

**SEARCH INSTITUTE  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**



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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, 2021 and 2020, 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, 2021 and 2020, and the results of its operations 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.

#### ***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 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 11, 2022

**SEARCH INSTITUTE  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,228,838	\$ 648,860
Investments	2,513,326	2,777,099
Prepaid Expenses	110,730	126,496
Inventory, Net	30,889	46,565
Bequest Receivable	793,563	-
Accounts Receivable, Net	225,852	73,221
Grants Receivable	900,000	100,000
Total Current Assets	6,803,198	3,772,241
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Office Furniture and Equipment	247,098	727,430
Website and Software	167,125	224,058
Leasehold Improvements	263,950	263,950
Total	678,173	1,215,438
Less: Accumulated Depreciation and Amortization	(403,254)	(993,293)
Total Property, Plant, and Equipment, Net	274,919	222,145
<b>OTHER ASSETS</b>		
Long-Term Grants Receivable, Net	3,427,194	-
Beneficial Interest in Assets Held by Others	36,236	31,154
Total Other Assets	3,463,430	31,154
Total Assets	\$ 10,541,547	\$ 4,025,540
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 93,465	\$ 53,892
Accrued Liabilities	167,367	253,470
Deferred Revenue - Consulting	114,908	126,355
Deferred Revenue - Curriculum and Training	85,915	64,439
Deferred Lease Credits	37,813	35,321
Total Current Liabilities	499,468	533,477
<b>DEFERRED LEASE CREDITS - LONG-TERM</b>		
Total Liabilities	91,455	129,632
Total Liabilities	590,923	663,109
<b>NET ASSETS</b>		
Without Donor Restrictions	2,160,995	1,078,498
With Donor Restrictions	7,789,629	2,283,933
Total Net Assets	9,950,624	3,362,431
Total Liabilities and Net Assets	\$ 10,541,547	\$ 4,025,540

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE</b>						
Grants	\$ 875,000	\$ 7,094,584	\$ 7,969,584	\$ 383,000	\$ 1,272,113	\$ 1,655,113
Consulting	470,822	-	470,822	587,986	-	587,986
Curriculum Sales and Training	1,254,265	-	1,254,265	817,413	-	817,413
Rental Income	4,800	-	4,800	4,800	-	4,800
Contributions	38,744	793,563	832,307	39,100	-	39,100
Royalties	1,392	-	1,392	9,664	-	9,664
Change in Value of Beneficial Interest	-	5,082	5,082	-	1,694	1,694
Investment Income (Loss)	(12,616)	-	(12,616)	-	-	-
Other Income (Loss)	(20)	-	(20)	35,504	-	35,504
Subtotal	<u>2,632,387</u>	<u>7,893,229</u>	<u>10,525,616</u>	<u>1,877,467</u>	<u>1,273,807</u>	<u>3,151,274</u>
Net Assets Released from Restrictions	<u>2,387,533</u>	<u>(2,387,533)</u>	<u>-</u>	<u>1,779,946</u>	<u>(1,779,946)</u>	<u>-</u>
Total Operating Support and Revenue	5,019,920	5,505,696	10,525,616	3,657,413	(506,139)	3,151,274
<b>OPERATING EXPENSE</b>						
Program Services	3,240,074	-	3,240,074	3,051,856	-	3,051,856
Management and General	695,852	-	695,852	508,981	-	508,981
Fundraising	1,497	-	1,497	5,370	-	5,370
Total Operating Expense	<u>3,937,423</u>	<u>-</u>	<u>3,937,423</u>	<u>3,566,207</u>	<u>-</u>	<u>3,566,207</u>
<b>CHANGE IN NET ASSETS</b>	1,082,497	5,505,696	6,588,193	91,206	(506,139)	(414,933)
Net Assets - Beginning of Year	<u>1,078,498</u>	<u>2,283,933</u>	<u>3,362,431</u>	<u>987,292</u>	<u>2,790,072</u>	<u>3,777,364</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,160,995</u>	<u>\$ 7,789,629</u>	<u>\$ 9,950,624</u>	<u>\$ 1,078,498</u>	<u>\$ 2,283,933</u>	<u>\$ 3,362,431</u>

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Payroll	\$ 1,534,802	\$ 338,514	\$ 514	\$ 1,873,830	\$ 1,686,390	\$ 287,472	\$ 4,228	\$ 1,978,090
Fringe Benefits and Payroll Taxes	336,054	74,120	112	410,286	395,078	67,347	991	463,416
Office Expenses	78,179	73,885	36	152,100	75,398	46,640	66	122,104
Travel and Business Meeting	8,969	15,843	764	25,576	66,884	1,230	-	68,114
Professional and Outside Services	616,601	146,944	-	763,545	380,925	40,110	-	421,035
Pass-Through Grants	415,731	-	-	415,731	172,879	-	-	172,879
Insurance	14,961	3,300	5	18,266	33,736	5,739	17	39,492
Occupancy and Maintenance	137,576	30,344	46	167,966	140,647	23,927	68	164,642
Cost of Publications and Surveys Sold	25,440	-	-	25,440	38,240	-	-	38,240
Bad Debt Expense	-	-	-	-	-	15,956	-	15,956
Total Expenses Before Depreciation	<u>3,168,313</u>	<u>682,950</u>	<u>1,477</u>	<u>3,852,740</u>	<u>2,990,177</u>	<u>488,421</u>	<u>5,370</u>	<u>3,483,968</u>
Depreciation and Amortization	<u>71,761</u>	<u>12,902</u>	<u>20</u>	<u>84,683</u>	<u>61,679</u>	<u>20,560</u>	<u>-</u>	<u>82,239</u>
Total Functional Expenses	<u><u>\$ 3,240,074</u></u>	<u><u>\$ 695,852</u></u>	<u><u>\$ 1,497</u></u>	<u><u>\$ 3,937,423</u></u>	<u><u>\$ 3,051,856</u></u>	<u><u>\$ 508,981</u></u>	<u><u>\$ 5,370</u></u>	<u><u>\$ 3,566,207</u></u>
	82%	18%	0%	100%	86%	14%	0%	100%

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 6,588,193	\$ (414,933)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	84,683	82,239
Contributions Restricted to Endowment	(793,563)	-
Change in Allowance for Doubtful Accounts	(20,514)	15,000
Change in Discount on Long-Term Receivables	170,112	-
Change in Investment Value in Beneficial Interests Held by Others	(5,082)	(1,694)
Unrealized Loss on Investments	22,538	1,465
(Increase) Decrease in Assets:		
Prepaid Expenses	15,766	(14,686)
Inventory	15,676	14,974
Accounts Receivable	(302,229)	89,548
Grants Receivable	(4,227,194)	435,000
Increase (Decrease) in Liabilities:		
Accounts Payable	39,573	(184,192)
Accrued Liabilities	(86,103)	129,467
Deferred Contract Revenue	10,029	89,224
Deferred Lease Credits	(35,685)	(33,194)
Net Cash Provided by Operating Activities	<u>1,476,200</u>	<u>208,218</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property, Plant, and Equipment	(137,457)	(7,190)
Purchases of Investments	(8,765)	(3,772,584)
Proceeds from Sale of Investments	250,000	3,421,000
Net Cash Provided (Used) by Investing Activities	<u>103,778</u>	<u>(358,774)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,579,978	(150,556)
Cash and Cash Equivalents - Beginning of Year	<u>648,860</u>	<u>799,416</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,228,838</u>	<u>\$ 648,860</u>

See accompanying Notes to Financial Statements.



**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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.

**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.

**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.

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$29,486 and \$50,000 at December 31, 2021 and 2020, 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 and \$20,000 at December 31, 2021 and 2020, respectively.

**Investments**

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases 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.

**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.

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Two organizations comprised 79% of grant revenue for the year ended December 31, 2021, and four organizations comprised 100% of grant revenue for the year ended December 31, 2020.

**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, 2021 and 2020, contract assets consist of accounts receivable in the amount of \$72,666 and \$25,034, respectively. As of December 31, 2021 and 2020, contract liabilities consist of deferred revenue in the amount of \$114,908 and \$126,355, respectively. In 2021, one organization comprised 20% of consulting revenue. In 2020, two organizations comprised 62% 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, 2021 and 2020 contract assets consist of accounts receivable in the amount of \$153,186 and \$48,587, respectively. As of December 31, 2021 and 2020, contract liabilities consist of deferred revenue in the amount of \$85,915 and \$64,439, respectively.

**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, 2021 and 2020.

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

*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.

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

*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.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

**Subsequent Events**

Subsequent events have been evaluated through April 11, 2022, 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.

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY (CONTINUED)**

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

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Equivalents	\$ 2,228,838	\$ 648,860
Accounts Receivable, Net	225,852	73,221
Grants Receivable, Net	4,327,194	100,000
Investments	<u>2,513,326</u>	<u>2,777,099</u>
Total Financial Assets	9,295,210	3,599,180
Less:		
Donor-Imposed Restrictions	<u>(6,959,830)</u>	<u>(2,252,779)</u>
Net Financial Assets	<u>\$ 2,335,380</u>	<u>\$ 1,346,401</u>

**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:

	<u>2021</u>			Assets Not Held at	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Fair Value	
Beneficial Interest in Assets					
Held by Others	\$ -	\$ -	\$ 36,236	\$ -	\$ 36,236
Equities	3,646	-	-	-	3,646
Fixed Income Mutual Funds	999,212	-	-	-	999,212
Certificates of Deposit	-	-	-	1,510,468	1,510,468
Total	<u>\$ 1,002,858</u>	<u>\$ -</u>	<u>\$ 36,236</u>	<u>\$ 1,510,468</u>	<u>\$ 2,549,562</u>
	<u>2020</u>			Assets Not Held at	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Fair Value	
Beneficial Interest in Assets					
Held by Others	\$ -	\$ -	\$ 31,154	\$ -	\$ 31,154
Equities	3,254	-	-	-	3,254
Fixed Income Mutual Funds	1,015,839	-	-	-	1,015,839
Certificates of Deposit	-	-	-	1,758,006	1,758,006
Total	<u>\$ 1,019,093</u>	<u>\$ -</u>	<u>\$ 31,154</u>	<u>\$ 1,758,006</u>	<u>\$ 2,808,253</u>

**SEARCH INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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, 2021	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by Others	\$ 36,236	FMV of Assets	Value of Underlying Assets

Quantitative Information About Level 3 Fair Value Measurements			
Type of Assets	Fair Value at December 31, 2020	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by Others	\$ 31,154	FMV of Assets	Value of Underlying Assets

**NOTE 4 RECEIVABLES**

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

The following is a summary of the Institute's receivables at December 31, 2020:

	Accounts Receivable	Bequest Receivable	Grants Receivable
Amounts Due in:			
Less than One Year	\$ 123,221	\$ -	\$ 100,000
One to Five Years	-	-	-
Total	123,221	-	100,000
Less: Allowance for Doubtful Accounts	(50,000)	-	-
Less: Discount on Long-Term Receivables	-	-	-
Receivables, Net	\$ 73,221	\$ -	\$ 100,000

Long-term receivables were discounted at a rate of 2.65% as of December 31, 2021.

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**NOTE 4 RECEIVABLES (CONTINUED)**

At December 31, 2021, three organizations comprised 100% of grants receivable and one estate comprised 100% of the bequest receivable. At December 31, 2020, three organizations comprised 72% of accounts receivable and one organization comprised 100% of grants receivable.

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2021	2020
Purpose Restrictions:		
Chan Zuckerberg Initiative	\$ 3,575,183	\$ -
Gates Foundation - Social Capital	2,453,009	380,507
Gates Foundation - Student Voice	548,610	-
Gates Foundation - Math Tutor Framework	181,053	-
Gates Foundation - Resource Dissemination	100,574	488,708
Altria - Family Partnerships	74,949	415,487
Altria - Get Connected	61,881	96,059
WEM Foundation - Measuring What Matters	56,996	125,232
Susan Crown Exchange - Peer Relationships	50,779	-
Union Presbyterian Seminary	17,784	-
Altria - Family Engagement Resources	9,124	399,984
Ting Foundation - Peer Relationships	-	5,582
Einhorn Family Charitable Trust	-	93,177
Carlson Family Foundation	-	248,043
Discount on LT Receivables	(170,112)	-
Total Purpose Restrictions	6,959,830	2,252,779
Beneficial Interest in Assets Held by Others	36,236	31,154
Purpose Restrictions to be Held in Perpetuity	793,563	-
Total Net Assets With Donor Restrictions	\$ 7,789,629	\$ 2,283,933

**Net Assets Released from Restrictions**

	2021	2020
Purpose Restriction	\$ 2,387,533	\$ 1,779,946

**NOTE 6 ENDOWMENT**

The Institute's endowment was established to support the national promotion of youth training programs. Its endowment includes a donor-restricted bequest receivable as of December 31, 2021. 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.



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**NOTE 6 ENDOWMENT (CONTINUED)**

**Investment Objectives and Spending Policy**

The Institute was awarded the bequest receivable in December 2021, and due to this receipt late in the year, has not yet adopted an investment policy nor a spending policy for the appropriation of earnings on the endowment.

**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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Endowment Investments - January 1, 2021	\$ -	\$ -	\$ -
Investment Income	-	-	-
Contributions	-	793,563	793,563
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Investments - December 31, 2021	<u>\$ -</u>	<u>\$ 793,563</u>	<u>\$ 793,563</u>

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**NOTE 6 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Endowment Net Assets - January 1, 2020	\$ -	\$ -	\$ -
Investment Income	-	-	-
Contributions	-	-	-
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets - December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No board-designated endowments existed at December 31, 2021 and 2020.

**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, 2021 and 2020.

**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, 2021 and 2020 were \$33,261 and \$40,514, respectively.

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**NOTE 8 COMMITMENTS**

Rental expense for office space and equipment was \$118,210 in 2021 and \$106,017 in 2020 based on agreements which expire on various dates through 2026. In 2017, the Institute signed a new office lease, with escalating rental payments, over an 87-month lease term. The lease for office space expires in 2025. Minimum annual payments under terms of these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 114,070
2023	116,561
2024	119,053
2025	20,481
2026	684
Total	<u>\$ 370,849</u>

**NOTE 9 PAYCHECK PROTECTION PROGRAM**

On May 4, 2020, the Institute received proceeds in the amount of \$383,000 to fund payroll, rent, and utilities through the Paycheck Protection Program (PPP). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Institute has classified this loan as a conditional contribution for accounting purposes. The Institute recognized \$383,000 in grant revenue related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP loan funds for which the performance barriers had been met. On February 3, 2021, the SBA processed the Institute's PPP loan forgiveness application and notified its lender the PPP loan qualified for full forgiveness.

Under the second round of Paycheck Protection Program funding, the Institute applied for and was approved for an additional \$375,000 loan. The Institute has also classified this loan as a conditional contribution for accounting purposes. The Institute recognized \$375,000 in grant revenue related to this second agreement during the year ended December 31, 2021. This represents the portion of the PPP loan funds for which the performance barriers were met. On November 16, 2021, the SBA processed the Institute's second PPP loan forgiveness application and notified its lender the PPP loan qualified for full forgiveness.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Institute's financial position.

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