



**WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2022**



# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
White Bear Lake Area Educational Foundation  
White Bear Lake, Minnesota

### Opinion

We have audited the accompanying financial statements of White Bear Lake Area Educational Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of White Bear Lake Area Educational Foundation, as of June 30, 2022, and the changes in their net assets and their 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. 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 White Bear Lake Area Educational 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.

### 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 White Bear Lake Area Educational Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

## **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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 White Bear Lake Area Educational 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 White Bear Lake Area Educational 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.

## **Report on Summarized Comparative Information**

We have previously audited White Bear Lake Area Educational Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

November 17, 2022

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 60,888	\$ 14,569
Accounts receivable	2,000	6,500
Prepaid expenses	-	5,941
Investments	<u>3,814,518</u>	<u>4,456,715</u>
Total assets	<u>\$ 3,877,406</u>	<u>\$ 4,483,725</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accruals	\$ 3,426	\$ 3,647
Deferred revenue	<u>-</u>	<u>29,728</u>
Total liabilities	<u>3,426</u>	<u>33,375</u>
Net assets:		
Without donor restrictions	280,335	212,156
With donor restrictions	<u>3,593,645</u>	<u>4,238,194</u>
Total net assets	<u>3,873,980</u>	<u>4,450,350</u>
Total liabilities and net assets	<u>\$ 3,877,406</u>	<u>\$ 4,483,725</u>

See Accompanying Notes to the Financial Statements.

## WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

### STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 41,596	\$ 169,553	\$ 211,149	\$ 120,994
Special events:				
Fall fundraising event, net of direct donor benefits of \$0 for 2022 and \$374 for 2021	-	-	-	24,652
Golf tournament, net of direct donor benefits of \$33,481 for 2022 and \$0 for 2021	63,074	-	63,074	1,556
Investment income (loss), net	-	(622,172)	(622,172)	973,294
Foundation management fees	78,131	(78,131)	-	-
Net assets released from restrictions	113,799	(113,799)	-	-
<b>Total revenues and support</b>	<b>296,600</b>	<b>(644,549)</b>	<b>(347,949)</b>	<b>1,120,496</b>
Expenses:				
Program services	157,946	-	157,946	133,898
Management and general	60,476	-	60,476	40,957
Fundraising	9,999	-	9,999	41,900
<b>Total expenses</b>	<b>228,421</b>	<b>-</b>	<b>228,421</b>	<b>216,755</b>
<b>Change in net assets</b>	<b>68,179</b>	<b>(644,549)</b>	<b>(576,370)</b>	<b>903,741</b>
Net assets:				
Beginning of year	212,156	4,238,194	4,450,350	3,546,609
End of year	<u>\$ 280,335</u>	<u>\$ 3,593,645</u>	<u>\$ 3,873,980</u>	<u>\$ 4,450,350</u>

See Accompanying Notes to the Financial Statements.

**WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	2022				2021
	Program services	Management and general	Fundraising	Total	
Salaries and related benefits:					
Salaries	\$ 39,963	\$ 36,107	\$ 7,713	\$ 83,783	\$ 76,626
Payroll taxes and other benefits	3,180	2,873	614	6,667	5,967
Total salaries and related benefits	43,143	38,980	8,327	90,450	82,593
Office and other expenses:					
Scholarships and awards	113,799	-	-	113,799	100,139
Newsletter and advertising	-	-	1,456	1,456	7,968
Golf event expense	-	-	33,481	33,481	-
Rent	1,004	924	216	2,144	2,144
Insurance	-	2,125	-	2,125	1,809
Accounting services	-	10,113	-	10,113	8,320
Travel and meeting expense	-	-	-	-	50
Office expense	-	3,460	-	3,460	5,521
Technology	-	4,874	-	4,874	8,211
	157,946	60,476	43,480	261,902	216,755
Golf event expense	-	-	(33,481)	(33,481)	-
Total expenses	<u>\$ 157,946</u>	<u>\$ 60,476</u>	<u>\$ 9,999</u>	<u>\$ 228,421</u>	<u>\$ 216,755</u>

See Accompanying Notes to the Financial Statements.

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (576,370)	\$ 903,741
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Investment (income) loss, net	622,172	(973,294)
Changes in operating assets and liabilities:		
Accounts receivable	4,500	(6,500)
Prepaid expenses	5,941	(5,941)
Accounts payable and other accruals	(221)	234
Deferred revenue	(29,728)	29,728
Net cash from operating activities	<u>26,294</u>	<u>(52,032)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	218,832	460,240
Purchase of investments	(198,807)	(422,229)
Net cash from investing activities	<u>20,025</u>	<u>38,011</u>
Net increase (decrease) in cash	46,319	(14,021)
Cash, beginning of year	<u>14,569</u>	<u>28,590</u>
Cash, end of year	<u>\$ 60,888</u>	<u>\$ 14,569</u>

See Accompanying Notes to the Financial Statements.



# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 1. ORGANIZATION

White Bear Lake Area Educational Foundation (Foundation) is a nonprofit organization established in 1993 to enhance the White Bear Lake Area School District's ability to provide excellence in education for all students. The Foundation's goals are to (1) support educational programs and services in the School District by providing funds not available through local, state, or federal sources, (2) involve the community in the support of high-quality public education, (3) provide a perpetual source of funds through gifts from individuals, businesses, alumni, and other foundations, and (4) encourage student achievement and skill development, and support and recognize teachers for exemplary teaching. The Foundation is supported primarily through contributions from local businesses, alumni, and community members and investment income. Support is raised through individual donor giving and fundraising events produced by the Foundation.

#### Description of Funds:

The Foundation administers teaching grants, scholarships, fellowships for teachers, an Angel Fund for families with special economic needs, and works closely with the White Bear Lake Area Alumni Association. The following is a listing of significant funds managed by the Foundation.

- **Brosious Fund** - Endowment fund used to give grants to an individual or group of teachers to enhance the rigor of the curriculum or instruction within the school district.
- **Legacy Fund** - Fund dedicated to further the Foundation's mission to enhance the school district's ability to provide excellence in education by funding programs to support school initiatives which promote and foster the commitment to excellence.
- **Angel Fund** - Fund that provides funding to students and their families for education-based needs. When these basic needs are met, students are able to concentrate on learning, rather than being distracted by unfortunate circumstances that are beyond their control. Local community organizations have partnered with the Foundation in support of the Angel Fund.
- **Glasrud Fund** - Fellowships awarded to teachers for professional growth with the hope that these awards will allow teachers to pursue professional development which would otherwise not be possible.
- **Other Funds** - The Foundation is willing to establish new funds for a specific purpose if donor gifts are greater than \$15,000. The Foundation has several funds established for various purposes, all of which support the mission of the Foundation.

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# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Statement Presentation** - Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Net assets without donor restrictions represent the portion of net assets that are not subject to donor restrictions or the donor-imposed restrictions have expired.
- Net assets with donor restrictions arise from contributions that are restricted by donors for specific purposes or time periods.

**Comparative Information** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functionalized expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Foundation considers all highly liquid investments purchased with original maturities of three months or less, excluding those held in broker investment accounts, to be cash equivalents. The Foundation had no cash equivalents at June 30, 2022 or 2021.

**Fair Value Measurements** - The Foundation determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

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# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments** - Investments in marketable securities are reported at fair value. Investment income, including unrealized gains and losses, is allocated to the Foundation's different funds on a quarterly basis based on the investment balance of each fund at the end of the quarter.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the statement of financial position.

**Foundation Management Fees** - All donor created funds were charged an internal management fee of .4375% per quarter (1.75% annually) of the fund balance. Effective July 1, 2021, the fee increased to .625% per quarter (2.50% annually).

**Contributions** - Contributions are recognized when the donor makes an unconditional commitment to give to the Foundation. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a specific time restriction ends or a purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Special Events** - Revenue from special events are recognized when event occur. Amounts collected in advance of the event are recorded as deferred revenue.

**Functional Expenses** - Whenever possible, expenses are recorded in functional categories when incurred. For certain expenses, allocations between categories are made based on management's estimates of how staff spend their time.

**Advertising Costs** - Advertising costs are charged to expense during the year in which they are incurred. Advertising expense was \$1,456 and \$7,968 in 2022 and 2021.

**Income Taxes** - The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. The Foundation did not have any unrelated business income in 2022 or 2021.

The Foundation is not currently under examination by any taxing jurisdiction. The Foundation believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

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# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 3. INVESTMENTS

The fair values of mutual and exchange traded funds and equity securities are based on quoted prices in active markets, which are Level 1 inputs.

Fair values of municipal bonds, government, and corporate obligations are based on quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market, where available, or a combination of multiple valuation techniques. These are classified within Level 2 of the fair value hierarchy.

Investment income (loss) consists of the following:

	2022	2021
Interest and dividends	\$ 128,444	\$ 94,661
Realized gain (loss) - net	(5,577)	74,150
Unrealized gain (loss) - net	(718,551)	829,026
Fees	(26,488)	(24,543)
	\$ (622,172)	\$ 973,294

Investments at June 30, 2022 and 2021 consist of the following:

	2022	2021
Mutual and exchange traded funds:		
Large blend	\$ 1,163,991	\$ 1,319,854
Foreign large growth	-	66,610
Foreign large blend	96,817	69,426
Small growth	112,624	170,881
Diversified emerging market	328,829	521,413
High yield bond	142,658	169,871
Global real estate	396,217	467,471
Midcap value	171,550	259,709
Midcap growth	328,034	295,603
Intermediate-term bond	826,150	937,056
Money market	106,269	8,860
Fixed income:		
Corporate obligations	141,379	169,961
	\$ 3,814,518	\$ 4,456,715

(Continued)

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 4. ENDOWMENT FUNDS

**Interpretation of Relevant Law** - The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any.

The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation 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 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 Foundation
- (7) The investment policies of the Foundation

**Investments** - Endowment funds are held in brokerage accounts and invested in a mix of money market accounts, equity mutual funds, bond mutual funds, and mixed allocation mutual funds. The asset mix is expected to provide current yield and capital appreciation.

**Funds with 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 MPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with restrictions. There were no such deficiencies at June 30, 2022 and 2021.

(Continued)

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 4. ENDOWMENT FUNDS (Continued)

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Foundation has established an investment policy statement (IPS) is to effectively supervise, monitor, and evaluate the investment of the Foundation's assets. The investment performance of the fund will largely be driven by the asset allocation of the assets. The Foundation will work with its investment advisor and employs a long-term perspective in setting the asset allocation of the fund. The Foundation relies on a total return strategy in which targeted investment returns are of an average annual rate of return measured as Consumer Price index plus the payout rate (5%). The IPS is reviewed annually by the Foundation Board of Trustees, and monitored on a quarterly basis by the Executive Committee.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Foundation has a policy of appropriating each payout to be made from the endowment funds annually. All payouts of endowments and discretionary funds are reviewed and approved by the board. Consideration is given to the endowment fund balance, original gift amount, donor input and number grant requests received when deciding on the payout levels of endowment funds and individual grants.

Changes in endowment net assets with donor restrictions for the year ended June 30, 2022 and 2021, follow:

	2022	2021
Balances - beginning of year	\$ 1,985,472	\$ 1,554,205
Investment return - interest and dividends	41,702	42,172
Net appreciation (realized and unrealized)	(317,803)	431,146
Total investment return	(276,101)	473,318
Contributions	4,000	13,000
Management fees	(48,992)	(30,303)
Appropriations for expenditure	(27,195)	(24,748)
Balances - end of year	<u>\$ 1,637,184</u>	<u>\$ 1,985,472</u>

(Continued)

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Legacy Fund	\$ 792,234	\$ 951,131
Angel Fund	177,176	202,095
Closet Fund	48,578	58,200
COVID-19 Fund	12,424	17,203
Endowment principal and earnings:		
Brosious Fund	1,466,629	1,782,550
Johnson Legacy Fund	107,231	130,723
Kammerlohr Band Fund	63,324	72,199
Scholarships	574,752	610,314
Program support	351,297	413,779
	<u>\$ 3,593,645</u>	<u>\$ 4,238,194</u>

### 6. LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consists of cash of \$60,888 and \$14,569 and accounts receivable of \$2,000 and \$6,500 at June 30, 2022 and 2021, respectively.

General expenditures are those operational expenses funded by donations and other general revenue, and not by restricted or designated funding.

The endowment funds consist of donor-restricted endowments. Income from endowments is restricted for specific purposes. The endowment funds are not available for general expenditure.

The Foundation adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month.

# WHITE BEAR LAKE AREA EDUCATIONAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

### 7. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 17, 2022, the date which the financial statements were available for issue.