

NAPERVILLE DEVELOPMENT PARTNERSHIP

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017 AND 2016**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Naperville Development Partnership:

We have audited the accompanying financial statements of Naperville Development Partnership (the Organization) (a nonprofit organization) which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2017 and 2016, and the related statement of revenues and expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

To the Board of Directors of
Naperville Development Partnership
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Organization as of December 31, 2017 and 2016, and its support, revenue and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 that matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dugan + Lopatka
DUGAN & LOPATKA

Wheaton, Illinois
February 23, 2018

NAPERVILLE DEVELOPMENT PARTNERSHIP
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash - Unrestricted	\$ 160,456	\$ 123,203
- Temporarily restricted	16,433	16,555
Other current assets	100	103
	<hr/> 176,989	<hr/> 139,861
PROPERTY AND EQUIPMENT:		
Furniture and equipment	146,902	146,279
Leasehold improvements	38,128	37,565
Computers	31,741	31,741
Presentation equipment	5,694	5,694
Less: accumulated depreciation	<hr/> (157,053)	<hr/> (136,657)
	<hr/> 65,412	<hr/> 84,622
Total assets	<hr/> <u>\$ 242,401</u>	<hr/> <u>\$ 224,483</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted	225,968	207,928
Temporarily restricted	<hr/> 16,433	<hr/> 16,555
	<hr/> 242,401	<hr/> 224,483
Total net assets	<hr/> <u>\$ 242,401</u>	<hr/> <u>\$ 224,483</u>
Total liabilities and net assets	<hr/> <u>\$ 242,401</u>	<hr/> <u>\$ 224,483</u>

NAPERVILLE DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES AND EXPENSES -
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND PUBLIC SUPPORT:						
Contributions	\$ 128,500	\$ -	\$ 128,500	\$ 92,500	\$ -	\$ 92,500
City of Naperville	700,667	175,000	875,667	686,928	181,250	868,178
Snow Globes and other	2,367	-	2,367	16,014	-	16,014
Interest income	504	-	504	136	-	136
Program service income	-	-	-	1,500	-	1,500
Restrictions satisfied by payments	175,122	(175,122)	-	180,572	(180,572)	-
Total revenue and public support	<u>1,007,160</u>	<u>(122)</u>	<u>1,007,038</u>	<u>977,650</u>	<u>678</u>	<u>978,328</u>
OPERATING EXPENSES:						
Personnel	528,243	-	528,243	502,983	-	502,983
Occupancy	65,383	-	65,383	83,169	-	83,169
Development	325,996	-	325,996	340,629	-	340,629
Administrative	69,498	-	69,498	67,246	-	67,246
Total operating expenses	<u>989,120</u>	<u>-</u>	<u>989,120</u>	<u>994,027</u>	<u>-</u>	<u>994,027</u>
Change in net assets	18,040	(122)	17,918	(16,377)	678	(15,699)
NET ASSETS, Beginning of year	<u>207,928</u>	<u>16,555</u>	<u>224,483</u>	<u>224,305</u>	<u>15,877</u>	<u>240,182</u>
NET ASSETS, End of year	<u>\$ 225,968</u>	<u>\$ 16,433</u>	<u>\$ 242,401</u>	<u>\$ 207,928</u>	<u>\$ 16,555</u>	<u>\$ 224,483</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE DEVELOPMENT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Naperville Development Partnership (the Organization) was established in 1995 and is incorporated under the General Not-for-Profit Corporation Act of the State of Illinois. The primary purpose of this Organization is to maintain and improve the economic vitality of the businesses and residents of Naperville, Illinois through the retention, expansion and attraction of all types of commercial enterprises that are conducive to the maintenance and improvement of the quality of life in Naperville. The mission of the Organization is to promote and cultivate new business growth in Naperville, further strengthen the local economy through retention and expansion of existing businesses, facilitate and promote new development programs, cultivate and maintain a labor pool, and maintain a diverse local economy.

The financial statements were available to be issued on February 23, 2018, with subsequent events being evaluated through this date.

Accounting Method -

The accompanying records of the Organization are maintained on the basis of modified cash which recognizes certain revenue and related assets when received rather than when earned and certain expenses when paid rather than when the obligation is incurred, plus recording of property and equipment as assets.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification for "Financial Statements of Not-for-Profit Organizations." Under this codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. The Organization has \$16,433 and \$16,555 restricted for restaurant marketing as of December 31, 2017 and 2016, respectively.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization did not receive any permanently restricted funds during the years ended December 31, 2017 and 2016.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$500. Depreciation is computed using the straight-line method over their estimated useful lives of the assets ranging from 3 to 10 years. Depreciation expense for December 31, 2017 and 2016 was \$20,398 and \$21,416, respectively.

Use of Estimates -

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes -

The Organization is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded. The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Restricted and Unrestricted Revenue -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Advertising -

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2017 and 2016 was \$103,100 and \$68,807, respectively.

(2) SIGNIFICANT CONCENTRATION OF CREDIT RISK:

The Organization has concentrated its credit risk for cash by maintaining deposits in the bank, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

(3) CONCENTRATIONS OF PUBLIC SUPPORT:

The Organization received funds of approximately 87% and 89% of its total revenue and public support from the City of Naperville for the years ended December 31, 2017 and 2016, respectively. The City of Naperville funds all of the cost for the Naperville Convention and Visitors Bureau and Dine Naperville programs. The City of Naperville grant also funds 66% of the economic development program.

(3) CONCENTRATIONS OF PUBLIC SUPPORT: (Continued)

The Organization is economically dependent upon the continued funding from the City of Naperville as the absence of this funding would significantly alter its financial operations. The operating grants are non-refundable and not subject to any restrictions or stipulations regarding the use of funds.

(4) OPERATING LEASE:

The Organization has a lease for office space with a monthly payment of \$5,835. The lease expires in August, 2023. Rent expense totaled \$40,765 and \$54,644 for the years ended December 31, 2017 and 2016, respectively. In 2017, the Organization received an abatement of four months rent in the amount of \$23,340.

The Organization also leases additional storage space on a month-to-month basis. Rent expense for the years ended December 31, 2017 and 2016 was \$3,357 and \$3,517, respectively.

Future minimum lease payments are as follows:

Year ending <u>December 31</u>	
2018	\$ 72,942
2019	73,526
2020	73,526
2021	73,526
2022	73,526
Thereafter	49,018

(5) RETIREMENT PLAN:

The Organization sponsors a Simple IRA Plan, which allows eligible employees to contribute tax deferred amounts to the plan for their own account. The Organization also matches a portion of eligible contributions. The employer contributed \$12,589 and \$12,104 under this plan during the years ended December 31, 2017 and 2016, respectively.

(6) RELATED PARTY TRANSACTIONS:

During the normal course of business, the Organization conducts arm's-length transactions with businesses owned by various board members. However, all board members sign a conflict of interest statement on an annual basis that discloses any potential conflicts with the Organization. If a member has a conflict over a contract with a vendor, they will remove themselves from the discussion and the vote, as is the general practice for boards.

NAPERVILLE DEVELOPMENT PARTNERSHIP
SCHEDULE OF OPERATING EXPENSES -
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
PERSONNEL:		
Salaries and wages	\$ 423,680	\$ 401,050
Payroll taxes and benefits	<u>104,563</u>	<u>101,933</u>
	<u>528,243</u>	<u>502,983</u>
OCCUPANCY:		
Rent	44,582	59,876
Repairs	7,466	7,739
Utilities	3,158	3,401
Telecommunications	<u>10,177</u>	<u>12,153</u>
	<u>65,383</u>	<u>83,169</u>
DEVELOPMENT:		
Data development	18,868	23,446
Promotion	17,561	21,415
Presentation	36,175	38,667
Public relations	9,774	7,743
Restaurant advertising and marketing	175,122	180,572
Other advertising and brochures	34,906	42,574
Trade shows and other	<u>33,590</u>	<u>26,212</u>
	<u>325,996</u>	<u>340,629</u>
ADMINISTRATIVE:		
Committees	7,552	6,265
Dues and subscriptions	7,114	5,366
Depreciation	20,398	21,416
Insurance	7,398	8,241
Professional fees	6,198	5,850
Supplies	11,244	11,078
Postage and delivery	1,408	1,757
Stationery	700	327
Storage rental	3,357	3,517
Travel and entertainment	1,520	1,127
Other	<u>2,609</u>	<u>2,302</u>
	<u>69,498</u>	<u>67,246</u>
Total operating expenses	<u>\$ 989,120</u>	<u>\$ 994,027</u>

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Leo M. Misdom

April 6, 2018

To the Board of Directors of
Naperville Development Partnership:

We have audited the financial statements of Naperville Development Partnership (the Organization) for the year ended December 31, 2017, and have issued our report thereon dated February 23, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended December 31, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation expense and accumulated depreciation is based on the estimated useful lives of assets placed in service developed from historical experience with similar assets calculated using the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors of
Naperville Development Partnership
April 6, 2018
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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2018.

Management Consultation with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion", on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Directors of
Naperville Development Partnership
April 6, 2018
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This information is intended solely for the use of the Board of Directors and management of Naperville Development Partnership, and is not intended to be, and should not be used by anyone other than these specified parties.

Dugan + Lopatka
DUGAN & LOPATKA

Wheaton, Illinois