

**STABLISH FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

STABLISH FOUNDATION

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BOYER & COMPANY

A Professional Association

Certified Public Accountants

14500 Burnhaven Drive-Suite 135
Burnsville, MN 55306
(952) 435-3437

INDEPENDENT AUDITORS' REPORT

Board of Directors
Stablich Foundation
Mendota Heights, Minnesota

Opinion

We have audited the accompanying financial statements of the Stablich Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stablich Foundation as of December 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stablich 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 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 Stablich Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Bayer + Company

Burnsville, MN
January 12, 2024

STABLISH FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 154,099	\$ 138,557
Investments	13,986,158	16,509,724
Accounts Receivable	22,736	29,140
Prepaid Expense	<u>117,548</u>	<u>119,807</u>
Total Current Assets	<u>\$ 14,280,541</u>	<u>\$ 16,797,228</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$ 26	\$ 2,084
Funds Held for Others	<u>745,655</u>	<u>812,213</u>
Total Liabilities	<u>745,681</u>	<u>814,297</u>
Net Assets		
Without Donor Restrictions	12,899,032	15,236,229
With Donor Restrictions	<u>635,828</u>	<u>746,702</u>
Total Net Assets	<u>13,534,860</u>	<u>15,982,931</u>
Total Liabilities and Net Assets	<u>\$ 14,280,541</u>	<u>\$ 16,797,228</u>

See notes to financial statements.

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Contributions	\$ 859,105	\$ -	\$ 859,105
Revenue			
Management Fee Income	91,376	-	91,376
Investment Return, Net	55,305	-	55,305
Unrealized Gain on Investments	(2,482,683)	-	(2,482,683)
Change in Split Interest Agreements	<u>-</u>	<u>(110,874)</u>	<u>(110,874)</u>
Net Revenue	<u>(2,336,002)</u>	<u>(110,874)</u>	<u>(2,446,876)</u>
Net Contributions and Revenue	(1,476,897)	(110,874)	(1,587,771)
Expenses			
Program Expense Payments to Charities	<u>755,783</u>	<u>-</u>	<u>755,783</u>
Management and General Expenses			
Insurance Expense	4,519	-	4,519
Office Expense	14,331	-	14,331
Professional Fees	3,165	-	3,165
Payroll	<u>82,502</u>	<u>-</u>	<u>82,502</u>
Total Management and General Expenses	<u>104,517</u>	<u>-</u>	<u>104,517</u>
Total Expenses	<u>860,300</u>	<u>-</u>	<u>860,300</u>
Change in Net Assets	(2,337,197)	(110,874)	(2,448,071)
Net Assets - Beginning of Year	<u>15,236,229</u>	<u>746,702</u>	<u>15,982,931</u>
Net Assets - End of Year	<u>\$ 12,899,032</u>	<u>\$ 635,828</u>	<u>\$ 13,534,860</u>

See notes to financial statements.

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Contributions	\$ 542,285	\$ -	\$ 542,285
Revenue			
Management Fee Income	125,285	-	125,285
Investment Return, Net	1,166,048	-	1,166,048
Unrealized Gain on Investments	376,544	-	376,544
Change in Split Interest Agreements	<u>-</u>	<u>222,443</u>	<u>222,443</u>
Net Revenue	<u>1,667,877</u>	<u>222,443</u>	<u>1,890,320</u>
Net Contributions and Revenue	2,210,162	222,443	2,432,605
Expenses			
Program Expense Payments to Charities	<u>812,262</u>	<u>-</u>	<u>812,262</u>
Management and General Expenses			
Insurance Expense	4,293	-	4,293
Office Expense	20,822	-	20,822
Professional Fees	15,730	-	15,730
Payroll	<u>73,595</u>	<u>-</u>	<u>73,595</u>
Total Management and General Expenses	<u>114,440</u>	<u>-</u>	<u>114,440</u>
Total Expenses	<u>926,702</u>	<u>-</u>	<u>926,702</u>
Change in Net Assets	1,283,460	222,443	1,505,903
Net Assets - Beginning of Year	<u>13,952,769</u>	<u>524,259</u>	<u>14,477,028</u>
Net Assets - End of Year	<u>\$ 15,236,229</u>	<u>\$ 746,702</u>	<u>\$ 15,982,931</u>

See notes to financial statements.

STABLISH FOUNDATION
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (2,448,071)	\$ 1,505,903
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments	2,482,683	(376,544)
Change in Split Interest Agreements	(110,874)	(222,443)
(Increase) Decrease in Assets:		
Accounts Receivable	6,404	(1,713)
Prepaid Expense	2,259	(3,628)
Increase (Decrease) in Liabilities:		
Accounts Payable	<u>2,084</u>	<u>2,084</u>
Net Cash Provided (Used) by Operating Activities	<u>(65,515)</u>	<u>903,659</u>
Cash Flows from Investing Activities:		
Sale of Investments	5,198,532	2,844,465
Purchase of Investments	<u>(5,117,475)</u>	<u>(3,719,967)</u>
Net Cash Provided (Used) by Investing Activities	<u>81,057</u>	<u>(875,502)</u>
Net Increase in Cash	15,542	28,157
Cash - Beginning of Year	<u>138,557</u>	<u>110,400</u>
Cash - End of Year	<u>\$ 154,099</u>	<u>\$ 138,557</u>
Non Cash Financing Transactions:		
Forgiveness of PPP Loan	<u>\$ -</u>	<u>\$ 12,100</u>

See notes to financial statements.

STABLISH FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization – The Stablish Foundation was organized as a Minnesota nonprofit corporation on February 2, 1995. It was formed to assist donors in fulfilling their charitable intentions providing individualized educational, technical and administrative support. The Foundation assists the donors' professional advisers with documents and administrative support.

Basis of Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

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 Foundation's management and the board of directors.

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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributed Services – The value of services donated by individuals, corporations, foundations and governmental organizations for the Foundation is not reflected in the financial statements since no objective basis is available to measure the value.

Investments – The Foundation reports investments in mutual funds with readily determinable fair values and all investments in life insurance at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Realized investment income and gains restricted by donors are reported as increases in temporarily restricted net assets.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Split Interest Agreements – Funds held for others is reflective of charitable remainder trusts for which the Foundation is the trustee. The Foundation administers these trusts and is the remaining beneficiary. The charitable remainder trusts provide for distributions to the beneficiaries during the life of the trust. At the end of the trust's term, the remaining assets are transferred to the Foundation. The portion of the trust attributable to the future interest of the Foundation was recorded in the statements of activities as temporarily restricted contributions in the period the trust was established. Assets held in the charitable remainder trust are recorded at fair market value in the Foundation's balance sheet.

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The initial contributions are recorded at the present value of the estimated future payments, which is calculated using the IRS mid-term AFR and applicable mortality tables. The AFR was 1.85% and 1.26% at December 31, 2022 and 2021, respectively.

Standards of Accounting and Financial Reporting – The Foundation follows the accounting guidance in the audit and accounting guide, Not for Profit Organizations, which is in conformity with the recommendations of the American Institute of Certified Public Accountants.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STABLISH FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status – The Foundation is qualified as a public charity and is exempt from excise taxes on investment income. The Foundation is also exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Management is of the view that there are no significant tax positions that may be challenged.

The Organization's Forms 990, Return of Organization Exempt from Income Tax for the years ending 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Availability and Liquidity – The Foundation's financial assets at December 31, 2022 & 2021 were \$154,099 and \$138,557, respectively, and they are available to meet general expenditures over the next twelve months. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses.

Subsequent Events – Subsequent events have been evaluated through January 12, 2024, the date which the financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2022 are as follows:

<u>December 31, 2022</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Cash	\$ 1,582,988	\$ 1,582,988
Limited Partnerships	185,500	185,500
Mutual Funds	11,439,546	11,439,546
Life Insurance and Annuity Contracts	379,175	379,175
Stock	<u>398,949</u>	<u>398,949</u>
Total	<u>\$ 13,986,158</u>	<u>\$ 13,986,158</u>

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2021 are as follows:

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Cash	\$ 1,526,181	\$ 1,526,181
Limited Partnerships	175,560	175,560
Mutual Funds	13,699,406	13,699,406
Life Insurance and Annuity Contracts	467,436	467,436
Stock	<u>641,141</u>	<u>641,141</u>
Total	<u>\$ 16,509,724</u>	<u>\$ 16,509,724</u>

Gains and losses (realized and unrealized) are included in changes in net assets for the years ended December 31, 2022 and 2021.

STABLISH FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 – SPLIT INTEREST AGREEMENTS

Assets, liabilities and net assets, which comprise the split interest agreements, are as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments	\$1,263,936	\$1,439,108
Funds Held for Others		
Present Value of Distributions	628,108	692,406
Temporarily Restricted Net Assets	<u>635,828</u>	<u>746,702</u>
Total Liabilities and Net Assets	<u>\$1,263,936</u>	<u>\$1,439,108</u>