaries and benefits of district personnel of \$320,953 and \$272,228 in 2023 and 2022, respectively. The Foundation reimbursed the District \$76,500 and \$60,000 for general and administration costs during December 31, 2023 and 2022, respectively.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

	<u>2023</u>	<u>2022</u>
Total general and administrative expenses of the Foundation	\$ 379,082	\$ 318,169
Less: Reimbursement	(76,500)	(60,000)
TOTAL IN-KIND CONTRIBUTION FROM THE ROCKFORD PARK DISTRICT	<u>\$ 302,582</u>	<u>\$ 258,169</u>

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

	<u>2023</u>	<u>2022</u>
General and administration	\$ 42,930	\$ 36,797
Fundraising	33,570	23,203
Programs and capital improvements		
Aldeen Golf	303,107	373,606
City of Gardens	37,215	34,491
Endowment - Jane Lyons Earnings	54,597	55,504
Endowment - Olson Park	15,964	16,164
Disc Golf	1,005	9,657
Help Me Play	71,173	64,745
High School Internship Program	10,011	-
Junior Ice Hogs	15,843	-
Lockwood	2,097,820	30,300
Music in the Park	7,400	10,250
NFL Flag Football	40,466	33,924
Nicholas Conservatory	353,292	444,820
Other	43,372	42,703
Perryville Peace Plaza	32,828	32,809
Playgrounds	500	21,455
Riverview Ice Support	20,000	41,886
Sandy Hollow Golf Course	15,264	11,916
Seth B. Atwood Endowment	107,097	107,851
Therapeutic Recreational Grant Programs	61,897	56,071
Youth Golf	28,841	18,500
TOTAL	<u>\$ 3,394,192</u>	<u>\$ 1,466,652</u>

Accounts payable includes amounts due to the District. At December 31, 2023 and 2022, this amount totaled \$2,272,882 and \$171,659, respectively.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

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

8. LONG-TERM LIABILITY

	<u>2023</u>	<u>2022</u>
Long-term liability due to the District for a specific project supported by a restricted donor pledge receivable to the Foundation. Payments are due in annual installments of varying amounts through 2024. The liability is unsecured.	\$ 99,328	\$ 249,256
TOTAL	<u>\$ 99,328</u>	<u>\$ 249,256</u>

The scheduled maturities of long-term liabilities at December 31, 2023 are as follows:

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Amount Due</u>
2024	\$ 99,328
TOTAL	<u>\$ 99,328</u>

9. NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Restricted for purpose:		
Rockford Park District Programs		
Community	\$ 5,562,639	\$ 4,631,192
Memorials	106,835	104,128
Youth	888,197	752,251
Total restricted for purpose	<u>6,557,671</u>	<u>5,487,571</u>
Route 173 Realty	-	666,895
Perpetual restriction	3,202,068	3,202,068
TOTAL	<u>\$ 9,759,739</u>	<u>\$ 9,356,534</u>

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS (Continued)

The restrictions on net assets for Community programs at the end of fiscal year December 31, 2023 are related to funds raised for Nicholas Conservatory and Gardens, Aldeen Golf Club, Lockwood Indoor Equine Center, Riverview Ice House Support, Jane Lyons Girls Golf Endowment, Olson Park, Davis Park, City of Gardens, Rose Garden fund, Canine Corners (Dog Parks), Therapeutic Recreational Programs, Music in the Park, Washington Park Community Center, and Perryville Peace Plaza.

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

10. RENTAL INCOME

The Foundation leased land to a third party under an operating lease agreement. Annual rental payments due to the Foundation under this agreement were approximately \$0 and \$4,500 in December 31, 2023 and 2022, respectively.

The Foundation entered into an agreement to lease land and building space to a third party under an operating agreement which expires in December 2027. Under this agreement, rent of approximately \$561 per month was due to the Foundation in 2023, with annual increases based on Consumer Price Index - All Urban Consumers.

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

Future minimum rental income under these leases are:

2024	\$	22,884
2025		23,043
2026		23,204
2027		8,307
TOTAL	\$	<u>77,438</u>

11. RISK MANAGEMENT

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

12. ENDOWMENT

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

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

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

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

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of December 31, 2023 and 2022.

The endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Historical gift value	\$ -	\$ 3,202,068	\$ 3,202,068
Investment return	-	673,661	673,661
Total donor restricted endowment funds	-	3,875,729	3,875,729
Board designated endowment funds	807,612	367,871	1,175,483
TOTAL	\$ 807,612	\$ 4,243,600	\$ 5,051,212

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

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

During the year ended December 31, 2023, the Foundation had the following endowment related activities:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 651,677	\$ 3,950,201	\$ 4,601,878
Investment return, net	155,465	517,064	672,529
Contributions	2,970	-	2,970
Amounts appropriated for expenditure	(2,500)	(223,665)	(226,165)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 807,612	\$ 4,243,600	\$ 5,051,212

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

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

13. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 23, 2024, 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.