

Tentative & Preliminary (Revised 3/17/20)

NAPERVILLE DEVELOPMENT PARTNERSHIP

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018**

TOGETHER WITH AUDITOR'S REPORT

Tentative & Preliminary (Revised 3/17/20)

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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

Warrenville, Illinois
DATE

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EXHIBIT 1

NAPERVILLE DEVELOPMENT PARTNERSHIP
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 210,575	\$ 188,539
Investments - certificate of deposit	51,242	-
Other current assets	107	100
Total current assets	<u>261,924</u>	<u>188,639</u>
PROPERTY AND EQUIPMENT:		
Furniture and equipment	152,027	147,868
Leasehold improvements	38,128	38,128
Computers	33,813	33,813
Presentation equipment	5,694	5,694
Less: accumulated depreciation	<u>(194,955)</u>	<u>(176,608)</u>
Net property and equipment	<u>34,707</u>	<u>48,895</u>
Total assets	<u>\$ 296,631</u>	<u>\$ 237,534</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	281,918	221,973
With donor restrictions	<u>14,713</u>	<u>15,561</u>
Total net assets	<u>296,631</u>	<u>237,534</u>
Total liabilities and net assets	<u>\$ 296,631</u>	<u>\$ 237,534</u>

The accompanying notes are an integral part of this statement.

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EXHIBIT 2

NAPERVILLE DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES AND EXPENSES -
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND PUBLIC SUPPORT:						
Contributions	\$ 125,000	\$ -	\$ 125,000	\$ 90,000	\$ -	\$ 90,000
City of Naperville	738,000	175,000	913,000	718,184	175,000	893,184
Interest income	1,404	-	1,404	230	-	230
Restrictions satisfied by payments	175,848	(175,848)	-	175,872	(175,872)	-
Total revenue and public support	1,040,252	(848)	1,039,404	984,286	(872)	983,414
OPERATING EXPENSES:						
Personnel	529,543	-	529,543	525,527	-	525,527
Occupancy	77,301	-	77,301	78,240	-	78,240
Development	311,140	-	311,140	315,410	-	315,410
Administrative	62,323	-	62,323	69,104	-	69,104
Total operating expenses	980,307	-	980,307	988,281	-	988,281
Change in net assets	59,945	(848)	59,097	(3,995)	(872)	(4,867)
NET ASSETS, Beginning of year	221,973	15,561	237,534	225,968	16,433	242,401
NET ASSETS, End of year	<u>\$ 281,918</u>	<u>\$ 14,713</u>	<u>\$ 296,631</u>	<u>\$ 221,973</u>	<u>\$ 15,561</u>	<u>\$ 237,534</u>

The accompanying notes are an integral part of this statement.

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NAPERVILLE DEVELOPMENT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

(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 DATE, 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 (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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, 2019 and 2018 was \$18,347 and \$19,555, respectively.

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

Investments -

Investments consist of certificates of deposit with a bank and have an original maturity date of three months or more.

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 2016. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Revenue -

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor stipulations. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of revenues and expenses.

Advertising -

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2019 and 2018 was \$103,341 and \$99,228 respectively.

(2) CONCENTRATIONS OF PUBLIC SUPPORT:

The Organization received funds of approximately 87% and 91% of its total revenue and public support from the City of Naperville for the years ended December 31, 2019 and 2018, 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 65% and 72%, respectively of the economic development program for the year ended December 31, 2019.

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.

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(3) 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.

(4) OPERATING LEASE:

The Organization has a lease for office space with a monthly payment of \$5,835 until March 2018 and \$6,128 until the lease expires in August, 2023. Rent expense totaled \$73,526 and \$72,065 for the years ended December 31, 2019 and 2018, respectively.

The Organization also leased additional storage space on a month-to-month basis. Rent expense for the years ended December 31, 2019 and 2018 was \$3,716 and \$3,097, respectively.

Future minimum lease payments are as follows:

<u>Year ending</u> <u>December 31</u>	
2020	\$ 73,526
2021	73,526
2022	73,526
2023	49,018

(5) NET ASSETS WITH DONOR RESTRICTION:

Net assets with donor restrictions as of December 31, 2019 and 2018 are restricted for the following purpose:

	<u>2019</u>	<u>2018</u>
Restaurant marketing	\$ <u>14,713</u>	\$ <u>15,561</u>

(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.

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(7) 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 \$11,095 and \$11,520 under this plan during the years ended December 31, 2019 and 2018, respectively.

(8) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	December 31,	
	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 210,575	\$ 188,539
Investments- certificate of deposit	<u>51,242</u>	<u>-</u>
Total financial Assets	<u>261,817</u>	<u>188,539</u>
Less: Donor imposed restrictions	<u>14,713</u>	<u>15,561</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 247,104</u>	<u>\$ 172,978</u>

The Organization manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability;
- maintaining adequate liquid assets to fund near-term operating needs;
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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(9) FUNCTIONAL CLASSIFICATION OF EXPENSES:

The Organization's primary program service is promote and cultivate new business growth in Naperville. Natural expenses attributable to more than one functional expense category are allocated using a cost allocation technique of time and effort.

	2019		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and related expenses	\$ 450,112	\$ 79,431	\$ 529,543
Occupancy expenses	65,706	11,595	77,301
Advertising and promotions	305,271	5,869	311,140
Depreciation, committees, supplies and other expenses	<u>52,975</u>	<u>9,348</u>	<u>62,323</u>
Total	<u>\$ 874,064</u>	<u>\$ 106,243</u>	<u>\$ 980,307</u>

	2018		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and related expenses	\$ 446,698	\$ 78,829	\$ 525,527
Occupancy expenses	66,504	11,736	78,240
Advertising and promotions	310,362	5,048	315,410
Depreciation, committees, supplies and other expenses	<u>58,738</u>	<u>10,366</u>	<u>69,104</u>
Total	<u>\$ 882,302</u>	<u>\$ 105,979</u>	<u>\$ 988,281</u>

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Schedule 1

NAPERVILLE DEVELOPMENT PARTNERSHIP
SCHEDULE OF OPERATING EXPENSES -
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
PERSONNEL:		
Salaries and wages	\$ 439,350	\$ 429,344
Payroll taxes and benefits	<u>90,193</u>	<u>96,183</u>
	529,543	525,527
OCCUPANCY:		
Rent	57,744	58,534
Repairs	4,894	6,476
Utilities	3,378	3,506
Telecommunications	<u>11,285</u>	<u>9,724</u>
	77,301	78,240
DEVELOPMENT:		
Data development	27,160	22,872
Promotion	14,566	17,924
Presentation	26,977	29,096
Public relations	7,673	9,018
Restaurant advertising and marketing	175,848	175,872
Other advertising and brochures	35,908	32,342
Trade shows and other	<u>23,008</u>	<u>28,286</u>
	311,140	315,410
ADMINISTRATIVE:		
Committees	6,583	7,500
Dues and subscriptions	6,302	7,008
Depreciation	18,347	19,555
Insurance	6,519	5,581
Professional fees	6,443	6,250
Supplies	9,854	10,648
Postage and delivery	1,295	1,522
Stationery	429	803
Storage rental	3,716	3,097
Travel and entertainment	1,237	4,731
Other	<u>1,598</u>	<u>2,409</u>
	62,323	69,104
Total operating expenses	<u>\$ 980,307</u>	<u>\$ 988,281</u>