



**SEVERSON DELLS
EDUCATIONAL FOUNDATION**

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

For the Years Ended December 31, 2023 and 2022

The background of the lower half of the cover features a complex, abstract geometric pattern. It consists of numerous overlapping, semi-transparent planes and lines in shades of gray, creating a sense of depth and architectural structure, reminiscent of a modern building's interior 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, 2023 and 2022, 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, 2023 and 2022, 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 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 25, 2024

FINANCIAL STATEMENTS

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

For the Years Ended December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 424,908	\$ 318,921
Grants receivable	48,685	37,388
Inventory	25,054	30,448
Total current assets	498,647	386,757
NONCURRENT ASSETS		
Investments	2,405,554	2,163,511
Furniture and equipment	51,108	50,409
Less: Accumulated depreciation	(37,002)	(31,194)
Property and equipment, net	14,106	19,215
Endowment investments	79,528	71,211
Total noncurrent assets	2,499,188	2,253,937
TOTAL ASSETS	\$ 2,997,835	\$ 2,640,694
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,694	\$ 32,000
Accrued wages and vacation	11,434	-
Deferred revenue	8,995	5,409
Total current liabilities	25,123	37,409
NET ASSETS		
Without donor restrictions	2,784,178	2,472,182
With donor restrictions	188,534	131,103
Total net assets	2,972,712	2,603,285
TOTAL LIABILITIES AND NET ASSETS	\$ 2,997,835	\$ 2,640,694

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 292,173	\$ 93,207	\$ 385,380
Membership income	24,155	-	24,155
Grant income	85,342	-	85,342
In-kind contributions	96,994	-	96,994
Investment return, net	242,043	8,317	250,360
Fundraising events, less cost of direct benefit to donors of \$6,224	15,831	-	15,831
Program fees	121,829	-	121,829
Bookstore sales, less cost of sales of \$5,949	6,067	-	6,067
Miscellaneous	19,947	-	19,947
Total support and revenue	904,381	101,524	1,005,905
Net assets released from restrictions	44,093	(44,093)	-
Total support and revenue and net assets released from restrictions	948,474	57,431	1,005,905
EXPENSES			
Program services	245,228	-	245,228
Management and general	304,367	-	304,367
Fundraising	86,883	-	86,883
Total expenses	636,478	-	636,478
CHANGE IN NET ASSETS	311,996	57,431	369,427
NET ASSETS, BEGINNING OF YEAR	2,472,182	131,103	2,603,285
NET ASSETS, END OF YEAR	\$ 2,784,178	\$ 188,534	\$ 2,972,712

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 218,297	\$ 54,720	\$ 273,017
Membership income	25,972	-	25,972
Grant income	119,776	-	119,776
In-kind contributions	130,663	-	130,663
Investment return, net	(310,672)	(9,847)	(320,519)
Fundraising events, less cost of direct benefit to donors of \$5,967	32,647	-	32,647
Program fees	74,671	-	74,671
Bookstore sales, less cost of sales of \$11,160	(921)	-	(921)
Miscellaneous	2,500	-	2,500
Total support and revenue	292,933	44,873	337,806
Net assets released from restrictions	27,948	(27,948)	-
Total support and revenue and net assets released from restrictions	320,881	16,925	337,806
EXPENSES			
Program services	229,387	-	229,387
Management and general	235,773	-	235,773
Fundraising	61,507	-	61,507
Total expenses	526,667	-	526,667
CHANGE IN NET ASSETS	(205,786)	16,925	(188,861)
NET ASSETS, BEGINNING OF YEAR	2,677,968	114,178	2,792,146
NET ASSETS, END OF YEAR	\$ 2,472,182	\$ 131,103	\$ 2,603,285

See accompanying notes to financial statements.

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

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 369,427	\$ (188,861)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,808	5,762
Bad debt	4,644	-
Unrealized and realized (gain) loss on sale of investmer	(206,872)	377,844
(Increase) Decrease in:		
Grants receivable	(15,941)	(28,971)
Pledges receivable	-	2,766
Inventory	5,394	(7,228)
Prepaid expenses	-	413
Increase (decrease) in:		
Accounts payable	(27,306)	29,450
Accrued wages and vacation	11,434	(9,268)
Deferred revenue	3,586	73
Net cash from operating activities	150,174	181,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(699)	(10,796)
Proceeds from sale of investments	2,399,692	287,529
Purchase of investments	(2,443,180)	(344,854)
Net cash from investing activities	(44,187)	(68,121)
CHANGE IN CASH	105,987	113,859
CASH, BEGINNING OF YEAR	318,921	205,062
CASH, END OF YEAR	\$ 424,908	\$ 318,921

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services			Supporting Services			Total Expenses
	Education	Other	Total	General & Administration	Fund-Raising	Total	
Contractual services - wages and stipends	\$ 208,315	\$ -	\$ 208,315	\$ 69,438	\$ 69,438	\$ 138,876	\$ 347,191
Professional services	351	1,014	1,365	85,882	7,598	93,480	94,845
Supplies, postage and website	722	28,680	29,402	2,603	1,034	3,637	33,039
Equipment expense	-	190	190	21,395	-	21,395	21,585
Depreciation expense	2,439	1,045	3,484	1,453	871	2,324	5,808
Insurance expense	-	-	-	8,227	-	8,227	8,227
Taxes	-	-	-	1,941	-	1,941	1,941
Other operating expenses - fees and training	114	2,108	2,222	5,041	6,906	11,947	14,169
Rent expense	-	-	-	43,445	108	43,553	43,553
Advertising	-	-	-	60,099	-	60,099	60,099
Miscellaneous	-	250	250	199	928	1,127	1,377
Bad debt expense	-	-	-	4,644	-	4,644	4,644
Expenses before cost of sales	211,941	33,287	245,228	304,367	86,883	391,250	636,478
COST OF SALES							
Cost of bookstore sales	-	-	-	5,949	-	5,949	5,949
Cost of direct benefit to donors - meals	-	-	-	-	6,224	6,224	6,224
TOTAL FUNCTIONAL EXPENSES	\$ 211,941	\$ 33,287	\$ 245,228	\$ 310,316	\$ 93,107	\$ 403,423	\$ 648,651

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services			Supporting Services			Total Expenses
	Education	Other	Total	General & Administration	Fund-Raising	Total	
Contractual services - wages and stipends	\$ 652	\$ 175	\$ 827	\$ 37,606	\$ 1,970	\$ 39,576	\$ 40,403
Professional services	189,271	-	189,271	78,863	47,318	126,181	315,452
Supplies, postage and website	4,074	9,991	14,065	8,609	3,381	11,990	26,055
Equipment expense	-	232	232	11,332	107	11,439	11,671
Depreciation expense	2,420	1,037	3,457	1,441	864	2,305	5,762
Insurance expense	-	-	-	4,699	423	5,122	5,122
Taxes	-	-	-	15	-	15	15
Other operating expenses - fees and training	747	340	1,087	109	2,332	2,441	3,528
Rent expense	14,314	6,134	20,448	8,520	5,112	13,632	34,080
Advertising	-	-	-	84,579	-	84,579	84,579
Expenses before cost of sales	211,478	17,909	229,387	235,773	61,507	297,280	526,667
COST OF SALES							
Cost of bookstore sales	-	-	-	11,160	-	11,160	11,160
Cost of direct benefit to donors - meals	-	-	-	-	5,967	5,967	5,967
TOTAL FUNCTIONAL EXPENSES	\$ 211,478	\$ 17,909	\$ 229,387	\$ 246,933	\$ 67,474	\$ 314,407	\$ 543,794

See accompanying notes to financial statements.

SEVERSON DELLS EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

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 held no cash equivalents at December 31, 2023 and 2022.

SDEF maintains its cash at one financial institution which, at times, may exceed federally insured limited. At December 31, 2023 and 2022, the bank balance of deposits exceeded FDIC limits by \$162,000 and \$69,000, respectively. 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 statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements 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. Direct internal and external investment fees are netted against investment return on the statement of activities.

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>
Furniture and 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, 2023 and 2022, an allowance of uncollectible accounts was not considered necessary. However, actual write-offs may occur.

Inventory

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

Revenue Recognition

Program Fees

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 statements of financial position.

Membership Income

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 recognizes the full membership immediately.

Disaggregation of Revenue from Contracts with Customers

	2023	2022
Program fees	\$ 121,829	\$ 74,671
Bookstore sales	12,016	10,239
Fundraising events	6,224	5,967
REVENUE RECOGNIZED AT A POINT IN TIME	<u>\$ 140,069</u>	<u>\$ 90,877</u>

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

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 (contract assets) 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:

	2023	2022	2021
Contract assets - accounts receivable	\$ -	\$ -	\$ -
Contract liabilities - deferred revenue	\$ 8,995	\$ 5,409	\$ 5,336

Contributions

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.

SDEF recognizes contributions when cash, securities, other assets, services or space or 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, 2023 and 2022.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

In-Kind Contributions

In addition to receiving cash contributions, SDEF receives in-kind contributions of non-financial goods and services. 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.

SDEF received the following contributions of nonfinancial goods and services for the years ending December 31, 2023 and 2022:

	2023	2022
Space	\$ 34,080	\$ 34,080
Advertising	60,099	85,786
Furniture	2,815	10,797
TOTAL IN-KIND CONTRIBUTIONS	\$ 96,994	\$ 130,663

SDEF receives contributions of use of space. The space used is valued at fair value based on an analysis of similar properties. The donated space is used in SDEFs programs and supporting services.

SDEF also receives contributed advertising as in-kind contributions at fair value based on valuation received from donor based upon rates paid for similar advertisements. The contributed advertising is used in SDEFs programs and supporting services.

In addition, SDEF receives contributed furniture which are valued at the estimated fair value of similar items that would be paid if purchased by SDEF. The contributed furniture is used in SDEFs programs and supporting services.

None of the in-kind contributions received during the year were subject to donor-imposed restrictions.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

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 \$141,000 and \$95,000 that had not been recognized as of December 31, 2023 and 2022, respectively, because qualifying expenditures had not yet been incurred. There were no advance payments on the cost reimbursable grants as of December 31, 2023 and 2022.

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 2023 and 2022, there were no advance payments received on conditional local grants.

Income Taxes

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

SDEF evaluates its uncertain tax provisions on an annual basis, and there have been no recorded uncertain tax provisions in 2023 or 2022. Therefore, no provision or liability for income taxes has been included in the financial statements. SDEF files various federal or state non-profit tax returns. SDEF is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2019.

Advertising

Advertising costs are charged to operations when incurred and are directly charged to management and general on the statements of functional expenses. Advertising costs for the years ended December 31, 2023 and 2022 were \$60,099 and \$84,579, 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 statements of activities and in the statements 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.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIQUIDITY AND AVAILABILITY

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 statements of financial position date, are comprised of the following as of December 31:

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 424,908	\$ 318,921
Grants receivable	48,685	37,388
Investments	2,405,554	2,163,511
Total financial assets	2,879,147	2,519,820
Less:		
Purpose restriction - program and future building	(109,006)	(59,892)
Investments - board designated	(2,405,554)	(2,163,511)
Total financial assets not available for use	(2,514,560)	(2,223,403)
TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 364,587	\$ 296,417

Disbursements from board designated 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, 2023 and 2022.

SDEF's cash flows have variations during the year attributable to camp registration which opens in December and continues through end of July.

3. 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.

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, 2023 and 2022.

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

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

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

2023				
	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds	\$ 2,470,871	\$ -	\$ -	\$ 2,470,871
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,470,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,470,871</u>
Cash*				<u>14,211</u>
TOTAL INVESTMENTS				<u>\$ 2,485,082</u>
Total Investments on the Statement of Financial Position				
Non-current investments				\$ 2,405,554
Endowment investments				<u>79,528</u>
TOTAL INVESTMENTS				<u>\$ 2,485,082</u>

2022				
	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds	\$ 2,224,696	\$ -	\$ -	\$ 2,224,696
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,224,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,224,696</u>
Cash*				<u>10,026</u>
TOTAL INVESTMENTS				<u>\$ 2,234,722</u>
Total Investments on the Statement of Financial Position				
Non-current investments				\$ 2,163,511
Endowment investments				<u>71,211</u>
TOTAL INVESTMENTS				<u>\$ 2,234,722</u>

* Reported at cost

4. 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.

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, 2023 and 2022.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. ENDOWMENTS (Continued)

The endowment net asset composition by type of fund as of December 31, 2023 and 2022:

		With Donor Restrictions		
	Without Donor Restrictions	Endowment Earnings	Endowment Principal	2023 Total
Donor restricted endowment funds	\$ -	\$ 31,990	\$ 47,538	\$ 79,528
Board designated endowment funds	2,405,554	-	-	2,405,554
TOTAL	\$ 2,405,554	\$ 31,990	\$ 47,538	\$ 2,485,082

		With Donor Restrictions		
	Without Donor Restrictions	Endowment Earnings	Endowment Principal	2022 Total
Donor restricted endowment funds	\$ -	\$ 23,673	\$ 47,538	\$ 71,211
Board designated endowment funds	2,163,511	-	-	2,163,511
TOTAL	\$ 2,163,511	\$ 23,673	\$ 47,538	\$ 2,234,722

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
	Restrictions	Endowment Earnings	Endowment Principal	Total
Endowment net assets, beginning of year	\$ 2,163,511	\$ 23,673	\$ 47,538	\$ 2,234,722
Investment return, net	242,043	8,317	-	250,360
Contributions	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-
ENDOWMENT NET ASSETS, END OF YEAR	\$ 2,405,554	\$ 31,990	\$ 47,538	\$ 2,485,082

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments

Changes in endowment net assets for the year ended December 31, 2022 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	\$ 2,474,183	\$ 33,520	\$ 47,538	\$2,555,241
Investment return, net	(310,672)	(9,847)	-	(320,519)
Contributions	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-
ENDOWMENT NET ASSETS,				
END OF YEAR	<u>\$ 2,163,511</u>	<u>\$ 23,673</u>	<u>\$ 47,538</u>	<u>\$2,234,722</u>

5. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 378,624	\$ 308,671
Investments - board designated	<u>2,405,554</u>	<u>2,163,511</u>
TOTAL NET ASSETS WITHOUT		
DONOR RESTRICTIONS	<u>\$ 2,784,178</u>	<u>\$ 2,472,182</u>

SDEF's Board of Directors has designated investment funds be set aside for board approved annual distributions to be used for operations if the annual budget is at a projected deficit.

SEVERSON DELLS EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose restriction - education	\$ 105,506	\$ 58,892
Purpose restriction - capital projects	3,500	1,000
Purpose restriction - endowment earnings	31,990	23,673
Purpose restriction - endowment principal	47,538	47,538
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 188,534	\$ 131,103

7. RELATED PARTY TRANSACTIONS

The building used by SDEF is currently owned by the WCFPD, a related party. SDEF entered into a two-year lease agreement commencing on May 19, 2023 for the use of the premises at an annual rental of \$1. The estimated fair rental value is included in these financial statements as an in-kind donation. For each of the years ended December 31, 2023 and 2022, the estimated fair rental value for the facilities was \$34,080.

All salaried and hourly personnel connected with SDEF, other than those whose wages are reimbursed through governmental grants, were paid by WCFPD through March 19, 2023, along with certain benefits and utilities. For the years ended December 31, 2023 and 2022, the amount of contractual services paid to WCFPD in exchange for provision of personnel, benefits, and certain utilities was approximately \$35,000 and \$228,000, respectively.

SDEF received notification from WCFPD that the agreement for personnel services would be terminated effective March 19, 2023. Personnel which were previously paid by WCFPD and connected to SDEF are now employed with and paid by SDEF. SDEF did not experience any significant impact on programming services or general operations with the termination of the old agreement with WCFPD during the transition.

SDEF receives contributions from members of the Board of Directors as part of SDEF's fundraising events. During 2023 and 2022, SDEF received approximately \$3,465 and \$3,965, respectively, from members of the Board of Directors. No amounts were included in pledges receivable from board members as of December 31, 2023 and 2022.

8. 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 25, 2024 which was the date that these financial statements were available to be issued.