



**SEVERSON DELLS
EDUCATIONAL FOUNDATION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended December 31, 2020 and 2019



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SEVERSON DELLS EDUCATIONAL FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Severson Dells Educational Foundation

We have audited the accompanying financial statements of Severson Dells Educational Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 Severson Dells Educational Foundation as of December 31, 2020 and 2019, 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.

Sikich LLP

Brookfield, Wisconsin
March 12, 2021

FINANCIAL STATEMENTS

SEVERSON DELLS EDUCATIONAL FOUNDATION**STATEMENTS OF FINANCIAL POSITION**

For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 169,797 | \$ 121,672 |
| Grants receivable | 21,201 | 15,738 |
| Pledges receivable, current | 9,935 | 9,550 |
| Inventory | 14,015 | 8,535 |
| Prepaid expenses | 413 | 413 |
| Investments | 1,278,059 | - |
| Total current assets | 1,493,420 | 155,908 |
| NONCURRENT ASSETS | | |
| Investments | 764,721 | 697,521 |
| Pledges receivable, long term, net | 917 | 7,409 |
| Equipment | 25,682 | 22,205 |
| Construction in progress | - | 3,477 |
| Less: Accumulated depreciation | (21,451) | (19,721) |
| Property and equipment, net | 4,231 | 5,961 |
| Endowment investments | 70,560 | 61,150 |
| Total noncurrent assets | 840,429 | 772,041 |
| TOTAL ASSETS | \$ 2,333,849 | \$ 927,949 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Payroll liabilities | \$ 6,109 | \$ 2,032 |
| Accounts payable | 2,550 | 2,550 |
| Refundable grant advance | - | 25,000 |
| Total current liabilities | 8,659 | 29,582 |
| NET ASSETS | | |
| Without donor restrictions | 2,223,857 | 793,252 |
| With donor restrictions | 101,333 | 105,115 |
| Total net assets | 2,325,190 | 898,367 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,333,849 | \$ 927,949 |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 1,487,741 | \$ 18,315 | \$ 1,506,056 |
| Membership income | 31,682 | - | 31,682 |
| Grant income | 120,132 | - | 120,132 |
| In-kind donations | 119,965 | - | 119,965 |
| Investment return, net of investment fees of \$6,601 | 93,377 | 9,010 | 102,387 |
| Fundraising events | 8,395 | - | 8,395 |
| Program fees | 29,133 | - | 29,133 |
| Bookstore sales, less cost of sales of \$4,998 | 409 | - | 409 |
| Miscellaneous | 816 | - | 816 |
| Total support and revenue | 1,891,650 | 27,325 | 1,918,975 |
| Net assets released from restrictions | 31,107 | (31,107) | - |
| Total support and revenue and net assets released from restrictions | 1,922,757 | (3,782) | 1,918,975 |
| EXPENSES | | | |
| Program services | 262,297 | - | 262,297 |
| Management and general | 162,019 | - | 162,019 |
| Fundraising | 67,836 | - | 67,836 |
| Total expenses | 492,152 | - | 492,152 |
| CHANGE IN NET ASSETS | 1,430,605 | (3,782) | 1,426,823 |
| NET ASSETS, BEGINNING OF YEAR | 793,252 | 105,115 | 898,367 |
| NET ASSETS, END OF YEAR | \$ 2,223,857 | \$ 101,333 | \$ 2,325,190 |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 138,731 | \$ 25,000 | \$ 163,731 |
| Membership income | 18,706 | - | 18,706 |
| Grant income | 58,642 | 2,006 | 60,648 |
| In-kind donations | 59,518 | - | 59,518 |
| Investment return, net of investment fees of \$5,396 | 110,480 | 10,413 | 120,893 |
| Fundraising events | 7,861 | - | 7,861 |
| Program fees | 55,989 | - | 55,989 |
| Bookstore sales, less cost of sales of \$6,235 | (1,947) | - | (1,947) |
| Miscellaneous | 2,264 | - | 2,264 |
| Total support and revenue | 450,244 | 37,419 | 487,663 |
| Net assets released from restrictions | 45,438 | (45,438) | - |
| Total support and revenue and net assets released from restrictions | 495,682 | (8,019) | 487,663 |
| EXPENSES | | | |
| Program services | 205,677 | - | 205,677 |
| Management and general | 133,322 | - | 133,322 |
| Fundraising | 56,196 | - | 56,196 |
| Total expenses | 395,195 | - | 395,195 |
| CHANGE IN NET ASSETS | 100,487 | (8,019) | 92,468 |
| NET ASSETS, BEGINNING OF YEAR | 692,765 | 113,134 | 805,899 |
| NET ASSETS, END OF YEAR | \$ 793,252 | \$ 105,115 | \$ 898,367 |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,426,823 | \$ 92,468 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities: | | |
| Depreciation | 1,730 | 1,440 |
| Unrealized and realized (gain) on sale of investments | (94,460) | (111,948) |
| (Increase) Decrease in: | | |
| Grants receivable | (5,463) | (15,738) |
| Pledges receivable | 6,107 | 11,842 |
| Inventory | (5,480) | (3,459) |
| Increase (decrease) in: | | |
| Accrued expenses - due to Forest Preserves of Winnebago County | - | (3,107) |
| Payroll liabilities | 4,077 | 2,032 |
| Refundable grant advance | (25,000) | - |
| Net cash and cash equivalents from operating activities | 1,308,334 | (26,470) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | - | (3,477) |
| Proceeds from sale of investments | 962,844 | 253,630 |
| Purchase of investments | (2,223,053) | (239,068) |
| Net cash and cash equivalents from investing activities | (1,260,209) | 11,085 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 48,125 | (15,385) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 121,672 | 137,057 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 169,797 | \$ 121,672 |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

| | Program Services | | | Supporting Services | | | Total Expenses |
|---|-------------------|------------------|-------------------|--------------------------|------------------|-------------------|--------------------------|
| | Education | Other | Total | General & Administration | Fund-Raising | Total | |
| Contractual services - wages and stipends | \$ 166,566 | \$ - | \$ 166,566 | \$ 69,402 | \$ 41,641 | \$ 111,043 | \$ 277,609 |
| Professional services | 60 | 158 | 218 | 25,271 | 1,381 | 26,652 | 26,870 |
| Supplies, postage and website | 11,490 | 11,012 | 22,502 | 2,769 | 2,015 | 4,784 | 27,286 |
| Equipment expense | 543 | - | 543 | 15,643 | 130 | 15,773 | 16,316 |
| Depreciation expense | 727 | 311 | 1,038 | 432 | 260 | 692 | 1,730 |
| Insurance expense | - | - | - | 5,858 | - | 5,858 | 5,858 |
| Taxes | - | - | - | 2,477 | - | 2,477 | 2,477 |
| Other operating expenses | 1,069 | 264 | 1,333 | 1,600 | 883 | 2,483 | 3,816 |
| Donated memberships | - | - | - | 9,555 | - | 9,555 | 9,555 |
| Rent expense | 14,314 | 6,134 | 20,448 | 8,520 | 5,112 | 13,632 | 34,080 |
| Advertising | 34,754 | 14,895 | 49,649 | 20,492 | 12,412 | 32,904 | 82,553 |
| Other event expenses | - | - | - | - | 4,002 | 4,002 | 4,002 |
| Expenses before cost of sales | <u>\$ 229,523</u> | <u>\$ 32,774</u> | <u>\$ 262,297</u> | <u>\$ 162,019</u> | <u>\$ 67,836</u> | <u>\$ 229,855</u> | 492,152 |
| COST OF SALES | | | | | | | |
| Cost of bookstore sales | | | | | | | <u>4,998</u> |
| TOTAL EXPENSES | | | | | | | <u><u>\$ 497,150</u></u> |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

| | Program Services | | | Supporting Services | | | Total Expenses |
|-------------------------------|-------------------|------------------|-------------------|--------------------------|------------------|-------------------|--------------------------|
| | Education | Other | Total | General & Administration | Fund-Raising | Total | |
| Contractual services - wages | \$ 136,503 | \$ - | \$ 136,503 | \$ 56,877 | \$ 34,126 | \$ 91,003 | \$ 227,506 |
| Professional services | 568 | 629 | 1,197 | 42,944 | 3,520 | 46,464 | 47,661 |
| Supplies, postage and website | 3,835 | 20,420 | 24,255 | - | 2,150 | 2,150 | 26,405 |
| Equipment expense | 183 | 4,985 | 5,168 | 13,094 | 91 | 13,185 | 18,353 |
| Depreciation expense | 605 | 259 | 864 | 360 | 216 | 576 | 1,440 |
| Insurance expense | - | - | - | 2,859 | - | 2,859 | 2,859 |
| Taxes | - | - | - | 15 | - | 15 | 15 |
| Other operating expenses | 1,417 | 1,067 | 2,484 | 2,260 | 5,711 | 7,971 | 10,455 |
| Rent expense | 14,314 | 6,134 | 20,448 | 8,520 | 5,112 | 13,632 | 34,080 |
| Advertising | 10,341 | 4,417 | 14,758 | 6,393 | 3,819 | 10,212 | 24,970 |
| Other event expenses | - | - | - | - | 1,451 | 1,451 | 1,451 |
| Expenses before cost of sales | <u>\$ 167,766</u> | <u>\$ 37,911</u> | <u>\$ 205,677</u> | <u>\$ 133,322</u> | <u>\$ 56,196</u> | <u>\$ 189,518</u> | 395,195 |
| COST OF SALES | | | | | | | |
| Cost of bookstore sales | | | | | | | <u>6,235</u> |
| TOTAL EXPENSES | | | | | | | <u><u>\$ 401,430</u></u> |

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Severson Dells Educational Foundation (SDEF) is a not-for-profit agency whose primary purpose is to preserve the natural environment and to provide facilities and programs to educate the general public about the natural environment. The following is a summary of SDEF's programs:

Education – SDEF provides educational services to the general public about the natural environment through camps, guided school programs, guided walks through nature, girl and boy scout programs and lectures.

Other programs – Other programs that SDEF offers include canoe convoys, music and luminary events which gives the public the ability to enjoy nature in different settings.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SDEF and changes herein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and net assets that are subject to Board of Director stipulations.

With Donor Restrictions

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of SDEF pursuant to those restrictions or are to be maintained in perpetuity by SDEF. Generally, the donors of the assets permit SDEF to use all or a part of the income earned on any related investments for general or specific purposes.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. 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 with an original maturity of three months or less except for funds held for endowment.

SDEF maintains its cash and cash equivalents at one financial institution which, at times, may exceed federally insured limited. At December 31, 2020 and 2019, the bank balance of the deposits did not exceed FDIC limits. SDEF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

SDEF carries investments in marketable securities with readily determinable fair values and all assets in equity and debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Gains and investment income that are limited to specific uses by donor-imposed restrictions may be reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

Property and Equipment

Property and equipment purchases are stated at cost or fair value if contributed. Equipment is capitalized if the items have a cost of \$500 or more and a useful life of more than one year. Depreciation is recorded on a straight-line basis over the following estimated useful lives of the assets:

| | <u>Years</u> |
|-----------|--------------|
| Equipment | 3-7 |

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Grants Receivable

Grants receivable consist of grants due from governmental agencies under cost reimbursement contracts. Invoice and payment terms are provided in the contracts. All amounts are due in less than one year. SDEF evaluates collectability periodically based on an analysis of specific account history and experience. Based upon management's evaluation as of December 31, 2020 and 2019, an allowance of uncollectible accounts was not considered necessary. However, actual write-offs may occur.

Promises to Give

Unconditional promises to give cash and other assets to SDEF are reported at fair value on the date the promise is received. Conditional promises to give are recognized as contributions when the specified conditions have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Inventory

Inventories consist of books, clothing and other supplies, which are valued at the lower of net realizable value or market.

Refundable Grant Advance

SDEF receives grants from state, local, and private agencies for program and supporting services. If grant funds are received before required costs are incurred, the funds are reported as a refundable grant advance.

Revenue Recognition

Program Income

SDEF recognizes revenue from registration fees at the time of attendance. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element from the difference between the total dues paid and the exchange element. SDEF determined that the exchange portion of the membership dues is not significant and recognized the full membership immediately.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

Contribution and In-Kind Income

SDEF recognizes contributions when cash, securities, other assets, services or space; an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. There were no conditional promises to give as of December 31, 2020 and 2019.

A substantial number of volunteers have contributed significant amounts of their time to SDEF's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During 2020 and 2019, SDEF received approximately \$83,000 and \$25,000, respectively, in donated advertising.

Grant Income

A portion of SDEF's revenue is derived from cost-reimbursable federal grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SDEF has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advance in the statements of financial position. SDEF received cost reimbursable grants of approximately \$110,000 and \$97,000 that have not been recognized as of December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. There were no advance payments on the cost reimbursable grants as of December 31, 2020 and 2019. In addition, SDEF receives funding from local grants which are conditional with a measurable performance or other barrier and right of return. These grants are not recognized until the conditions on which they depend have been met. During 2020, there were no payments received on grants with a right of return. During 2019, SDEF received payment on grants with a right of return totaling \$25,000, which is included in refundable grant advance as of December 31, 2019. The conditions of the grant were met during 2020 upon which the revenue was recognized and is included in the statement of activities as grant income for the year ending December 31, 2020.

Income Taxes

SDEF qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

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

Advertising

Advertising costs are charged to operations when incurred and are included in program and supporting services based on direct charges. Advertising costs for the years ended December 31, 2020 and 2019 were \$82,553 and \$24,970, respectively.

Functional Expense Allocation

Expenses are recognized when they are incurred. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and rent, which are allocated on an estimated square-footage basis, as well as contractual services, which are allocated on the basis of estimates of time and effort.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “*Revenue from Contracts with Customers*,” as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. SDEF has implemented ASU No. 2014-09 and its related amendments and have adjusted the presentation in these financial statements accordingly. SDEF adopted the ASU during 2019 with no material impact on the financial statements.

2. UNCERTAINTY

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to the financial statements as a result of this uncertainty.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

SDEF receives contributions and promises to give with donor restrictions to be used in accordance with the associated purpose or time restriction. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is available for use to fund operations based on the Boards' spending policy and approval. In addition, SDEF receives support without donor restrictions; such support has historically represented approximately over 90% of program funding needs and over 100% for the years ended December 31, 2020 and 2019.

SDEF considers appropriate earnings from donor-restricted endowments and contributions with and without donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during SDEF's fiscal year.

SDEF manages its cash available to meet general expenditures with the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets

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, are comprised of the following as of December 31,:

| | 2020 | 2019 |
|--|---------------------|-------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 169,797 | \$ 121,672 |
| Grants receivable | 21,201 | 15,738 |
| Pledges receivable | 10,852 | 16,959 |
| Investments | 2,042,780 | 697,521 |
| Total financial assets | 2,244,630 | 851,890 |
| Less: | | |
| Pledges receivable due after one year, net | (917) | (7,409) |
| Purpose restriction - program | (19,921) | (27,006) |
| Investments - board designated | (764,721) | (697,521) |
| Total financial assets not available for use | (785,559) | (731,936) |
| TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR | \$ 1,459,071 | \$ 119,954 |

3. LIQUIDITY AND AVAILABILITY (Continued)

Disbursements from investments are at the discretion of the Board of Directors of SDEF. An annual distribution rate is recommended by the Board's Finance Committee up to 4% based on the average market value of the last three years as of the December 31 statement and is calculated at year-end. A distribution was not approved as of December 31, 2020 and 2019.

SDEF's cash flows have variations during the year attributable to camp registration which opens in December and continues through end of July, operational funding received from Forest Preserves of Winnebago County (WCFPD) historically received in beginning of the year, and a concentration of contributions received within last quarter of year end.

4. PLEDGES RECEIVABLE

The pledges receivable at December 31, are scheduled to be received as follows:

| | 2020 | 2019 |
|---------------------------------------|-----------|-----------|
| Less than one year | \$ 9,935 | \$ 9,550 |
| One to five years | 2,623 | 9,115 |
| Total | 12,558 | 18,665 |
| Less: Allowance for doubtful accounts | (925) | (925) |
| Less: Discount to net present value | (781) | (781) |
| NET PLEDGES RECEIVABLE | \$ 10,852 | \$ 16,959 |

Pledges receivable are recorded at the present value of their estimated future cash flows. The discount rate used to determine the present value of pledges receivable is a risk adjusted rate of 3%.

5. FAIR VALUE MEASUREMENTS

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 SDEF 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.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS (Continued)

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 on the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2 or 3, but are separately reported.

Valuation Techniques

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, 2020 and 2019.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Recurring Measurements

Assets measured at fair value on a recurring basis as of December 31, are as follows:

| | 2020 | | | |
|--|-------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Mutual funds | \$ 823,400 | \$ - | \$ - | \$ 823,400 |
| TOTAL ASSETS AT FAIR VALUE | <u>\$ 823,400</u> | <u>\$ -</u> | <u>\$ -</u> | 823,400 |
| Cash* | | | | <u>1,289,940</u> |
| TOTAL INVESTMENTS | | | | <u>\$ 2,113,340</u> |
| Total Investments on the Statement of Financial Position | | | | |
| Current investments | | | | \$ 1,278,059 |
| Non-current investments | | | | 764,721 |
| Endowment investments | | | | <u>70,560</u> |
| TOTAL INVESTMENTS | | | | <u>\$ 2,113,340</u> |

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements (Continued)

| | 2019 | | | |
|--|------------|---------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Mutual funds | \$ 722,967 | \$ - | \$ - | \$ 722,967 |
| TOTAL ASSETS AT FAIR VALUE | \$ 722,967 | \$ - | \$ - | 722,967 |
| Cash* | | | | 32,868 |
| Money market funds* | | | | 2,836 |
| TOTAL INVESTMENTS | | | | \$ 758,671 |
| Total Investments on the Statement of Financial Position | | | | |
| Non-current investments | | | | \$ 697,521 |
| Endowment investments | | | | 61,150 |
| TOTAL INVESTMENTS | | | | \$ 758,671 |

* Reported at cost

There were no transfers into level 3 investments for the years ended December 31, 2020 and 2019.

6. ENDOWMENTS

SDEF's endowment consists of donor-restricted endowment funds and board designated quasi endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Governing Endowments

The Board of Directors of SDEF 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, SDEF classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (d). The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SDEF in a manner consistent with the standard of prudence prescribed by UPMIFA.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENTS (Continued)

SDEF 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, SDEF 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).

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donor or by law (underwater endowments). SDEF 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, 2020 and 2019.

The endowment net asset composition by type of fund as of December 31, 2020 and 2019:

| | With Donor Restrictions | | | |
|----------------------------------|-----------------------------------|---------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | Endowment Earnings | Endowment Principal | 2020 Total |
| Donor restricted endowment funds | \$ - | \$ 27,160 | \$ 43,400 | \$ 70,560 |
| Board designated endowment funds | 764,721 | - | - | 764,721 |
| TOTAL | \$ 764,721 | \$ 27,160 | \$ 43,400 | \$ 835,281 |

| | With Donor Restrictions | | | |
|----------------------------------|-----------------------------------|---------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | Endowment Earnings | Endowment Principal | 2019 Total |
| Donor restricted endowment funds | \$ - | \$ 18,150 | \$ 43,000 | \$ 61,150 |
| Board designated endowment funds | 697,521 | - | - | 697,521 |
| TOTAL | \$ 697,521 | \$ 18,150 | \$ 43,000 | \$ 758,671 |

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions Endowment Earnings | Endowment Principal | Total |
|--|---------------------------------------|---|--------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 697,521 | \$ 18,150 | \$ 43,000 | \$ 758,671 |
| Investment return, net | 93,377 | 9,010 | - | 102,387 |
| Contributions | - | - | 400 | 400 |
| Amounts appropriated for expenditure | (26,177) | - | - | (26,177) |
| ENDOWMENT NET ASSETS, END OF YEAR | \$ 764,721 | \$ 27,160 | \$ 43,400 | \$ 835,281 |

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions Endowment Earnings | Endowment Principal | Total |
|--|---------------------------------------|---|--------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 610,548 | \$ 7,737 | \$ 43,000 | \$ 661,285 |
| Investment return, net | 110,480 | 10,413 | - | 120,893 |
| Amounts appropriated for expenditure | (23,507) | - | - | (23,507) |
| ENDOWMENT NET ASSETS, END OF YEAR | \$ 697,521 | \$ 18,150 | \$ 43,000 | \$ 758,671 |

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include the following as of December 31,:

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Undesignated | \$ 1,459,136 | \$ 95,731 |
| Investments - board designated | 764,721 | 697,521 |
| TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS | \$ 2,223,857 | \$ 793,252 |

SDEF's Board has designated investment funds be set aside for board approved annual distribution to be used for operation if the annual budget is at a projected deficit as noted in Note 2.

8. NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Time restriction | \$ 10,852 | \$ 16,959 |
| Purpose restriction - program | 19,921 | 27,006 |
| Purpose restriction - endowment earnings | 27,160 | 18,150 |
| Purpose restriction - endowment principal | 43,400 | 43,000 |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | \$ 101,333 | \$ 105,115 |

9. RELATED PARTY TRANSACTIONS

The building used by SDEF is owned and maintained by the WCFPD, a related party. SDEF is not presently paying rent nor do they have a formal lease for the use of this space. The estimated fair rental value is included in these financial statements as an in-kind donation. For each of the years ended December 31, 2020 and 2019, the estimated fair rental value for the facilities was \$34,080.

9. RELATED PARTY TRANSACTIONS (Continued)

All salaried and hourly personnel connected with SDEF, other than those paid through governmental grants, are paid by WCFPD, a related party. WCFPD also provides benefits and certain utilities. For the years ended December 31, 2020 and 2019, the amount of contractual services paid to WCFPD was approximately \$217,000 and \$216,000, respectively.

SDEF received approximately 4% of its funding from WCFPD and Winnebago County in 2020 and 12% of its funding from WCFPD in 2019. A reduction of this funding would have a significant impact on the organization and its programs. SDEF does not anticipate a reduction in the funding received from either source in subsequent years.

SDEF receives contributions from members of the Board of Directors as part of SDEF's fundraising events. During 2020 and 2019, SDEF received approximately \$12,300 and \$13,700, respectively, from members of the Board of Directors, of which approximately \$2,900 and \$6,400 was included in pledges receivable as of December 31, 2020 and 2019, respectively.

10. SUBSEQUENT EVENTS

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

SDEF has evaluated subsequent events through March 12, 2021 which was the date that these financial statements were available to be issued.