

SEARCH INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**SEARCH INSTITUTE
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Search Institute
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Search Institute (a nonprofit organization), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 entity'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 entity'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 opinion.

Board of Directors
Search Institute

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Search Institute as of December 31, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 25, 2019

**SEARCH INSTITUTE
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 841,094	\$ 1,497,679
Short-Term Investments	1,003,718	5,089
Prepaid Expenses	92,974	70,306
Inventory, Net	59,015	48,630
Accounts Receivable, Net	404,124	211,544
Grants Receivable	1,390,000	1,150,000
Total Current Assets	3,790,925	2,983,248
PROPERTY, PLANT, AND EQUIPMENT		
Office Furniture and Equipment	701,932	680,720
Website and Software	224,058	198,406
Leasehold Improvements	263,950	263,950
Total	1,189,940	1,143,076
Less: Accumulated Depreciation and Amortization	(829,612)	(749,283)
Total Property, Plant, and Equipment, Net	360,328	393,793
OTHER ASSETS		
Investments	500,000	-
Long-Term Grants Receivable, Net	524,613	1,711,870
Beneficial Interest in Assets Held by Others	26,420	29,383
Total Other Assets	1,051,033	1,741,253
Total Assets	\$ 5,202,286	\$ 5,118,294
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 246,851	\$ 76,864
Accrued Liabilities	111,623	111,761
Deferred Contract Revenue	158,633	214,581
Deferred Lease Credits	30,702	12,608
Total Current Liabilities	547,809	415,814
Deferred Lease Credits - Long-Term	198,148	228,850
Total Liabilities	745,957	644,664
NET ASSETS		
Without Donor Restrictions	911,214	832,807
With Donor Restrictions	3,545,115	3,640,823
Total Net Assets	4,456,329	4,473,630
Total Liabilities and Net Assets	\$ 5,202,286	\$ 5,118,294

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Grants	\$ -	\$ 1,422,320	\$ 1,422,320	\$ -	\$ 3,521,447	\$ 3,521,447
Consulting	1,175,101	-	1,175,101	1,222,188	-	1,222,188
Curriculum Sales and Training	1,229,712	-	1,229,712	1,114,713	-	1,114,713
Rental Income	5,306	-	5,306	188,782	-	188,782
Contributions	33,521	-	33,521	33,555	-	33,555
Royalties	49,534	-	49,534	29,460	-	29,460
Change in Value of Beneficial Interest	-	(2,963)	(2,963)	-	2,823	2,823
Other Income	3,657	-	3,657	3,667	-	3,667
Subtotal	<u>2,496,831</u>	<u>1,419,357</u>	<u>3,916,188</u>	<u>2,592,365</u>	<u>3,524,270</u>	<u>6,116,635</u>
Net Assets Released from Restrictions	<u>1,515,065</u>	<u>(1,515,065)</u>	<u>-</u>	<u>1,119,242</u>	<u>(1,119,242)</u>	<u>-</u>
Total Operating Support and Revenue	4,011,896	(95,708)	3,916,188	3,711,607	2,405,028	6,116,635
OPERATING EXPENSE						
Program Services	3,243,109	-	3,243,109	2,780,535	-	2,780,535
Management and General	681,065	-	681,065	865,162	-	865,162
Fundraising	9,315	-	9,315	9,298	-	9,298
Total Operating Expense	<u>3,933,489</u>	<u>-</u>	<u>3,933,489</u>	<u>3,654,995</u>	<u>-</u>	<u>3,654,995</u>
CHANGE IN NET ASSETS	78,407	(95,708)	(17,301)	56,612	2,405,028	2,461,640
Net Assets - Beginning of Year	<u>832,807</u>	<u>3,640,823</u>	<u>4,473,630</u>	<u>776,195</u>	<u>1,235,795</u>	<u>2,011,990</u>
NET ASSETS - END OF YEAR	<u>\$ 911,214</u>	<u>\$ 3,545,115</u>	<u>\$ 4,456,329</u>	<u>\$ 832,807</u>	<u>\$ 3,640,823</u>	<u>\$ 4,473,630</u>

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Payroll	\$ 1,358,263	\$ 409,131	\$ 6,068	\$ 1,773,462	\$ 1,287,275	\$ 382,396	\$ 4,686	\$ 1,674,357
Fringe Benefits and Payroll Taxes	334,182	100,661	1,493	436,336	310,444	92,220	1,130	403,794
Office Expenses	75,779	27,395	298	103,472	88,824	26,386	1,018	116,228
Printing, Advertising, and Promotion	5,035	-	639	5,674	7,465	-	1,662	9,127
Travel and Business Meeting	245,658	3,443	223	249,324	212,289	4,683	20	216,992
Professional and Outside Services	428,258	49,003	-	477,261	537,517	85,683	-	623,200
Pass-Through Grants	519,885	-	-	519,885	-	-	-	-
Insurance	27,545	9,182	-	36,727	27,965	9,322	-	37,287
Occupancy and Maintenance	133,034	40,072	594	173,700	214,834	252,600	782	468,216
Cost of Publications and Surveys Sold	55,223	-	-	55,223	59,749	-	-	59,749
Bad Debt Expense	-	22,096	-	22,096	-	-	-	-
Other and Miscellaneous	-	-	-	-	-	481	-	481
Total Expenses Before Depreciation	<u>3,182,862</u>	<u>660,983</u>	<u>9,315</u>	<u>3,853,160</u>	<u>2,746,362</u>	<u>853,771</u>	<u>9,298</u>	<u>3,609,431</u>
Depreciation and Amortization	<u>60,247</u>	<u>20,082</u>	<u>-</u>	<u>80,329</u>	<u>34,173</u>	<u>11,391</u>	<u>-</u>	<u>45,564</u>
Total Expenses	<u><u>\$ 3,243,109</u></u>	<u><u>\$ 681,065</u></u>	<u><u>\$ 9,315</u></u>	<u><u>\$ 3,933,489</u></u>	<u><u>\$ 2,780,535</u></u>	<u><u>\$ 865,162</u></u>	<u><u>\$ 9,298</u></u>	<u><u>\$ 3,654,995</u></u>
	82%	17%	0%	100%	76%	24%	0%	100%

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,301)	\$ 2,461,640
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	80,329	48,275
Increase (Decrease) in Allowance for Doubtful Accounts	22,096	(127)
Change in Investment Value in Beneficial Interests	2,963	(2,823)
Unrealized Loss on Investments	271	-
(Increase) Decrease in Assets:		
Prepaid Expenses and Other Assets	(22,668)	15,195
Inventory	(10,385)	28,104
Contracts Receivable	(214,676)	213,860
Grants Receivable	947,257	(2,363,041)
Increase (Decrease) in Liabilities:		
Accounts Payable	169,987	(11,298)
Accrued Liabilities	(138)	12,720
Deferred Contract Revenue	(55,948)	22,069
Deferred Lease Credits	(12,608)	(22,307)
Net Cash Provided by Operating Activities	889,179	402,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(46,864)	(147,874)
Purchases of Investments	(1,500,000)	-
Proceeds from Sale of Investments	1,100	-
Net Cash Used by Investing Activities	(1,545,764)	(147,874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(656,585)	254,393
Cash and Cash Equivalents - Beginning of Year	1,497,679	1,243,286
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 841,094	\$ 1,497,679
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash Capitalized Leasehold Improvements	\$ -	\$ 235,835

See accompanying Notes to Financial Statements.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Search Institute (the Institute) is a Minnesota nonprofit corporation that engages in research and educational services that promote the well-being of children and adolescents. The Institute fulfills its mission by engaging in in-depth applied research and evaluation, and by conducting surveys that explore young people's needs and the effectiveness of youth-serving programs. The Institute's primary sources of revenues are contracts, contributions from corporations and private foundations, and sales of survey services, research-based books and materials.

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 Institute and changes therein are classified and reported as follows:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The Institute has discretionary control over these resources.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Institute or passage of time. There are also resources that are restricted by donors to investment in perpetuity. The income may be expended for such purpose as specified by the donor, or if none, then for any purpose of the Institute.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Donor-restricted contributions, the restrictions of which are met in the same year as the gift is made, are reported as with donor restrictions contributions in the current year. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Equivalents

The Institute deposits its temporary cash investments in high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation insurance limits. For purposes of the statements of cash flows, short-term investments with an original maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents include cash on hand, savings, and money market accounts.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Accounts, contracts, and grants receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for uncollectible accounts was \$35,000 and \$12,904 at December 31, 2018 and 2017, respectively.

At December 31, 2018, two organizations comprised 48% of accounts receivable and two organizations comprised 100% of grants receivable. At December 31, 2017, one organization comprised 26% of accounts receivable and one organization comprised 97% of grants receivable.

Inventory

Inventory consists of published books and books in the process of being published. Inventory is valued at the lower net realizable value or cost. An allowance for excess and obsolete inventory has been recorded for books, which may not be saleable based on historical data. The allowance for obsolescence was \$12,667 at December 31, 2018 and 2017.

Investments

Investments consist of certificates of deposit which are carried at fair value, based on quoted prices in an active market. Investment gains and losses are recognized in the statements of activities in the period in which they occur.

Beneficial Interests in Assets Held by Others

The Institute's beneficial interest in a donor-designated fund with The Minneapolis Foundation is recognized as an asset. The governing instrument of The Minneapolis Foundation states that The Minneapolis Foundation shall have the sole and exclusive right to manage, control, and conduct the affairs of the donor-designated fund and to modify any direction, restriction or condition, and the timing of distributions from the fund.

Office Furniture and Equipment

Office furniture and equipment acquisitions in excess of \$1,000 are recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of five years.

Leasehold Improvements

Leasehold improvements are recorded at cost and are being amortized over the shorter of the useful life or the term of the lease.

Website and Software

Website and software acquisitions in excess of \$1,000 are recorded cost. Depreciation is computed using the straight-line method over an estimated useful life of three years.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Grant revenue is recognized when notification is received, absent any condition clauses on recognition. Expenditures under grant contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Institute will record such disallowance at the time the determination is made. Three organizations comprised of 98% grant revenue for the year ended December 31, 2018 and one organization comprised 94% of grant revenue for the year ended December 31, 2017.

Contract Revenue

Contract revenue relates to amounts received from organizations and governmental agencies to fund various projects undertaken by the Institute. Revenue related to such contracts is recognized as services are provided over the life of the contract. Expenses are recorded as incurred. Amounts received related to contract revenue and not yet earned, are recorded as deferred contract revenue. In 2018, three organizations comprised 53% of contract revenue. In 2017, one organization comprised 34% of contract revenue.

Contributions

Contributions are recognized as revenue in the period received. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Contributions to be received after one year are discounted to reflect the time value of money.

Shipping and Handling Fees

The Institute charges a fee to customers for reimbursement of shipping and handling costs associated with sales of publications. For the years ended December 31, 2018 and 2017, the Institute recorded shipping and handling fees of \$14,695 and \$30,016, respectively, which are included in curriculum sales revenue on the statements of activities.

Functional Allocation of Expense

Salaries and related expenses are allocated to the program and supporting services based on actual time employees spend on each function. The remaining expenses are allocated as a percentage of direct labor hours devoted to that function or using another systematic methodology.

Advertising Costs

Advertising costs are charged to operations when the advertising takes place. Advertising expense was \$5,673 and \$9,127 for the years ended December 31, 2018 and 2017, respectively.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Institute qualifies as a tax-exempt organization described in Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is subject to federal and state income taxes on net unrelated business income. The Institute currently has no unrelated business income.

The Institute follows a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Fair Value Measurements

The Institute has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities, whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Institute has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in nonactive markets;
- pricing models whose inputs are observable for substantially the full term of the asset or liability; and prices for similar assets or liabilities in active markets;
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability for similar assets or liabilities in active markets.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Financial assets and liabilities, whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability. Securities valued using Level 3 inputs include funds held on behalf of the Institute at The Minneapolis Foundation. The inputs used to determine the funds held are based on the underlying value of the holdings as well as the Institute’s proportionate share of The Master Fund at The Minneapolis Foundation.

Reclassifications

Certain amounts for the year ended December 31, 2017 have been reclassified to conform to the presentation of the December 31, 2018 amounts. The reclassifications have no effect on net assets for the year ended December 31, 2017.

Change in Accounting Principle

The Institute adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018*. These changes were applied retrospectively to ensure comparability with the prior year presented herein.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through June 25, 2019, the date the financial statements were available to be issued.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 LIQUIDITY

Search Institute receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2018 and 2017, restricted contributions of \$1,422,320 and \$3,521,447, respectively, were included in financial assets available to meet cash needs for general expenditures within one year. The Institute manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Institute has a liquidity goal to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Institute has a goal to target a year-end balance of reserves of unrestricted, undesignated net assets at approximately 90 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within these requirements.

	<u>2018</u>	<u>2017</u>
Financial Assets:		
Cash and Equivalents	\$ 841,094	\$ 1,497,679
Accounts Receivable, Net	404,124	211,544
Grants Receivable, Net	1,914,613	2,861,870
Investments	1,003,718	5,089
Total Financial Assets	<u>4,163,549</u>	<u>4,576,182</u>
Less:		
Donor-Imposed Restrictions	<u>(3,518,695)</u>	<u>(3,611,440)</u>
Net Financial Assets:	<u>\$ 644,854</u>	<u>\$ 964,742</u>

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 INVESTMENTS

The following tables present a summary of investment holdings as of December 31. The tables also present the fair value hierarchy for the balances of the assets of the Institute measured at fair value on a recurring basis as of December 31:

	2018			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Assets				
Held by Others	\$ -	\$ -	\$ 26,420	\$ 26,420
Equities	3,989	-	-	3,989
Certificates of Deposit	1,499,729	-	-	1,499,729
Total	<u>\$ 1,503,718</u>	<u>\$ -</u>	<u>\$ 26,420</u>	<u>\$ 1,530,138</u>

	2017			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Assets				
Held by Others	\$ -	\$ -	\$ 29,383	\$ 29,383
Equities	5,089	-	-	5,089
Certificates of Deposit	-	-	-	-
Total	<u>\$ 5,089</u>	<u>\$ -</u>	<u>\$ 29,383</u>	<u>\$ 34,472</u>

Level 3 Assets and Liabilities

The following tables provide a summary of changes in fair value of the Institute's Level 3 financial asset, the beneficial interest in assets held by others, for the years ended December 31, 2018 and 2017:

	2018
Balance - December 31, 2017	\$ 29,383
Unrealized Loss in Net Asset Value	(1,862)
Withdrawals	(1,101)
Balance - December 31, 2018	<u>\$ 26,420</u>
	2017
Balance - January 1, 2017	\$ 26,560
Unrealized Gain in Net Asset Value	4,190
Withdrawals	(1,367)
Balance - December 31, 2017	<u>\$ 29,383</u>

The Institute's assets at The Minneapolis Foundation are held in the "Master Fund." The Minneapolis Foundation invests the Master Fund's assets in a diversified portfolio consisting principally of domestic and foreign fixed income and equity securities.

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 GRANTS RECEIVABLE

Grants receivable includes the following at December 31:

	<u>2018</u>	<u>2017</u>
Grants Receivable	\$ 1,925,000	\$ 2,904,577
Present Value Discount	(10,387)	(42,707)
Net Grant Receivable	<u>\$ 1,914,613</u>	<u>\$ 2,861,870</u>
Amounts Due in:		
Less than One Year	\$ 1,390,000	\$ 1,150,000
One to Five Years	524,613	1,711,870
Total	<u>\$ 1,914,613</u>	<u>\$ 2,861,870</u>

Grants due in more than one year were discounted at a rate of 1.98% for the years ended December 31, 2018 and 2017. Grants due in less than one year were not discounted. Management does not believe an allowance is warranted for the grant receivable balance based on past experience with the grantors.

NOTE 5 LINE OF CREDIT

The Institute has a \$100,000 revolving line of credit agreement bearing interest at 8.25% (based on prime plus 3.75%) as of December 31, 2018. There were no advances under the line of credit as of December 31, 2018 and 2017. The line of credit is unsecured.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Purpose Restrictions:		
Einhorn Family Charitable Trust	\$ 1,855,561	\$ 2,948,046
Altria Parent Further	211,020	496,294
Schulze Family Foundation	84,773	130,642
Ting Foundation Peer Relationships	20,898	35,336
Spencer Foundation Study	-	1,122
Altria Get Connected	500,000	-
WEM Foundation Measuring What Matters	494,175	-
Lilly Endowment Faith Community Relationships	352,268	-
Total Purpose Restrictions	<u>3,518,695</u>	<u>3,611,440</u>
Beneficial Interest in Assets Held by Others	26,420	29,383
Total Temporarily Restricted Net Assets	<u>\$ 3,545,115</u>	<u>\$ 3,640,823</u>

**SEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net Assets Released from Restrictions

	2018	2017
Purpose Restriction	\$ 1,515,065	\$ 1,119,242

NOTE 7 RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for all eligible employees. The Institute matches contributions at 0.5% of employee contributions, with a cap of \$1,500 per employee, up to 3% of employee contributions. Employees must be 21 years of age and work at the Institute for three months prior to receiving matching contributions. Total contributions by the Institute for the years ended December 31, 2018 and 2017 were \$39,827 and \$38,318, respectively.

NOTE 8 COMMITMENTS

Rental expense for office space and equipment was \$105,765 in 2018 and \$273,240 in 2017 based on agreements which expire on various dates through 2021. In 2017, the Institute signed a new office lease, with escalating rental payments, over an 87-month lease term. The lease for office space expires in 2025. Minimum annual payments under terms of these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 103,525
2020	106,017
2021	104,472
2022	105,658
2023	108,149
Thereafter	129,151
Total	\$ 656,972