SEARCH INSTITUTE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

SEARCH INSTITUTE
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YEARS ENDED DECEMBER 31, 2022 AND 2021

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Search Institute
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Search Institute, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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 Search Institute as of December 31, 2022 and 2021, and the changes of 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Search Institute 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Institute adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

Board of Directors
Search Institute

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 Search Institute's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Search Institute'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 Search Institute'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 10, 2023

SEARCH INSTITUTE
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,557,451	$ 2,228,838
Investments	4,251,811	2,513,326
Prepaid Expenses	144,610	110,730
Inventory, Net	34,915	30,889
Bequest Receivable	-	793,563
Accounts Receivable, Net	460,402	225,852
Grants Receivable	2,538,261	900,000
Total Current Assets	8,987,450	6,803,198
PROPERTY, PLANT, AND EQUIPMENT		
Office Furniture and Equipment	266,917	247,098
Website and Software	167,125	167,125
Leasehold Improvements	263,950	263,950
Total	697,992	678,173
Less: Accumulated Depreciation and Amortization	(513,515)	(403,254)
Total Property, Plant, and Equipment, Net	184,477	274,919
OTHER ASSETS		
Right-of-Use (ROU) Asset, Net	160,644	-
Long-Term Grants Receivable, Net	2,338,936	3,427,194
Beneficial Interest in Assets Held by Others	30,767	36,236
Total Other Assets	2,530,347	3,463,430
Total Assets	$ 11,702,274	$ 10,541,547

See accompanying Notes to Financial Statements.

SEARCH INSTITUTE
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 375,976	$ 93,465
Accrued Liabilities	266,038	167,367
Deferred Revenue - Consulting	53,736	114,908
Deferred Revenue - Curriculum and Training	28,623	85,915
Deferred Lease Credits, Current	-	37,813
Lease Liability, Current	114,214	-
Total Current Liabilities	838,587	499,468
LONG-TERM LIABILITIES		
Deferred Lease Credits	-	91,455
Lease Liability, Long-Term	137,473	-
Total Long-Term Liabilities	137,473	91,455
Total Liabilities	976,060	590,923
NET ASSETS		
Without Donor Restrictions		
Undesignated	2,239,872	2,160,995
Board-Designated	250,000	-
Total Without Donor Restrictions	2,489,872	2,160,995
With Donor Restrictions	8,236,342	7,789,629
Total Net Assets	10,726,214	9,950,624
Total Liabilities and Net Assets	$ 11,702,274	$ 10,541,547

See accompanying Notes to Financial Statements.

SEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Grants	$ 750,000	$ 2,938,880	$ 3,688,880	$ 875,000	$ 7,094,584	$ 7,969,584
Consulting	398,153	-	398,153	470,822	-	470,822
Curriculum Sales and Training	1,249,020	-	1,249,020	1,254,265	-	1,254,265
Rental Income	4,400	-	4,400	4,800	-	4,800
Contributions	38,268	85,636	123,904	38,744	793,563	832,307
Royalties	29,858	-	29,858	1,392	-	1,392
Change in Value of Beneficial Interest	-	(5,469)	(5,469)	-	5,082	5,082
Investment Income (Loss)	(35,853)	46,231	10,378	(12,616)	-	(12,616)
Other Income (Loss)	350,574	-	350,574	(20)	-	(20)
Subtotal	2,784,420	3,065,278	5,849,698	2,632,387	7,893,229	10,525,616
Net Assets Released from Restrictions	2,618,565	(2,618,565)	-	2,387,533	(2,387,533)	-
Total Operating Support and Revenue	5,402,985	446,713	5,849,698	5,019,920	5,505,696	10,525,616
OPERATING EXPENSE						
Program Services	3,762,278	-	3,762,278	3,240,074	-	3,240,074
Management and General	1,311,310	-	1,311,310	695,852	-	695,852
Fundraising	520	-	520	1,497	-	1,497
Total Operating Expense	5,074,108	-	5,074,108	3,937,423	-	3,937,423
CHANGE IN NET ASSETS	328,877	446,713	775,590	1,082,497	5,505,696	6,588,193
Net Assets - Beginning of Year	2,160,995	7,789,629	9,950,624	1,078,498	2,283,933	3,362,431
NET ASSETS - END OF YEAR	$ 2,489,872	$ 8,236,342	$ 10,726,214	$ 2,160,995	$ 7,789,629	$ 9,950,624

See accompanying Notes to Financial Statements.

SEARCH INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Payroll	$ 1,475,511	$ 740,467	$ -	$ 2,215,978	$ 1,534,802	$ 338,514	$ 514	$ 1,873,830
Fringe Benefits and Payroll Taxes	301,613	151,361	-	452,974	336,054	74,120	112	410,286
Office Expenses	122,689	61,568	-	184,257	78,179	73,885	36	152,100
Travel and Business Meeting	78,493	17,112	520	96,125	8,969	15,843	764	25,576
Professional and Outside Services	1,404,347	243,698	-	1,648,045	616,601	146,944	-	763,545
Pass-Through Grants	164,343	-	-	164,343	415,731	-	-	415,731
Insurance	12,914	6,481	-	19,395	14,961	3,300	5	18,266
Occupancy and Maintenance	106,651	53,473	-	160,124	137,576	30,344	46	167,966
Cost of Publications and Surveys Sold	22,300	307	-	22,607	25,440	-	-	25,440
Total Expenses Before Depreciation	3,688,861	1,274,467	520	4,963,848	3,168,313	682,950	1,477	3,852,740
Depreciation and Amortization	73,417	36,843	-	110,260	71,761	12,902	20	84,683
Total Functional Expenses	$ 3,762,278	$ 1,311,310	$ 520	$ 5,074,108	$ 3,240,074	$ 695,852	$ 1,497	$ 3,937,423
	74%	26%	0%	100%	82%	18%	0%	100%

See accompanying Notes to Financial Statements.

SEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 775,590	$ 6,588,193
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	110,260	84,683
Contributions Restricted to Endowment	(85,636)	(793,563)
Change in Allowance for Doubtful Accounts	(10,489)	(20,514)
Change in Discount on Long-Term Receivables	47,710	170,112
Change in Investment Value in Beneficial Interests Held by Others	5,469	(5,082)
Unrealized Loss on Investments	12,557	22,538
Amortization of ROU Asset	72,252	-
Noncash Addition of ROU Asset	(232,896)	-
(Increase) Decrease in Assets:		
Prepaid Expenses	(33,880)	15,766
Inventory	(4,026)	15,676
Accounts Receivable	(224,061)	(302,229)
Grants Receivable	(597,713)	(4,227,194)
Increase (Decrease) in Liabilities:		
Accounts Payable	282,511	39,573
Accrued Liabilities	98,671	(86,103)
Deferred Contract Revenue	(118,464)	10,029
Deferred Lease Credits	(129,268)	(35,685)
Lease Liability	251,687	-
Net Cash Provided by Operating Activities	220,274	1,476,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(19,818)	(137,457)
Purchases of Investments	(4,196,535)	(8,765)
Proceeds from Sale of Investments	2,445,493	250,000
Net Cash Provided (Used) by Investing Activities	(1,770,860)	103,778
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted to Endowment	879,199	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(671,387)	1,579,978
Cash and Cash Equivalents - Beginning of Year	2,228,838	648,860
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,557,451	$ 2,228,838

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Search Institute (the Institute) is a Minnesota nonprofit corporation that engages in research and educational services that promote the well-being of children and adolescents. The Institute fulfills its mission by engaging in in-depth applied research and evaluation, and by conducting surveys that explore young people's needs and the effectiveness of youth-serving programs. The Institute's primary sources of revenues are contracts, contributions from corporations and private foundations, and sales of training workshops and conferences, survey services, research-based books, and materials.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The Institute has discretionary control over these resources.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Institute or passage of time. There are also resources that are restricted by donors to investment in perpetuity. The income may be expended for such purpose as specified by the donor, or if none, then for any purpose of the Institute.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Donor-restricted contributions, the restrictions of which are met in the same year as the gift is made, are reported as with donor restrictions contributions in the current year. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Board-Designated Net Assets

Board-designated net assets represent funds set aside by the board of directors as reserves. These funds are approved by the board of directors as funds as needed for spending. Board-designated net assets relate to summer fellowship initiatives.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

The Institute deposits its temporary cash investments in high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation insurance limits. Cash and cash equivalents include cash on hand, savings, and money market accounts.

Receivables

Accounts, contracts, and grants receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for uncollectible accounts was $18,997 and $29,486 at December 31, 2022 and 2021, respectively.

Inventory

Inventory consists of published books and books in the process of being published. Inventory is valued at the lower net realizable value or cost. An allowance for excess and obsolete inventory has been recorded for books, which may not be saleable based on historical data. The allowance for obsolescence was $17,000 at December 31, 2022 and 2021, respectively.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

The Institute's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reports in the balance sheet.

Beneficial Interests in Assets Held by Others

The Institute's beneficial interest in a donor-designated fund with The Minneapolis Foundation is recognized as an asset. The governing instrument of The Minneapolis Foundation states that The Minneapolis Foundation shall have the sole and exclusive right to manage, control, and conduct the affairs of the donor-designated fund and to modify any direction, restriction or condition, and the timing of distributions from the fund. However, the Institute named itself as the beneficiary and as a result is recognized as an asset. The beneficial interest in assets held by others is classified as net assets with donor restrictions on the balance sheet.

Office Furniture and Equipment

Office furniture and equipment acquisitions in excess of $1,000 are recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of five years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Website and Software

Website and software acquisitions in excess of $1,000 are recorded cost. Depreciation is computed using the straight-line method over an estimated useful life of three years.

Leasehold Improvements

Leasehold improvements are recorded at cost and are being amortized over the shorter of the useful life or the term of the lease.

Grants

Grant revenue is recognized when notification is received, absent any condition clauses on recognition. Expenditures under grant contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Institute will record such disallowance at the time the determination is made. Three organizations comprised 93% of grant revenue for the year ended December 31, 2022, and two organizations comprised 79% of grant revenue for the year ended December 31, 2021.

Consulting Revenue

Consulting revenue relates to amounts received from organizations and governmental agencies to fund various projects undertaken by the Institute. Performance obligations are determined based on the services, milestones, or other obligations as outlined in each consulting contract. Revenue for performance obligations is satisfied over time and is recognized based on actual charges incurred using the input method. The Institute believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Expenses are recorded as incurred. Amounts received related to contract revenue and not yet earned, are recorded as deferred contract revenue. As of December 31, 2022 and 2021, contract assets consist of accounts receivable in the amount of $10,931 and $72,666, respectively. As of December 31, 2022 and 2021, contract liabilities consist of deferred revenue in the amount of $53,736 and $114,908, respectively. In 2022, one organization comprised 29% of consulting revenue. In 2021, one organization comprised 20% of consulting revenue.

Curriculum Sales and Training

Curriculum sales relate to amounts received in exchange for survey services, research-based books, and materials. The revenue is recognized at the time of the sale, using the point in time method. Training revenue is recognized when the conference or workshop is held, also using the point in time method. All revenues are recognized based on the outputs provided in the contracts. Amounts received in advance are recorded as deferred revenue. As of December 31, 2022 and 2021 contract assets consist of accounts receivable in the amount of $84,876 and $153,186, respectively. As of December 31, 2022 and 2021, contract liabilities consist of deferred revenue in the amount of $23,623 and $85,915, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue in the period received or pledged. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Contributions to be received after one year are discounted to reflect the time value of money. Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met. There were no conditional promises to give as of December 31, 2022 and 2021.

Functional Allocation of Expense

Salaries and related expenses are allocated to the program and supporting services based on actual time employees spend on each function. The remaining expenses are allocated as a percentage of direct labor hours devoted to that function or using another systematic methodology.

Tax-Exempt Status

The Institute qualifies as a tax-exempt organization described in Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is subject to federal and state income taxes on net unrelated business income. The Institute currently has no unrelated business income.

The Institute follows a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Fair Value Measurements

The Institute has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities, whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Institute has the ability to access.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in nonactive markets;
- pricing models whose inputs are observable for substantially the full term of the asset or liability; and prices for similar assets or liabilities in active markets;
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability for similar assets or liabilities in active markets.

Level 3 – Financial assets and liabilities, whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Securities valued using Level 3 inputs include funds held on behalf of the Institute at The Minneapolis Foundation. The inputs used to determine the funds held are based on the underlying value of the holdings as well as the Institute's proportionate share of The Master Fund at The Minneapolis Foundation.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Institute adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Institute has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Institute elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Leases

The Institute leases office space and office equipment for general operations. The Institute determines if an arrangement is a lease at inception. Operating leases are included in ROU assets – operating and lease liabilities on the statements of financial position. ROU assets represent the Institute's right to use an underlying asset for the lease term and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Institute uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Institute has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

Subsequent Events

Subsequent events have been evaluated through April 10, 2023, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

The Institute receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Institute manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Institute has a liquidity goal to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Institute has a goal to target a year-end balance of reserves of unrestricted, undesignated net assets at approximately 120 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

NOTE 2 LIQUIDITY (CONTINUED)

The level of liquidity and reserves was managed within these requirements as of December 31:

	2022	2021
Financial Assets:		
Cash and Equivalents	$ 1,557,451	$ 2,228,838
Accounts Receivable, Net	460,402	225,852
Grants Receivable, Net	4,877,197	4,327,194
Investments	4,251,811	2,513,326
Total Financial Assets	11,146,861	9,295,210
Less:		
Donor-Imposed Restrictions	(8,236,342)	(6,996,066)
Board-Designated	(250,000)	-
Net Financial Assets	$ 2,910,519	$ 2,299,144

NOTE 3 INVESTMENTS

The following tables present a summary of investment holdings as of December 31. The tables also present the fair value hierarchy for the balances of the assets of the Institute measured at fair value on a recurring basis as of December 31:

2022	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
Beneficial Interest in Assets Held by Others	$ -	$ -	$ 30,767	$ -	$ 30,767
ETFs and Mutual Funds	974,662	-	-	-	974,662
Fixed Income	3,209,697	-	-	-	3,209,697
Certificates of Deposit and Money Market Funds				67,452	67,452
Total	$ 4,184,359	$ -	$ 30,767	$ 67,452	$ 4,282,578

2021	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
Beneficial Interest in Assets Held by Others	$ -	$ -	$ 36,236	$ -	$ 36,236
ETFs and Mutual Funds	1,002,858	-	-	-	1,002,858
Fixed Income		-	-	-	-
Certificates of Deposit and Money Market Funds				1,510,468	1,510,468
Total	$ 1,002,858	$ -	$ 36,236	$ 1,510,468	$ 2,549,562

NOTE 3 INVESTMENTS (CONTINUED)

The following tables describe the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

Quantitative Information About Level 3 Fair Value Measurements

Type of Assets	Fair Value at December 31, 2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by Others	$ 30,767	FMV of Assets	Value of Underlying Assets

Quantitative Information About Level 3 Fair Value Measurements

Type of Assets	Fair Value at December 31, 2021	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by Others	$ 36,236	FMV of Assets	Value of Underlying Assets

NOTE 4 RECEIVABLES

The following is a summary of the Institute’s receivables at December 31, 2022:

	Accounts Receivable	Bequest Receivable	Grants Receivable
Amounts Due in:			
Less than One Year	$ 479,399	$ -	$ 2,538,261
One to Five Years	-	-	2,461,338
Total	479,399	-	4,999,599
Less: Allowance for Doubtful Accounts	(18,997)	-	-
Less: Discount on Long-Term Receivables	-	-	(122,402)
Receivables, Net	$ 460,402	$ -	$ 4,877,197

The following is a summary of the Institute’s receivables at December 31, 2021:

	Accounts Receivable	Bequest Receivable	Grants Receivable
Amounts Due in:			
Less than One Year	$ 255,338	$ 793,563	$ 900,000
One to Five Years	-	-	3,597,306
Total	255,338	793,563	4,497,306
Less: Allowance for Doubtful Accounts	(29,486)	-	-
Less: Discount on Long-Term Receivables	-	-	(170,112)
Receivables, Net	$ 225,852	$ 793,563	$ 4,327,194

NOTE 4 RECEIVABLES (CONTINUED)

Long-term receivables were discounted at rates between 2.65% to 3.99% as of December 31, 2022 and 2021.

At December 31, 2022, three organizations comprised 100% of grants receivable. At December 31, 2021, three organizations comprised 100% of grants receivable and one estate comprised 100% of bequest receivable.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31:

	2022	2021
Purpose Restrictions:		
Chan Zuckerberg Initiative	$ 2,755,797	$ 3,575,183
Gates Foundation - Social Capital	1,841,717	2,453,009
Templeton Foundation - Cultivating Character	1,398,690	-
Lilly Foundation - Tools for Thriving	985,877	-
Gates Foundation - Student Voice	176,324	548,610
Gates Foundation - Math Tutor Framework	-	181,053
Gates Foundation - Resource Dissemination	-	100,574
O'Schaughnessy - Keep Connected 360	150,000	-
Altria - Family Partnerships	44,331	74,949
Altria - Get Connected	-	61,881
Casey Foundation	36,084	-
WEM Foundation - Measuring What Matters	13,727	56,996
Susan Crown Exchange - Peer Relationships	-	50,779
Union Presbyterian Seminary	-	17,784
Altria - Family Engagement Resources	-	9,124
Youth Training Program	46,231	-
Discount on LT Receivables	(122,402)	(170,112)
Total Purpose Restrictions	7,326,376	6,959,830
Beneficial Interest in Assets Held by Others	30,767	36,236
Purpose Restrictions to be Held in Perpetuity	879,199	793,563
Total Net Assets With Donor Restrictions	$ 8,236,342	$ 7,789,629

Net Assets Released from Restrictions

	2022	2021
Purpose Restriction	$ 2,618,565	$ 2,387,533

NOTE 6 ENDOWMENT

The Institute's endowment was established to support the national promotion of youth training programs. As required by accounting principles generally accepted in the United States of America, 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.

Investment Objectives and Spending Policy

The Institute adopted an investment policy in 2022 which defines the types of permissible investments to prudently manage endowed assets. The spending policy allows up to 5.0% spending, based on a 12-quarter average value applied to the investment income annually, except that no distributions will be made if the market value is below 105% of the book value of the endowed assets.

Interpretation of Relevant Law

The board of directors of the Institute has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets with donor restrictions the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Institute.

In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Institute and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Institute
(7) The investment policies of the Institute.

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

The following is a summary of endowment funds subject to UPMIFA for the years ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments - January 1, 2022	$ -	$ 829,799	$ 829,799
Investment Income	-	40,762	40,762
Contributions	-	85,636	85,636
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Investments - December 31, 2022	$ -	$ 956,197	$ 956,197

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2021	$ -	$ 31,154	$ 31,154
Investment Income	-	5,082	5,082
Contributions	-	793,563	793,563
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets - December 31, 2021	$ -	$ 829,799	$ 829,799

No board-designated endowments existed at December 31, 2022 and 2021.

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. There were no fund deficiencies as of December 31, 2022 and 2021.

NOTE 7 RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for all eligible employees. The Institute matches contributions at 3% of employee contributions with a cap of $1,500 per employee. Employees must be 21 years of age and work at the Institute for three months prior to receiving matching contributions. Total contributions by the Institute for the years ended December 31, 2022 and 2021 were $29,534 and $33,261, respectively.

NOTE 8 LEASES

The Institute leases office space, storage space, and certain office equipment with various terms under long-term, noncancellable lease arrangements. The Institute entered into an operating lease agreement for office space in Minneapolis, Minnesota, beginning in 2017. The lease has an 87-month term with annually escalating lease payments through this term ending February 28, 2025. The Institute also leases storage space in an operating lease arrangement with a term beginning August 1, 2021, through February 28, 2025.

The following table provides quantitative information concerning the Institute's leases for the year ended December 31, 2022:

Lease Costs	
Operating Lease Costs	$ 75,209
Short-Term Lease Costs	3,192
Total Lease Costs	$ 78,401
Other Information:	
Operating Cash Flows from Operating Leases	113,386
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	232,896
Weighted-Average Remaining Lease Term - Operating Leases	2.1 Years
Weighted-Average Discount Rate - Operating Leases	0.93%

The Institute classified the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

Year	Operating Leases
2023	$ 115,877
2024	118,369
2025	19,797
Total Lease Payments	254,043
Less: Imputed Interest	(2,356)
Present Value of Lease Liabilities	$ 251,687