Eder, Casella & Co.
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222 FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

eder, casella & co

222 FOUNDATION
TABLE OF CONTENTS
DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
222 Foundation
Barrington, Illinois

Report on the Audit of 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, 2022, and the related statements 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, 2022, 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 10 to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). 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 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 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 judgment, 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 3, 2023

FINANCIAL STATEMENTS

222 FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 23,819	
Contributions Receivable	24,125	
Total Current Assets		$ 47,944
Investments		573,891
TOTAL ASSETS		$ 621,835
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 1,942	
Total Current Liabilities		$ 1,942
TOTAL LIABILITIES		$ 1,942
NET ASSETS		
Without Donor Restrictions		619,893
TOTAL LIABILITIES AND NET ASSETS		$ 621,835

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

222 FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions
OPERATING REVENUES, GAINS, AND OTHER SUPPORT	
Support	
Contributions	$ 360,260
In-Kind Contributions	4,394
Special Events	133,387
Total Operating Revenues, Gains, and Other Support	$ 498,041
OPERATING EXPENSES	
Program Services	$ 463,701
Supporting Services	
Management and General	48,664
Fundraising	130,221
Cost of Direct Benefits to Donors	28,816
Total Operating Expenses	$ 671,402
CHANGE IN NET ASSETS FROM OPERATIONS	$ (173,361)
NONOPERATING ACTIVITIES	
Investment Return, Net	$ (70,255)
Total Nonoperating Activities	$ (70,255)
CHANGE IN NET ASSETS	$ (243,616)
NET ASSETS AT BEGINNING OF YEAR	863,509
NET ASSETS AT END OF YEAR	$ 619,893

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

222 FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Supporting Services				
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Supporting Services	Total Expenses
Advertising and Marketing	$ 9,561	$ -	$ 15,358	$ -	$ 15,358	$ 24,919
Contract Employees	34,655	2,800	38,785	-	41,585	76,240
Direct Assistance to Individuals	140,306	-	-	-	-	140,306
Dues and Subscriptions	530	66	66	-	132	662
Food and Beverage, Venue, Entertainment	4,356	290	2,004	24,423	26,717	31,073
Information Technology	1,160	145	145	-	290	1,450
In-Kind Expenses	-	-	-	4,393	4,393	4,393
Insurance	2,821	434	1,085	-	1,519	4,340
Miscellaneous Expenses	23,495	-	796	-	796	24,291
Occupancy	23,931	2,991	2,991	-	5,982	29,913
Office Expense	1,174	201	375	-	576	1,750
Other Payroll Benefits	8,636	1,234	2,468	-	3,702	12,338
Payroll Expenses	177,785	25,398	50,796	-	76,194	253,979
Payroll Taxes	14,524	2,075	4,150	-	6,225	20,749
Prizes, Auction and Merchandise Items	-	-	1,195	-	1,195	1,195
Professional Fees	1,997	12,566	4,854	-	17,420	19,417
Bank and Payroll Fees	3,035	464	1,558	-	2,022	5,057
Website	1,738	-	307	-	307	2,045
Supplies	-	-	2,999	-	2,999	2,999
Transportation and Travel	13,997	-	289	-	289	14,286
	$ 463,701	$ 48,664	$ 130,221	$ 28,816	$ 207,701	$ 671,402

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

222 FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (243,616)	
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided/(Used) by Operating Activities		
Unrealized (Gain)/Loss on Investments	92,990	
Decrease/(Increase) in Assets		
Contributions Receivable	(15,136)	
Increase/(Decrease) in Liabilities		
Accounts Payable	830	
Net Cash Flows Provided/(Used) by Operating Activities		$ (164,932)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	$ 144,046	
Purchases of Investments	(78,946)	
Net Cash Flows Provided/(Used) by Investing Activities		65,100
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		$ (99,832)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		123,651
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 23,819

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

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:

<u>Net Assets Without Donor Restrictions</u> – 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").

<u>Net Assets with Donor Restrictions</u> – 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.

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:

	Years
Building	39
Leasehold Improvements	15
Furniture and Equipment	5
Vehicles	5

As of December 31, 2022, the Organization does not have any Property and Equipment.

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 recognized revenue from ticket sales at the time of admission. 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.

Leases

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent The Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Net Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU assets also can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not currently have any material operating type leases that fall under this policy.

Finance leases are those in which ownership is transferred, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Net Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material financing type leases that fall under this policy.

The Organization made elections to not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less); to use the risk-free rate, in lieu of its incremental borrowing rate; to discount future lease payments; and to not separate lease and non-lease components of lease agreements.

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective method and also utilized the optional transition method to not restate prior periods as presented under FASB ASC 840 and instead made adjustments as of January 1, 2022, for the cumulative impact of adoption of FASB ASC 842. In addition, the Organization also elected the package of practical expedients which include not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for any expired or existing leases; and not reassessing initial direct costs for any existing leases.

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.

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, 2022. 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.

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, 2022. 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, 2022:

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	$ 182,856	$ 205,295	$ 22,439
Fixed Income	336,411	320,743	(15,668)
Hedge Funds	51,221	47,853	(3,368)
Total	$ 570,488	$ 573,891	$ 3,403

Investment return for the year ended December 31, 2022 consists of the following:

Dividend Income	$	13,213
Interest Income		6
Realized Gain/(Loss)		11,784
Change in Unrealized Gain/(Loss)		(92,990)
Investment Fees and Other Expenses		(2,268)
Return on Investments	$	(70,255)

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, 2022 are as follows:

Financial assets at year end:		
Cash and Cash Equivalents	$	23,819
Investments		573,891
Contributions Receivable		24,125
Total Financial Assets	$	621,835
Less amounts not available to be used within one year:		-
Financial assets available to meet general expenditures over the next twelve months	$	621,835

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. For the year ended December 31, 2022, in-kind contributions recognized within the Statement of Activities included:

Donated Prizes	$	4,394

In-Kind Contributions Valuation Techniques and Inputs:

Donated goods used as prizes are valued and reported at the estimated fair value in the financial statements based on the cost of replacement for such items.

None of the in-kind contributions were restricted by donors.

NOTE 7 - LEASES

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 annually through December 31, 2022. As of January 1, 2022 (the date of implementation), the lease was a short-term lease and will not be recorded as an operating or finance lease. The short-term lease ended as of December 31, 2022, and payments made during the year ended

December 31, 2022 totaled $21,600. The lease payments are reported in Occupancy on the Statement of Functional Expenses for the year ended December 31, 2022. The lease was extended for another year and the minimum annual payments for 2023 will be $21,600.

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, 2022.

The Organization benefits from contributions from board members. Aggregated contributions were received from board members in the amount of $57,638 during the year. This constitutes 12% of total support for the year ended December 31, 2022.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 3, 2023, the date on which the financial statements were available to be issued.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842). The Organization did not have any material agreements that fell under this standard, therefore, there were no adjustments related to the implementation of this standard.