**SEARCH INSTITUTE**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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# SEARCH INSTITUTE
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# YEARS ENDED DECEMBER 31, 2023 AND 2022

# 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, 2023 and 2022, 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, 2023 and 2022, 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.

### *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 16, 2024

**SEARCH INSTITUTE**
**BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 265,529 | $ 1,557,451 |
| Investments | 5,772,623 | 4,251,811 |
| Prepaid Expenses | 143,975 | 144,610 |
| Inventory, Net | 26,917 | 34,915 |
| Accounts Receivable, Net | 154,500 | 460,402 |
| Grants Receivable | 2,799,770 | 2,538,261 |
| Total Current Assets | 9,163,314 | 8,987,450 |
| **PROPERTY, PLANT, AND EQUIPMENT** | | |
| Office Furniture and Equipment | 275,849 | 266,917 |
| Website and Software | 167,125 | 167,125 |
| Leasehold Improvements | 263,950 | 263,950 |
| Total | 706,924 | 697,992 |
| Less: Accumulated Depreciation and Amortization | (605,310) | (513,515) |
| Total Property, Plant, and Equipment, Net | 101,614 | 184,477 |
| **OTHER ASSETS** | | |
| Right-of-Use (ROU) Asset, Net | 87,336 | 160,644 |
| Long-Term Grants Receivable, Net | 835,272 | 2,338,936 |
| Beneficial Interest in Assets Held by Others | 32,254 | 30,767 |
| Total Other Assets | 954,862 | 2,530,347 |
| Total Assets | $ 10,219,790 | $ 11,702,274 |

*See accompanying Notes to Financial Statements.*

**SEARCH INSTITUTE**
**BALANCE SHEETS (CONTINUED)**
**DECEMBER 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 201,878 | $ 375,976 |
| Accrued Liabilities | 327,116 | 266,038 |
| Deferred Revenue - Consulting | 50,627 | 53,736 |
| Deferred Revenue - Curriculum and Training | 32,970 | 28,623 |
| Lease Liability, Current | 117,872 | 114,214 |
| Total Current Liabilities | 730,463 | 838,587 |
| **LONG-TERM LIABILITIES** | | |
| Lease Liability, Long-Term | 19,790 | 137,473 |
| Total Long-Term Liabilities | 19,790 | 137,473 |
| Total Liabilities | 750,253 | 976,060 |
| **NET ASSETS** | | |
| Without Donor Restrictions | | |
| Undesignated | 2,291,404 | 2,239,872 |
| Board-Designated | - | 250,000 |
| Total Without Donor Restrictions | 2,291,404 | 2,489,872 |
| With Donor Restrictions | 7,178,133 | 8,236,342 |
| Total Net Assets | 9,469,537 | 10,726,214 |
| Total Liabilities and Net Assets | $ 10,219,790 | $ 11,702,274 |

*See accompanying Notes to Financial Statements.*

**SEARCH INSTITUTE**
**STATEMENTS OF ACTIVITIES**
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **OPERATING SUPPORT AND REVENUE** | | | | | | |
| Grants | $ 700,000 | $ 1,822,388 | $ 2,522,388 | $ 750,000 | $ 2,938,880 | $ 3,688,880 |
| Consulting | 310,028 | - | 310,028 | 398,153 | - | 398,153 |
| Curriculum Sales and Training | 1,272,427 | - | 1,272,427 | 1,249,020 | - | 1,249,020 |
| Rental Income | - | - | - | 4,400 | - | 4,400 |
| Contributions | 43,271 | - | 43,271 | 38,268 | 85,636 | 123,904 |
| Royalties | 11,885 | - | 11,885 | 29,858 | - | 29,858 |
| Change in Value of Beneficial Interest | - | 1,487 | 1,487 | - | (5,469) | (5,469) |
| Investment Income (Loss) | 205,744 | 110,713 | 316,457 | (35,853) | 46,231 | 10,378 |
| Other Income | 29,142 | - | 29,142 | 350,574 | - | 350,574 |
| Subtotal | 2,572,497 | 1,934,588 | 4,507,085 | 2,784,420 | 3,065,278 | 5,849,698 |
| Net Assets Released from Restrictions | 2,992,797 | (2,992,797) | - | 2,618,565 | (2,618,565) | - |
| Total Operating Support and Revenue | 5,565,294 | (1,058,209) | 4,507,085 | 5,402,985 | 446,713 | 5,849,698 |
| **OPERATING EXPENSE** | | | | | | |
| Program Services | 4,231,838 | - | 4,231,838 | 3,762,278 | - | 3,762,278 |
| Management and General | 1,419,561 | - | 1,419,561 | 1,311,310 | - | 1,311,310 |
| Fundraising | 112,363 | - | 112,363 | 520 | - | 520 |
| Total Operating Expense | 5,763,762 | - | 5,763,762 | 5,074,108 | - | 5,074,108 |
| **CHANGE IN NET ASSETS** | (198,468) | (1,058,209) | (1,256,677) | 328,877 | 446,713 | 775,590 |
| Net Assets - Beginning of Year | 2,489,872 | 8,236,342 | 10,726,214 | 2,160,995 | 7,789,629 | 9,950,624 |
| **NET ASSETS - END OF YEAR** | $ 2,291,404 | $ 7,178,133 | $ 9,469,537 | $ 2,489,872 | $ 8,236,342 | $ 10,726,214 |

*See accompanying Notes to Financial Statements.*

# SEARCH INSTITUTE
# STATEMENTS OF FUNCTIONAL EXPENSES
# YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Payroll | $ 1,893,046 | $ 695,058 | $ 68,190 | $ 2,656,294 | $ 1,475,511 | $ 740,467 | $ - | $ 2,215,978 |
| Fringe Benefits and Payroll Taxes | 350,670 | 157,619 | 13,638 | 521,927 | 301,613 | 151,361 | - | 452,974 |
| Office Expenses | 141,594 | 33,391 | - | 174,985 | 122,689 | 61,568 | - | 184,257 |
| Travel and Business Meeting | 157,892 | 46,115 | 3,303 | 207,310 | 78,493 | 17,112 | 520 | 96,125 |
| Professional and Outside Services | 1,357,986 | 370,815 | 23,883 | 1,752,684 | 1,404,347 | 243,698 | - | 1,648,045 |
| Pass-Through Payments | 150,250 | - | - | 150,250 | 164,343 | - | - | 164,343 |
| Insurance | 15,600 | 6,240 | 446 | 22,286 | 12,914 | 6,481 | - | 19,395 |
| Occupancy and Maintenance | 105,177 | 43,057 | 2,903 | 151,137 | 106,651 | 53,473 | - | 160,124 |
| Cost of Publications and Surveys Sold | 35,093 | - | - | 35,093 | 22,300 | 307 | - | 22,607 |
| Total Expenses Before Depreciation | 4,207,308 | 1,352,295 | 112,363 | 5,671,966 | 3,688,861 | 1,274,467 | 520 | 4,963,848 |
| Depreciation and Amortization | 24,530 | 67,266 | - | 91,796 | 73,417 | 36,843 | - | 110,260 |
| Total Functional Expenses | $ 4,231,838 | $ 1,419,561 | $ 112,363 | $ 5,763,762 | $ 3,762,278 | $ 1,311,310 | $ 520 | $ 5,074,108 |
| | 73% | 25% | 2% | 100% | 74% | 26% | 0% | 100% |

*See accompanying Notes to Financial Statements.*

## SEARCH INSTITUTE
## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ (1,256,677) | $ 775,590 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 91,796 | 110,260 |
| Contributions Restricted to Endowment | - | (85,636) |
| Change in Allowance for Doubtful Accounts | (3,250) | (10,489) |
| Change in Discount on Long-Term Receivables | 71,262 | 47,710 |
| Change in Investment Value in Beneficial Interests Held by Others | (1,487) | 5,469 |
| Unrealized (Gain) Loss on Investments | (276,382) | 12,557 |
| Noncash Addition of ROU Asset | - | (232,896) |
| (Increase) Decrease in Assets: | | |
| Prepaid Expenses | 635 | (33,880) |
| Inventory | 7,998 | (4,026) |
| Accounts Receivable | 309,152 | (224,061) |
| Grants Receivable | 1,170,893 | (597,713) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (174,098) | 282,511 |
| Accrued Liabilities | 61,078 | 98,671 |
| Deferred Contract Revenue | 1,238 | (118,464) |
| Deferred Lease Credits | - | (129,268) |
| Lease Liability | (40,717) | 323,939 |
| Net Cash Provided (Used) by Operating Activities | (38,559) | 220,274 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Property, Plant, and Equipment | (8,933) | (19,818) |
| Purchases of Investments | (6,379,345) | (4,196,535) |
| Proceeds from Sale of Investments | 5,134,915 | 2,445,493 |
| Net Cash Used by Investing Activities | (1,253,363) | (1,770,860) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Collections of Contributions Restricted to Endowment | - | 879,199 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (1,291,922) | (671,387) |
| Cash and Cash Equivalents - Beginning of Year | 1,557,451 | 2,228,838 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 265,529 | $ 1,557,451 |

*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 are needed for spending and released from designation at the board's discretion.

### 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 $15,747 and $18,997 at December 31, 2023 and 2022, 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 $11,035 and $17,000 at December 31, 2023 and 2022, 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.

**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 87% of grant revenue for the year ended December 31, 2023, and three organizations comprised 93% of grant revenue for the year ended December 31, 2022.

**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, 2023, 2022, and 2021, contract assets consist of accounts receivable in the amount of $85,651, $10,931, and $72,666, respectively. As of December 31, 2023, 2022, and 2021, contract liabilities consist of deferred revenue in the amount of $50,627, $53,736, and ,$114,908, respectively. In 2023, one organization comprised 14% of consulting revenue. In 2022, one organization comprised 29% 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, 2023, 2022, and 2021, contract assets consist of accounts receivable in the amount of $60,141, $84,876, and $153,186, respectively. As of December 31, 2023, 2022, and 2021, contract liabilities consist of deferred revenue in the amount of $32,970, $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, 2023 and 2022.

### 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.

### 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 Institute 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 balance sheets.

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

### Adoption of New Accounting Standards

The Institute has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifieds the measurement of expected credit losses. The Institute adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the financial statements but did change how the allowance for credit losses is determined.

### Subsequent Events

Subsequent events have been evaluated through April 16, 2024, 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.

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

| | 2023 | 2022 |
|---|---|---|
| Financial Assets: | | |
| Cash and Equivalents | $ 265,529 | $ 1,557,451 |
| Accounts Receivable, Net | 154,500 | 460,402 |
| Grants Receivable, Net | 3,635,042 | 4,877,197 |
| Investments | 5,772,623 | 4,251,811 |
| Total Financial Assets | 9,827,694 | 11,146,861 |
| Less: | | |
| Donor-Imposed Restrictions | (7,178,133) | (8,236,342) |
| Board-Designated | - | (250,000) |
| Net Financial Assets | $ 2,649,561 | $ 2,910,519 |

## 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:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Assets Not Held at Fair Value | Total |
| Beneficial Interest in Assets Held by Others | $ - | $ - | $ 32,254 | $ - | $ 32,254 |
| ETFs and Mutual Funds | 1,087,362 | - | - | - | 1,087,362 |
| Fixed Income | 4,678,732 | - | - | - | 4,678,732 |
| Certificates of Deposit and Money Market Funds | | | | 6,529 | 6,529 |
| Total | $ 5,766,094 | $ - | $ 32,254 | $ 6,529 | $ 5,804,877 |

| | 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 |

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, 2023 | Principal Valuation Technique | Unobservable Inputs |
| Beneficial Interest in Assets Held by Others | $ 32,254 | FMV of Assets | Value of Underlying Assets |

| 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 |

## NOTE 4 RECEIVABLES

The following is a summary of the Institute's receivables at December 31, 2023:

| | Accounts Receivable | Grants Receivable |
|---|---|---|
| Amounts Due in: | | |
| Less than One Year | $ 170,247 | $ 2,799,770 |
| One to Five Years | - | 886,412 |
| Total | 170,247 | 3,686,182 |
| Less: Allowance for Doubtful Accounts | (15,747) | - |
| Less: Discount on Long-Term Receivables | - | (51,140) |
| Receivables, Net | $ 154,500 | $ 3,635,042 |

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

| | Accounts 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 |

Long-term receivables were discounted at rates between 2.65% to 4.80% as of December 31, 2023 and 2022.

At December 31, 2023, five organizations comprised 99% of grants receivable. At December 31, 2022, three organizations comprised 100% of grants.

## NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2023 | 2022 |
|---|---|---|
| Purpose Restrictions: | | |
| Chan Zuckerberg Initiative | $ 1,769,625 | $ 2,755,797 |
| Gates Foundation - Social Capital | 850,384 | 1,841,717 |
| Templeton Foundation - Cultivating Character | 1,080,281 | 1,398,690 |
| Lilly Foundation - Tools for Thriving | 1,019,536 | 985,877 |
| Gates Foundation - Student Voice | - | 176,324 |
| Annie E. Casey Foundation - YES | 12,516 | 36,084 |
| Annie E. Casey Foundation - YES 2.0 | 116,717 | - |
| Oak Foundation | 721,810 | - |
| O'Schaughnessy - Keep Connected 360 | 90,007 | 150,000 |
| Altria - Family Partnerships | - | 44,331 |
| WEM Foundation - Measuring What Matters | - | 13,727 |
| Youth Training Program | 1,036,143 | 46,231 |
| Discount on LT Receivables | (51,140) | (122,402) |
| Total Purpose Restrictions | 6,645,879 | 7,326,376 |
| Time Restrictions | 500,000 | - |
| Beneficial Interest in Assets Held by Others | 32,254 | 30,767 |
| Purpose Restrictions to be Held in Perpetuity | - | 879,199 |
| Total Net Assets With Donor Restrictions | $ 7,178,133 | $ 8,236,342 |

**Net Assets Released from Restrictions**

| | 2023 | 2022 |
|---|---|---|
| Purpose Restriction | $ 2,992,797 | $ 2,618,565 |

## 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:

| | 2023 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Investments - January 1, 2022 | $ - | $ 956,197 | $ 956,197 |
| Investment Income | - | 112,200 | 112,200 |
| Contributions | - | - | - |
| Appropriations of Endowment Assets for Expenditure | - | - | - |
| Reclassification of Net Assets | | (1,036,143) | (1,036,143) |
| Endowment Investments - December 31, 2022 | $ - | $ 32,254 | $ 32,254 |

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets - January 1, 2021 | $ - | $ 829,799 | $ 829,799 |
| Investment Income | - | 40,762 | 40,762 |
| Contributions | - | 85,636 | 85,636 |
| Appropriations of Endowment Assets for Expenditure | - | - | - |
| Endowment Net Assets - December 31, 2021 | $ - | $ 956,197 | $ 956,197 |

No board-designated endowments existed at December 31, 2023 and 2022.

During the year ended December 31, 2023, the Institute reclassified a previously recorded bequest from treatment as an endowment to net assets with donor restrictions for purpose after receiving legal conclusions of the donor's original intent for the use of these funds.

**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, 2023 and 2022.

## 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, 2023 and 2022 were $53,271 and $29,534, 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:

| | 2023 | 2022 |
|---|---|---|
| Lease Costs | | |
| Operating Lease Costs | $ 75,209 | $ 75,209 |
| Short-Term Lease Costs | - | 3,192 |
| Total Lease Costs | $ 75,209 | $ 78,401 |
| Other Information: | | |
| Operating Cash Flows from Operating Leases | $ 115,877 | $ 113,386 |
| Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities | - | 232,896 |
| Weighted-Average Remaining Lease Term - Operating Leases | 1.1 Years | 2.1 Years |
| Weighted-Average Discount Rate - Operating Leases | 0.93% | 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, 2023, is as follows:

| Year Ending December 31, | Operating Leases |
|---|---|
| 2024 | $ 118,369 |
| 2025 | 19,797 |
| Total Lease Payments | 138,166 |
| Less: Imputed Interest | (504) |
| Present Value of Lease Liabilities | $ 137,662 |