

ROCKFORD PARK DISTRICT FOUNDATION

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended
December 31, 2015 and 2014

**ROCKFORD PARK DISTRICT FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rockford Park District Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Rockford Park District Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockford Park District Foundation as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter – Restatement

As discussed in Note 14 to the financial statements, the Foundation restated the its net asset amounts as of January 1, 2014, as well as restated its financial statements for the year ended December 31, 2014 to correct an error in the recognition of contribution revenue and the classification of endowment funds. Our opinion is not modified with respect to that matter.

Sikich LLP

Rockford, Illinois
April 20, 2016

FINANCIAL STATEMENTS

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of December 31,

		(As restated)
	2015	2014
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 114,230	\$ 225,492
Accounts receivable	2,725	2,024
Pledges receivable, net	886,906	1,599,457
Note receivable	16,478	24,274
Investments	3,998,068	3,127,749
Cash, restricted	985,656	926,376
Other assets:		
Land held for future donation	1,461,473	1,747,287
Other real estate	40,756	40,756
Property and equipment:		
Land	225,803	242,240
Buildings and improvements	451,976	517,723
Less: Accumulated depreciation	(205,511)	(235,402)
Property and equipment, net	<u>472,268</u>	<u>524,561</u>
TOTAL ASSETS	<u>\$ 7,978,560</u>	<u>\$ 8,217,976</u>

See accompanying notes to financial statements.

	(As restated)	
	2015	2014
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 345,995	\$ 288,394
Other liabilities	2,078	2,046
Long-term liability	690,000	950,000
Total liabilities	1,038,073	1,240,440
NET ASSETS		
Unrestricted		
Board designated		
Endowments	282,248	325,179
Land and buildings, net of accumulated depreciation	1,037,296	1,359,043
Total board designated	1,319,544	1,684,222
Undesignated	203,216	394,575
Total unrestricted	1,522,760	2,078,797
Temporarily restricted	4,143,003	3,675,645
Permanently restricted	1,274,724	1,223,094
Total net assets	6,940,487	6,977,536
TOTAL LIABILITIES AND NET ASSETS	\$ 7,978,560	\$ 8,217,976

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 178,393	\$ 1,474,769	\$ 51,630	\$ 1,704,792
Special events	-	69,416	-	69,416
Grants	2,500	181,811	-	184,311
In-kind donations	-	19,403	-	19,403
In-kind contribution from Rockford Park District	200,744	-	-	200,744
Investment (loss)	(73,041)	(643)	-	(73,684)
Rental income	18,813	4,495	-	23,308
Total revenue, gains, and other support	327,409	1,749,251	51,630	2,128,290
Net assets released from restrictions	1,281,893	(1,281,893)	-	-
Total revenue	1,609,302	467,358	51,630	2,128,290
EXPENSES				
Program services				
Community	1,016,575	-	-	1,016,575
Memorial	71,361	-	-	71,361
Youth	173,454	-	-	173,454
Other	581,904	-	-	581,904
Total program services	1,843,294	-	-	1,843,294
Fundraising	83,757	-	-	83,757
Costs of direct benefits to donors	42,552	-	-	42,552
General and administrative	195,736	-	-	195,736
Total expenses	2,165,339	-	-	2,165,339
CHANGE IN NET ASSETS	(556,037)	467,358	51,630	(37,049)
NET ASSETS, BEGINNING OF YEAR	2,078,797	3,675,645	1,223,094	6,977,536
NET ASSETS, END OF YEAR	\$ 1,522,760	\$ 4,143,003	\$ 1,274,724	\$ 6,940,487

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	(As restated) Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 109,052	\$ 1,542,747	\$ 1,200,080	\$ 2,851,879
Special events	-	85,095	-	85,095
Grants	-	65,628	-	65,628
In-kind donations	953	122,014	-	122,967
In-kind contribution from Rockford Park District	172,404	-	-	172,404
Investment gain	55,291	1,984	-	57,275
Other	476	-	-	476
Rental income	17,772	4,495	-	22,267
Total revenue, gains, and other support	355,948	1,821,963	1,200,080	3,377,991
Net assets released from restrictions	1,651,035	(1,651,035)	-	-
Total revenue	2,006,983	170,928	1,200,080	3,377,991
EXPENSES				
Program services				
Community	1,216,285	-	-	1,216,285
Memorial	29,820	-	-	29,820
Youth	76,872	-	-	76,872
Other	290,472	-	-	290,472
Total program services	1,613,449	-	-	1,613,449
Fundraising	72,682	-	-	72,682
Costs of direct benefits to donors	47,298	-	-	47,298
General and administrative	198,111	-	-	198,111
Total expenses	1,931,540	-	-	1,931,540
CHANGE IN NET ASSETS	75,443	170,928	1,200,080	1,446,451
Net assets, beginning of year, as previously reported	1,940,714	3,567,357	23,014	5,531,085
Restatement (Note 14)	62,640	(62,640)	-	-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,003,354	3,504,717	23,014	5,531,085
NET ASSETS, END OF YEAR	\$ 2,078,797	\$ 3,675,645	\$ 1,223,094	\$ 6,977,536

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2015	(As restated) 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (37,049)	\$ 1,446,451
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	12,278	18,145
Noncash donation of real estate to Rockford Park District	325,829	232,201
Realized and unrealized loss on investments	151,534	33,752
Permanently restricted contributions	(51,630)	(1,200,080)
(Increase) decrease in cash due to changes in:		
Pledges and contributions receivable	712,551	(704,556)
Accounts receivable	(701)	8,795
Notes receivable	7,796	4,421
Increase (decrease) in cash due to changes in:		
Other liabilities	32	-
Accounts payable	57,601	78,195
Net cash provided by (used in) operating activities	<u>1,178,241</u>	<u>(82,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,550,843)	(2,302,994)
Proceeds from sale of investments	2,528,990	1,841,021
Restricted cash	(59,280)	193,501
Net cash (used in) investing activities	<u>(1,081,133)</u>	<u>(268,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term liability	(260,000)	(800,000)
Permanently restricted contributions	51,630	1,200,080
Net cash (used in) provided by financing activities	<u>(208,370)</u>	<u>400,080</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(111,262)	48,932
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>225,492</u>	<u>176,560</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 114,230</u>	<u>\$ 225,492</u>

See accompanying notes to financial statements.

ROCKFORD PARK DISTRICT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rockford Park District Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Illinois for the purpose of promoting educational, scientific, and charitable activities in the Rockford community area. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

The Foundation is operated in conjunction with, and primarily for the benefit of the Rockford Park District (the District). The Foundation was established to support the operations and facilities of the District, to solicit and receive gifts, grants and bequests of real and personal property, and to make contributions, grants, gifts, and transfers of property for the benefit of the District or others associated with the District. The Foundation bylaws provide that the number of directors be not less than 10 or more than 40 and that one of the Directors shall be the President of the Rockford Park District Board or any other Park District Commissioner the President appoints. The Foundation is subsidized by the District for general and administrative expenses, which is included in the statement of activities as in-kind contributions from the Rockford Park District.

Accounting and Reporting Basis

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are reflective of revenues and expenses associated with the principal programs and activities of the Foundation and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. In the absence of donor specifications, earnings on such funds are recognized as temporarily restricted until formally appropriated by the Foundation's Board.

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

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 has \$449,680 in excess of federally insured limits at December 31, 2015. 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 which consists of pledges received for the purpose of paying the long-term liability related to the construction of the Nicholas Conservatory and Gardens. Restricted cash is \$985,656 and \$926,376 as of December 31, 2015 and 2014, respectively.

Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful receivables by identifying troubled accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded as revenue when received. Receivables are generally considered past due when the invoice is outstanding past the due date, typically 30 days from the billing date. Interest is not charged on past due receivables.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported in unrestricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Management determines the allowance for doubtful contributions receivable by identifying troubled donors. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions previously written off are recorded as revenue when received.

The Foundation reports gifts of goods and equipment as unrestricted support 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 restricted support. 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.

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 statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. The Foundation has a 50% equity investment in a limited liability company (LLC). Based on donor's restrictions, the Foundation's proportionate income or loss allocated from the LLC, if any, is included in changes in temporarily restricted net assets.

Fair Value Measurements

The Financial Accounting Standards Board (FASB) guidance on fair value measurements establishes a framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Fair Value Measurements (Continued)

Following is a description of the valuation methodologies consistently used for assets measured at fair value.

Investments in registered investment companies (mutual funds): Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of 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.

Real Estate Held for Donation

Real estate held for 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.

In-Kind Donated Services and Facilities

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

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 the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31,:

	2015	(As restated) 2014
Contributions to be collected:		
Within one year	\$ 281,717	\$ 859,846
One to five years	442,082	500,840
More than five years	300,000	400,000
	<u>1,023,799</u>	<u>1,760,686</u>
Less:		
Allowance for doubtful accounts	30,714	34,763
Adjustments to present value for future cash flows from pledges receivable	106,179	126,466
	<u>136,893</u>	<u>161,229</u>
TOTAL	<u><u>\$ 886,906</u></u>	<u><u>\$ 1,599,457</u></u>

Pledge receivables have been reduced by 3% for general allowances for bad debts in 2015 and 2014. Pledge receivables which are not to be collected within one year have been discounted at the rate of 3.25%.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. 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, 2015 and 2014:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Equity mutual funds				
U.S. Large Cap	\$ 569,444	\$ -	\$ -	\$ 569,444
International	291,109	-	-	291,109
Other	713,381	-	-	713,381
Total equity mutual funds	1,573,934	-	-	1,573,934
Fixed income mutual funds	634,995	-	-	634,995
Equities	69,165	-	-	69,165
	<u>\$ 2,278,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,278,094</u>
Investment in LLC				179,359
Certificates of deposit				<u>1,540,615</u>
TOTAL INVESTMENTS				<u><u>\$ 3,998,068</u></u>
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Equity mutual funds				
U.S. Large Cap	\$ 259,634	\$ -	\$ -	\$ 259,634
International	256,570	-	-	256,570
Other	219,926	-	-	219,926
Total equity mutual funds	736,130	-	-	736,130
Fixed income mutual funds	323,459	-	-	323,459
Equities	68,361	-	-	68,361
	<u>\$ 1,127,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,127,950</u>
Investment in LLC				176,017
Certificates of deposit				<u>1,823,782</u>
TOTAL INVESTMENTS				<u><u>\$ 3,127,749</u></u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued)

The following schedules summarize the investment return and its classification in the statement of activities at December 31, 2015 and 2014.

	December 31, 2015		
	Temporarily		
	Unrestricted	Restricted	Total
Interest and dividends	\$ 26,361	\$ 19,248	\$ 45,609
Realized gain	168,162	18,258	186,420
Unrealized (loss) on investments	(267,564)	(38,149)	(305,713)
TOTAL INVESTMENT (LOSS)	\$ (73,041)	\$ (643)	\$ (73,684)

	December 31, 2014		
	Temporarily		
	Unrestricted	Restricted	Total
Interest and dividends	\$ 22,654	\$ 869	\$ 23,523
Realized gain	73,724	1,493	75,217
Unrealized (loss) on investments	(41,087)	(378)	(41,465)
TOTAL INVESTMENT GAIN	\$ 55,291	\$ 1,984	\$ 57,275

4. REAL ESTATE HELD FOR DONATION

Real estate held for donation consisted of land and improvements of \$1,461,475 and \$1,747,287 at December 31, 2015 and 2014, respectively.

During 2015, the Foundation transferred nine properties classified as real estate held for donation to the District which consisted of land and improvements of \$302,250 and buildings, net of accumulated depreciation, of \$23,579, totaling \$325,829.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2015	2014
Land and improvements	\$ 225,803	\$ 242,240
Building	451,976	517,723
	<u>677,779</u>	<u>759,963</u>
Less accumulated depreciation	(205,511)	(235,402)
TOTAL	\$ 472,268	\$ 524,561

Depreciation expense for 2015 and 2014 was \$12,278 and \$18,145, respectively.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. 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 \$200,744 and \$172,404 in 2015 and 2014, respectively. The total cost for general and administrative expenses for the Foundation was \$279,494 and \$270,793 in 2015 and 2014, respectively. The Foundation reimbursed the District \$78,750 and \$98,389 for general and administration costs in 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Total general and administrative expenses of the Foundation	\$ 279,494	\$ 270,793
Less reimbursement	(78,750)	(98,389)
TOTAL IN-KIND CONTRIBUTION FROM THE ROCKFORD PARK DISTRICT	<u>\$ 200,744</u>	<u>\$ 172,404</u>

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

	<u>2015</u>	<u>2014</u>
General and administration	\$ 78,750	\$ 98,389
Grants	248	11,721
Programs and capital improvements:		
Nicholas Conservatory	39,884	-
Boat Dock	134,781	-
City of Gardens	42,318	-
WPCC Gym Floor	-	35,638
Jones Memorial	43,633	-
Alpine Hills Golf Course	176,096	705,858
Nicholas Campus Fund	37,628	-
Therapeutic Rec Program	26,749	-
Other	147,537	253,489
TOTAL	<u>\$ 727,624</u>	<u>\$ 1,105,095</u>

Included in accounts payable are amounts due to the District. At December 31, 2015 and 2014, this amount totaled \$331,478 and \$274,037, respectively. Included in accounts receivable are amounts due from the District. At December 31, 2015 and 2014, this amount totaled \$0 and \$224, respectively.

See Note 7 for long-term liability due to the District.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM LIABILITY

	<u>2015</u>	<u>2014</u>
Long-term liability due to the District resulting from the Foundation's contribution to the District related to the District's 2011A General Obligation Alternate Revenue Source Bonds. Payments are due in annual installments of varying amounts through 2023.	\$ 665,000	\$ 765,000
Consulting agreement due in annual installments of \$25,000 on November 1, 2014 through November 1, 2016.	25,000	50,000
Installment contract to purchase real estate with \$50,000 due on July 1, 2014 and \$135,000 due on August 31, 2015.	-	135,000
TOTAL	<u>\$ 690,000</u>	<u>\$ 950,000</u>

The scheduled maturities of long-term liabilities at December 31, 2015 are as follows:

2016	\$ 25,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
Thereafter	<u>265,000</u>
TOTAL	<u>\$ 690,000</u>

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of December 31,:

	<u>2015</u>	<u>2014</u>
Rockford Park District Programs		
Community	\$ 3,457,093	\$ 3,112,179
Memorials	234,494	247,285
Youth	451,416	316,181
TOTAL	<u>\$ 4,143,003</u>	<u>\$ 3,675,645</u>

The restrictions on net assets for Community Programs at the end of fiscal year 2015 are related to funds raised for Alpine Hills, Nicholas Campus Fund, Jane Lyons Endowment, Riverfront Museum boat dock, and Aldeen Golf Club bathrooms.

Temporarily restricted net assets for Memorials include contributions raised for the Field of Honor, Celebrate Life and Art Anderson Memorial. The temporarily restricted net assets for Youth's main projects include Girls Golf, Help Me Play, Junior Golf and Atwood Outdoor Education.

9. RENTAL INCOME

The Foundation leased land to a third party under an operating lease agreement. Annual rental payments due to the Foundation under this agreement were approximately \$4,500 and \$4,500 in 2015 and 2014, respectively.

The Foundation entered into a lease in November 2010 to lease land and building space to a third party under an operating agreement which expires in October 2020, with options to extend the lease for two additional five-year terms. Under this agreement, rent of approximately \$692 per month was due to the Foundation in 2015 and 2014, with annual increases based on Consumer Price Index - All Urban Consumers.

The Foundation renewed a lease in January 2015 to lease land and building space to a third party under an operating agreement which expires December 2016, with an option to extend the lease for five additional one-year terms. Under this agreement, rent was due to the Foundation of approximately \$878 and \$864 per month in 2015 and 2014, respectively, with annual increases based on Consumer Price Index - All Urban Consumers.

Future minimum rental income under these leases are \$15,600 for 2016 and \$878 for 2017.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

10. 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.

11. FUNCTIONAL EXPENSES

Expenses for the years ended December 31, 2015 and 2014 are allocated as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 1,843,294	\$ 1,613,449
Fundraising	83,757	72,682
Costs of direct benefits to donors	42,552	47,298
Management and general	195,736	198,111
TOTAL	<u>\$ 2,165,339</u>	<u>\$ 1,931,540</u>

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

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

At the beginning of the fourth quarter each year, the Foundation will determine how much of the endowments may be spent. In an effort to smooth the impact of particularly good or bad years, a three point average of the previous ending two year-end values and the current beginning of the fourth quarter value will be calculated. The amount available to be spent will be 4.5% of this three point average. The Foundation's Board may, by simple majority vote, choose to spend more or less than this amount.

The endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (62,026)	\$ 1,710	\$ 1,274,725	\$ 1,214,409
Board designated endowment funds	282,248	684,719	-	966,967
TOTAL	\$ 220,222	\$ 686,429	\$ 1,274,725	\$ 2,181,376

The endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (1,257)	\$ 3,689	\$ 1,222,917	\$ 1,225,349
Board designated endowment funds	325,179	683,972	-	1,009,151
TOTAL	\$ 323,922	\$ 687,661	\$ 1,222,917	\$ 2,234,500

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

During the year ended December 31, 2015, the Foundation had the following endowment related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 323,922	\$ 687,661	\$ 1,222,917	\$ 2,234,500
Investment return:				
Investment income	20,284	18,897	-	39,181
Net appreciation (realized and unrealized)	(115,240)	(3,307)	-	(118,547)
Contributions	9,289	25,025	51,808	86,122
Transfers	-	(24,278)	-	(24,278)
Amounts appropriated for expenditure	(18,033)	(17,569)	-	(35,602)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 220,222	\$ 686,429	\$ 1,274,725	\$ 2,181,376

During the year ended December 31, 2014, the Foundation had the following endowments related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 288,524	\$ 683,989	\$ 22,837	\$ 995,350
Investment return:				
Investment income	16,942	343	-	17,285
Net appreciation (realized and unrealized)	26,908	545	-	27,453
Contributions	500	21,199	1,200,080	1,221,779
Transfer	-	(17,823)	-	(17,823)
Amounts appropriated for expenditure	(8,952)	(592)	-	(9,544)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 323,922	\$ 687,661	\$ 1,222,917	\$ 2,234,500

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENTS (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$62,026 in 2015 and \$1,257 in 2014. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

13. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, nonrecognized subsequent events).

The Foundation has evaluated subsequent events through April 20, 2016, 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.

14. RESTATEMENT

The beginning of year net asset balances for the year ended December 31, 2014 have been restated to correct the net classification of the endowment funds. As of January 1, 2014 unrestricted net assets increased by \$62,640 and the temporarily restricted net assets decreased by \$62,640.

During 2015, it was determined that the Foundation recorded a permanently restricted endowment gift as temporarily restricted and the bequest was recorded when received rather than recording the contribution revenue when the Foundation was notified that the will had cleared probate or notified by the trustee or agent that an agreement exists. Accounting principles generally accepted in the United States of America require the contribution to be recorded at its fair value at the date of notification and when the amount is determinable. In addition, it was determined the Foundation recorded the expenditures of temporarily restricted quasi endowment funds as a reduction of board designated endowment funds rather than as a reduction of the temporarily restricted endowment funds.

ROCKFORD PARK DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. RESTATEMENT (Continued)

The 2014 financial statements have been restated as follows:

	Previously Reported	Restated Amount
Statement of financial position		
Cash and cash equivalents	\$ 700,623	\$ 225,492
Cash, restricted	451,245	926,376
Pledges and contribution receivable, net	997,548	1,599,457
Board designated net assets	1,603,759	1,684,222
Undesignated net assets	389,804	394,575
Temporarily restricted net assets	4,358,970	3,675,645
Permanently restricted net assets	23,094	1,223,094
Statement of activities		
Contributions	2,335,065	2,851,879
Special events	-	85,095
Change in unrestricted net assets	52,849	75,443
Change in temporarily restricted net assets	791,613	170,928
Change in permanently restricted net assets	80	1,200,080
Statement of cash flows		
Change in net assets	844,542	1,446,451
Permanently restricted contributions	80	1,200,080
Change in pledges and contributions receivable	(102,647)	(704,556)
Net cash provided from operating activities	1,125,037	(82,676)
Restricted cash	668,632	193,501
Net cash (used in) investing activities	198,946	(268,472)
Permanently restricted contributions	80	1,200,080
Net cash provided by financing activities	(799,920)	400,080