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**222 FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

eder, casella & co

222 FOUNDATION  
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DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
222 Foundation  
Barrington, Illinois

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of

222 Foundation  
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 222 Foundation as of December 31, 2021, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 222 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As described in Note 11 to the financial statements, the Organization adopted new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 222 Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 222 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about 222 Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
April 18, 2022

## FINANCIAL STATEMENTS

222 FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 123,651	
Accounts Receivable	8,989	
Total Current Assets		\$ 132,640
Investments		731,981
TOTAL ASSETS		\$ 864,621
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,112	
Total Current Liabilities		\$ 1,112
TOTAL LIABILITIES		\$ 1,112
NET ASSETS		
Without Donor Restrictions		\$ 863,509
TOTAL LIABILITIES AND NET ASSETS		\$ 864,621

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

222 FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>	
Support	
Contributions	\$ 142,847
In-Kind Contributions	10,417
Grants	25,118
Special Events	215,308
Total Operating Revenues, Gains, and Other Support	\$ 393,690
<b>OPERATING EXPENSES</b>	
Program Services	\$ 393,429
Supporting Services	
Management and General	48,619
Fundraising	110,541
Cost of Direct Benefits to Donors	25,897
Total Operating Expenses	\$ 578,486
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (184,796)</b>
<b>NONOPERATING ACTIVITIES</b>	
Investment Return, Net	\$ 73,413
Total Nonoperating Activities	\$ 73,413
<b>CHANGE IN NET ASSETS</b>	<b>\$ (111,383)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>974,892</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 863,509</b>

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

222 FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Supporting Services					Total Expenses
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Supporting Services	
Advertising and Marketing	\$ 9,798	\$ -	\$ 6,038	\$ -	\$ 6,038	\$ 15,836
Direct Assistance to Individuals	116,586	-	-	-	-	116,586
Dues and Subscriptions	91	12	12	-	24	115
Food and Beverage, Venue, Entertainment	2,124	147	801	25,897	26,845	28,969
Information Technology	922	115	115	-	230	1,152
In-Kind Expenses	10,417	-	-	-	-	10,417
Insurance	2,375	365	913	-	1,278	3,653
Miscellaneous Expenses	3,892	-	132	-	132	4,024
Occupancy	24,774	3,097	3,097	-	6,194	30,968
Office Expense	4,377	526	7,660	-	8,186	12,563
Other Payroll Benefits	15,710	2,417	6,042	-	8,459	24,169
Payroll Expenses	153,715	23,648	59,121	-	82,769	236,484
Payroll Taxes	13,343	2,053	5,132	-	7,185	20,528
Prizes, Auction and Merchandise Items	-	-	2,995	-	2,995	2,995
Professional Fees	24,188	16,186	15,314	-	31,500	55,688
Recruiting	1,184	53	53	-	106	1,290
Website	9,358	-	2,052	-	2,052	11,410
Supplies	-	-	1,054	-	1,054	1,054
Transportation and Travel	575	-	10	-	10	585
	<u>\$ 393,429</u>	<u>\$ 48,619</u>	<u>\$ 110,541</u>	<u>\$ 25,897</u>	<u>\$ 185,057</u>	<u>\$ 578,486</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	(111,383)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
Unrealized (Gain)/Loss on Investments		(12,373)
Decrease/(Increase) in Assets		
Accounts Receivable		(8,989)
Increase/(Decrease) in Liabilities		
Accounts Payable		(7,164)
Deferred Revenue		(25,118)
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ (165,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	\$	189,437
Net Cash Flows Provided/(Used) by Investing Activities		<u>189,437</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	24,410
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>99,241</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>123,651</u></u>

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

222 FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**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, 2021. 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, 2021. 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, 2021:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	\$ 208,918	\$ 300,468	\$ 91,550
Fixed Income	356,708	363,031	6,323
Hedge Funds	69,963	68,482	(1,481)
Total	<u>\$ 635,589</u>	<u>\$ 731,981</u>	<u>\$ 96,392</u>

Investment return for the year ended December 31, 2021 consists of the following:

Dividend Income	\$ 15,757
Interest Income	9
Realized Gain/(Loss)	48,161
Change in Unrealized Gain/(Loss)	12,372
Investment Fees and Other Expenses	(2,886)
Return on Investments	<u>\$ 73,413</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, 2021 are as follows:

	2021
Financial assets at year end:	
Cash and Cash Equivalents	\$ 123,651
Investments	731,981
Accounts Receivable	8,989
Total Financial Assets	<u>\$ 864,621</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>\$ 864,621</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 - IN-KIND CONTRIBUTIONS**

The Organization relies on in-kind contributions to conduct its fundraising activities. In-kind contributions of prizes for the fundraising events held during the year valued at fair market value at the time of recognition in the amount of \$10,417 are reported as In-Kind Contributions on the Statement of Activities and as Direct Benefits to Donors on the Statement of Functional Expenses for the year ended December 31, 2021.

**NOTE 7 - OPERATING LEASE – LESSEE**

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

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

In April 2018, the Organization entered into a twelve-month lease agreement for its Barrington location. The lease was extended through December 31, 2022. The terms are monthly payments of \$1,800 through December 31, 2022. Minimum annual payments for 2022 will be \$21,600.

Rental expense in the amount of \$21,600 is reported in Occupancy Expense on the Statement of Functional Expenses for the year ended December 31, 2021.

### **NOTE 8 - RELATED PARTY TRANSACTIONS**

The Organization paid \$21,600 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, 2021.

The Organization benefits from contributions from board members. Aggregated contributions were received from board members in the amount of \$72,887 during the year. This constitutes 20% of total support for the year ended December 31, 2021.

### **NOTE 9 - PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN**

The Organization received a forgivable loan through the US Small Business Administration under CARES Act Paycheck Protection Program. The loan received was \$25,118 and is recognized as revenue in the current year. 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 and was granted forgiveness.

### **NOTE 10 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 18, 2022, the date on which the financial statements were available to be issued.

### **NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

The Organization adopted the new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. The update requires the Organization to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by the category of contributed nonfinancial assets and update the disclosure for each of these categories. The Organization has adjusted the presentation of these statements and notes accordingly.