



**SEVERSON DELLS
EDUCATIONAL FOUNDATION**

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

For the Years Ended December 31, 2021 and 2020

The lower half of the cover features a complex, abstract geometric design. It consists of numerous overlapping, semi-transparent planes and polygons in various shades of gray, creating a sense of depth and architectural structure. The overall effect is reminiscent of a modern building's facade or a complex data visualization.

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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

Opinion

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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Severson Dells Educational Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Sikich LLP

Brookfield, Wisconsin
March 14, 2022

FINANCIAL STATEMENTS

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

For the Years Ended December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 205,062	\$ 169,797
Grants receivable	8,417	21,201
Pledges receivable, current	2,664	9,935
Inventory	23,220	14,015
Prepaid expenses	413	413
Investments	-	1,278,059
Total current assets	239,776	1,493,420
NONCURRENT ASSETS		
Investments	2,474,183	764,721
Pledges receivable, long term, net	102	917
Equipment	39,612	25,682
Less: Accumulated depreciation	(25,431)	(21,451)
Property and equipment, net	14,181	4,231
Endowment investments	81,058	70,560
Total noncurrent assets	2,569,524	840,429
TOTAL ASSETS	\$ 2,809,300	\$ 2,333,849
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll liabilities	\$ 9,268	\$ 6,109
Accounts payable	2,550	2,550
Deferred revenue	5,336	-
Total current liabilities	17,154	8,659
NET ASSETS		
Without donor restrictions	2,677,968	2,223,857
With donor restrictions	114,178	101,333
Total net assets	2,792,146	2,325,190
TOTAL LIABILITIES AND NET ASSETS	\$ 2,809,300	\$ 2,333,849

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 487,834	\$ 32,486	\$ 520,320
Membership income	33,034	-	33,034
Grant income	90,974	-	90,974
In-kind donations	143,040	-	143,040
Investment return, net	209,462	6,360	215,822
Fundraising events, less cost of direct benefit to donors of \$8,629	24,373	-	24,373
Program fees	55,746	-	55,746
Bookstore sales, less cost of sales of \$7,459	1,482	-	1,482
Miscellaneous	301	-	301
Total support and revenue	1,046,246	38,846	1,085,092
Net assets released from restrictions	26,001	(26,001)	-
Total support and revenue and net assets released from restrictions	1,072,247	12,845	1,085,092
EXPENSES			
Program services	268,446	-	268,446
Management and general	274,035	-	274,035
Fundraising	75,655	-	75,655
Total expenses	618,136	-	618,136
CHANGE IN NET ASSETS	454,111	12,845	466,956
NET ASSETS, BEGINNING OF YEAR	2,223,857	101,333	2,325,190
NET ASSETS, END OF YEAR	\$ 2,677,968	\$ 114,178	\$ 2,792,146

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	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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 466,956	\$ 1,426,823
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Contributions restricted for endowment	(4,138)	-
Depreciation	3,980	1,730
Bad debt	955	-
Unrealized and realized (gain) on sale of investments	(215,822)	(94,460)
(Increase) Decrease in:		
Grants receivable	12,784	(5,463)
Pledges receivable	7,131	6,107
Inventory	(9,205)	(5,480)
Increase (decrease) in:		
Payroll liabilities	3,159	4,077
Deferred revenue	5,336	-
Refundable grant advance	-	(25,000)
Net cash and cash equivalents from operating activities	271,136	1,308,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,930)	-
Proceeds from sale of investments	209,907	962,844
Purchase of investments	(435,986)	(2,223,053)
Net cash and cash equivalents from investing activities	(240,009)	(1,260,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	4,138	-
CHANGE IN CASH AND CASH EQUIVALENTS	35,265	48,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	169,797	121,672
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 205,062	\$ 169,797

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services			Supporting Services			Total Expenses
	Education	Other	Total	General & Administration	Fund-Raising	Total	
Contractual services - wages and stipends	\$ 25	\$ 106	\$ 131	\$ 126,181	\$ 4,771	\$ 130,952	\$ 131,083
Professional services	171,113	-	171,113	71,297	42,778	114,075	285,188
Supplies, postage and website	4,174	5,348	9,522	8,780	1,163	9,943	19,465
Equipment expense	-	412	412	11,202	84	11,286	11,698
Depreciation expense	1,672	716	2,388	995	597	1,592	3,980
Insurance expense	-	-	-	7,272	-	7,272	7,272
Taxes	-	-	-	459	-	459	459
Other operating expenses	1,031	466	1,497	-	286	286	1,783
Donated memberships	-	-	-	9,409	-	9,409	9,409
Rent expense	14,314	6,134	20,448	8,520	5,112	13,632	34,080
Advertising	43,714	18,721	62,435	28,965	15,500	44,465	106,900
Bad debt expense	-	-	-	955	-	955	955
Other event expenses	-	500	500	-	5,364	5,364	5,864
Expenses before cost of sales	<u>\$ 236,043</u>	<u>\$ 32,403</u>	<u>\$ 268,446</u>	<u>\$ 274,035</u>	<u>\$ 75,655</u>	<u>\$ 349,690</u>	618,136
COST OF SALES							
Cost of bookstore sales							7,459
Cost of direct benefit to donors - meals							7,794
TOTAL EXPENSES							<u>\$ 633,389</u>

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

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

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, 2021, the bank balance of deposits exceeded FDIC limits by \$12,000. At December 31, 2020, 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, 2021 and 2020, an allowance of uncollectible accounts was not considered necessary. However, actual write-offs may occur.

Promises to Give

Contributions are recognized when the donor makes a promise to give to SDEF that is, in substance, unconditional. Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in more than one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions. Based on management's judgment and analysis of the credit worthiness of the donors and other relevant factors, management has determined an allowance of \$370 and \$925 as of December 31, 2021 and 2020 is reasonable.

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. The registration fees are refundable if the program is cancelled and therefore are not recognized in revenue until attendance. Fees collected in advance are recorded as deferred revenue on the statement of financial position. 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)

Disaggregation of Revenue from Contracts with Customers

	2021	2020
Program fees	\$ 55,746	\$ 29,133
REVENUE RECOGNIZED AT A POINT IN TIME	\$ 55,746	\$ 29,133

Significant Judgments

There are no significant judgments involved in the recognition of revenue at a point in time.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for programs and ability to provide the programs as some programs are weather dependent.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable and unearned revenue (contract liabilities) on the statements of financial position. Contract liabilities are released as the performance obligations are met. Beginning and ending balances of contract assets and liabilities were as follows as of December 31:

	2021	2020	2019
Contract assets - accounts receivable	\$ -	\$ -	\$ -
Contract liabilities - deferred revenue	\$ 5,336	\$ -	\$ -

Contribution and In-Kind Income

All contributions are considered available for SDEF's general programs unless specifically restricted by the donor. 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.

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 (Continued)

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, 2021 and 2020.

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 2021 and 2020, SDEF received approximately \$108,000 and \$83,000, respectively, in donated advertising, and approximately \$34,000 in donated rent.

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 a refundable grant advance in the statements of financial position. SDEF received cost reimbursable grants of approximately \$0 and \$110,000 that have not been recognized as of December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. There were no advance payments on the cost reimbursable grants as of December 31, 2021 and 2020.

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 2021 and 2020, there were no payments received on grants with a right of return.

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, 2021 and 2020 were \$106,900 and \$82,553, 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.

New Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets for non-profit entities through enhancements to presentation and disclosure. The new guidance requires contributed nonfinancial assets to be presented as a separate line item in the statements of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. SDEF is currently assessing the impact of this new standard.

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.

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 90% of program funding needs and over 100% for the years ended December 31, 2021 and 2020.

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

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY (Continued)

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:

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 205,062	\$ 169,797
Grants receivable	8,417	21,201
Pledges receivable	2,766	10,852
Investments	2,474,183	2,042,780
Total financial assets	2,690,428	2,244,630
Less:		
Pledges receivable due after one year, net	(102)	(917)
Purpose restriction - program	(29,354)	(19,921)
Investments - board designated	(2,474,183)	(764,721)
Total financial assets not available for use	(2,503,639)	(785,559)
TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 186,789	\$ 1,459,071

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, 2021 and 2020.

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.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. PLEDGES RECEIVABLE

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

	2021	2020
Less than one year	\$ 2,664	\$ 9,935
One to five years	500	2,623
Total	3,164	12,558
Less: Allowance for doubtful accounts	(370)	(925)
Less: Discount to net present value	(28)	(781)
NET PLEDGES RECEIVABLE	<u>\$ 2,766</u>	<u>\$ 10,852</u>

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.

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.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020.

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:

	2021			
	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds	\$ 2,540,029	\$ -	\$ -	\$ 2,540,029
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,540,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,540,029</u>
Cash*				<u>15,212</u>
TOTAL INVESTMENTS				<u>\$ 2,555,241</u>
Total Investments on the Statement of Financial Position				
Non-current investments				\$ 2,474,183
Endowment investments				<u>81,058</u>
TOTAL INVESTMENTS				<u>\$ 2,555,241</u>
	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>	<u>823,400</u>
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>

* Reported at cost

5. FAIR VALUE MEASUREMENTS (Continued)

There were no transfers into level 3 investments for the years ended December 31, 2021 and 2020.

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.

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, 2021 and 2020.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

The endowment net asset composition by type of fund as of December 31, 2021 and 2020:

		With Donor Restrictions		
	Without Donor Restrictions	Endowment Earnings	Endowment Principal	2021 Total
Donor restricted endowment funds	\$ -	\$ 33,520	\$ 47,538	\$ 81,058
Board designated endowment funds	2,474,183	-	-	2,474,183
TOTAL	\$ 2,474,183	\$ 33,520	\$ 47,538	\$ 2,555,241

		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

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	With Donor Restrictions			
	Without Donor Restrictions	Endowment Earnings	Endowment Principal	Total
Endowment net assets, beginning of year	\$ 764,721	\$ 27,160	\$ 43,400	\$ 835,281
Investment return, net	209,462	6,360	-	215,822
Contributions	1,500,000	-	4,138	1,504,138
Amounts appropriated for expenditure	-	-	-	-
ENDOWMENT NET ASSETS, END OF YEAR	\$ 2,474,183	\$ 33,520	\$ 47,538	\$2,555,241

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

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

		<u>With Donor Restrictions</u>		
	<u>Without Donor</u>	<u>Endowment</u>	<u>Endowment</u>	
	<u>Restrictions</u>	<u>Earnings</u>	<u>Principal</u>	<u>Total</u>
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	<u>\$ 764,721</u>	<u>\$ 27,160</u>	<u>\$ 43,400</u>	<u>\$ 835,281</u>

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 203,785	\$ 1,459,136
Investments - board designated	2,474,183	764,721
TOTAL NET ASSETS WITHOUT		
DONOR RESTRICTIONS	<u>\$ 2,677,968</u>	<u>\$ 2,223,857</u>

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 3.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Time restriction	\$ 2,766	\$ 10,852
Purpose restriction - education	29,354	19,921
Purpose restriction - future building	1,000	-
Time restriction - endowment earnings	33,520	27,160
Purpose restriction - endowment principal	47,538	43,400
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 114,178	\$ 101,333

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, 2021 and 2020, the estimated fair rental value for the facilities was \$34,080.

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, 2021 and 2020, the amount of contractual services paid to WCFPD was approximately \$217,000.

SDEF received approximately 5% of its funding from WCFPD and Winnebago County in 2021 and 4% of its funding from WCFPD in 2020. 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 2021 and 2020, SDEF received approximately \$25,100 and \$12,300, respectively, from members of the Board of Directors, of which approximately \$0 and \$2,900 was included in pledges receivable as of December 31, 2021 and 2020, 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 14, 2022 which was the date that these financial statements were available to be issued.