



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

222 FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

eder, casella & co

222 FOUNDATION
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DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
222 Foundation
Barrington, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of

222 Foundation
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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co

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 222 Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, the Organization adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606)* and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
June 22, 2021

FINANCIAL STATEMENTS

222 FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 99,241	
Total Current Assets	<u>99,241</u>	\$ 99,241
Investments		<u>909,045</u>
TOTAL ASSETS		<u><u>\$ 1,008,286</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 8,276	
Deferred Revenue	<u>25,118</u>	
Total Current Liabilities		\$ 33,394
NET ASSETS		
Without Donor Restrictions		<u>974,892</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 1,008,286</u></u>

The Notes to Financial Statements are an integral part of this statement.

222 FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions
OPERATING REVENUES, GAINS, AND OTHER SUPPORT	
Support	
Contributions	\$ 205,539
In-Kind Contributions	1,072
Special Events	177,923
Total Operating Revenues, Gains, and Other Support	\$ 384,534
OPERATING EXPENSES	
Program Services	\$ 323,908
Supporting Services	
Management and General	44,316
Fundraising	52,019
Cost of Direct Benefits to Donors	47,040
Total Operating Expenses	\$ 467,283
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (82,749)
NONOPERATING ACTIVITIES	
Investment Return, Net	75,549
Total Nonoperating Activities	\$ 75,549
CHANGE IN NET ASSETS	\$ (7,200)
NET ASSETS AT BEGINNING OF YEAR	982,092
NET ASSETS AT END OF YEAR	\$ 974,892

The Notes to Financial Statements are an integral part of this statement.

222 FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Supporting Services					Total Expenses
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Supporting Services	
Advertising and Marketing	\$ 2,529	\$ 2,529	\$ 5,058	\$ -	\$ 7,587	\$ 10,116
Conferences	2,000	-	-	-	-	2,000
Direct Assistance to Individuals	102,973	-	-	-	-	102,973
Food and Beverage, Venue, Entertainment	-	-	-	47,040	47,040	47,040
Insurance	2,671	890	-	-	890	3,561
Occupancy	10,460	1,395	2,091	-	3,486	13,946
Office Expense	19,039	1,457	4,033	-	5,490	24,529
Other Payroll Benefits	12,703	1,694	2,540	-	4,234	16,937
Payroll Expenses	142,620	19,016	28,524	-	47,540	190,160
Payroll Taxes	12,606	1,681	2,521	-	4,202	16,808
Professional Fees	9,617	14,739	5,705	-	20,444	30,061
Telecommunications	4,793	639	959	-	1,598	6,391
Transportation and Travel	1,897	276	588	-	864	2,761
	<u>\$ 323,908</u>	<u>\$ 44,316</u>	<u>\$ 52,019</u>	<u>\$ 47,040</u>	<u>\$ 143,375</u>	<u>\$ 467,283</u>

The Notes to Financial Statements are an integral part of this statement.

222 FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (82,749)	
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
Unrealized (Gain)/Loss on Investments	(50,584)	
Decrease/(Increase) in Assets		
Prepaid Expenses	1,500	
Increase/(Decrease) in Liabilities		
Accounts Payable	7,424	
Deferred Revenue	<u>25,118</u>	
Net Cash Flows Provided/(Used) by Operating Activities		\$ (99,291)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	<u>\$ 84,912</u>	
Net Cash Flows Provided/(Used) by Investing Activities		<u>84,912</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		\$ (14,379)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>38,071</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$ 23,692</u></u>

The Notes to Financial Statements are an integral part of this statement.

222 FOUNDTION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

222 Foundation (the Organization) is an Illinois nonprofit organization that was founded to invest in the future Christian ministry leaders of the world. In addition to financial assistance, the goal is to invest in each of the student partners in three areas: personal growth, spiritual growth, and ministry development.

The Organization accomplishes its mission by mentoring student partners as they grow in their roles within their family and ministry and provides them with financial support to alleviate the burden of financial debt coming out of the theological education. The Organization also provides periodic encouragement through the calendar year by assigning primary mentors and prayer partners to students to encourage their growth in personal spiritual development, evangelism, equipping others, and growth in the Fruit of the Spirit. The Organization helps with ministry development through each student's primary mentor where the desire is to give each student partner skills and wisdom to help them succeed in specific areas of their vocational calling.

The Organization is supported through the generosity of the community. The Organization receives cash contributions from individuals, businesses, and other organizations in the community.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

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 Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's Board of Directors and its management ("Management").

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

NOTES TO FINANCIAL STATEMENTS (Continued)

Property and Equipment

The Organization capitalizes all expenditures for Property and Equipment with a cost of over \$1,000 and an estimated useful life of one or more years. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building	39
Leasehold Improvements	15
Furniture and Equipment	5
Vehicles	5

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. Contributions Receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

The Organization records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place.

In-kind Contributions

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission, however, these services do not meet the criteria for recognition as contributed services

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. All direct expenses have been allocated to the respective function. Salaries are allocated based on the time spent on each activity. The Organization then follows this model of how they allocate the time to allocate other indirect expenses.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets, and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended December 31, 2020. Management represents there are no uncertain tax positions or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains two bank accounts at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits with the financial institution are covered by federal depositing insurance or collateral held by the financial institution.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

For investments – investments are carried at fair value as described in Note 4, based on quoted prices in active markets for identical assets.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at December 31, 2020. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2020:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	\$ 291,297	\$ 362,735	\$ 71,438
Fixed Income	454,600	468,320	13,720
Hedge Funds	80,000	77,990	(2,010)
Total	<u>\$ 825,897</u>	<u>\$ 909,045</u>	<u>\$ 83,148</u>

Investment return for the year ended December 31, 2020 consists of the following:

Dividend Income	\$ 20,391
Investment Income	95
Realized Gain/(Loss)	7,510
Change in Unrealized Gain/(Loss)	50,584
Investment Fees and Other Expenses	<u>(3,031)</u>
Return on Investments	<u>\$ 75,549</u>

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the Statement of Financial Position date to meet general expenditures.

The Organization's financial assets at December 31, 2020 are as follows:

	<u>2020</u>
Financial assets at year end:	
Cash and Cash Equivalents	\$ 99,241
Investments	<u>909,045</u>
Total Financial Assets	<u>\$ 1,008,286</u>
Less amounts not available to be used within one year:	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,008,286</u>

The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization accomplishes this by looking at the cash flow analysis monthly and determining what will be needed for the next month. The Organization's goal is to keep \$5,000 to \$10,000 in the checking account and based on the cash flow statement analysis, will transfer money to/from the investment account.

NOTE 6 OPERATING LEASE – LESSEE

The Organization leases its office facilities from an LLC that is owned by a board member.

In April 2018, the Organization entered into a twelve-month lease agreement for its Barrington location. The lease was extended through December 31, 2021. The terms are monthly payments of \$1,000 through December 31, 2020 and monthly payments of \$1,800 for 2021.

Minimum annual payments on the leases are as follows:

<u>Year Ending December 31</u>	
2021	<u>\$ 21,600</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Rental expense in the amount of \$12,000 is reported in Occupancy Expense on the Statement of Functional Expenses for the year ended December 31, 2020.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization paid \$12,000 for rent to a company that is owned by a board member. This amount is reported as Occupancy on the Statement of Functional Expenses for the year ended December 31, 2020.

The Organization benefits from contributions from board members. Aggregated contributions were received from board members in the amount of \$48,063 during the year. This constitutes 12% of total support for the year ended December 31, 2020.

NOTE 8 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under the CARES Act Paycheck Protection Program. The \$25,118 loan is outstanding as of December 31, 2020, and is recorded as deferred revenue on the Statement of Financial Position as of December 31, 2020. The proceeds must be used for payroll costs, rent and utilities over the 24-week period beginning from the day the funds were disbursed. At the end of the period, the Organization applied for forgiveness. It was granted on February 24, 2021. At that point, the Organization will remove the liability and the loan proceeds will be recorded as revenue.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 22, 2021, the date on which the financial statements were available to be issued.

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various non-profits and has continued to impact these organizations. The Organization was impacted during the year ended December 31, 2020. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.