

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Financial Statements**

**December 31, 2022 and 2021**

**(With Independent Auditor's  
Report Thereon)**

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

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## Independent Auditor's Report

To the Board of Directors  
Community Foundation of Greater Muscatine:

### Opinion

We have audited the accompanying financial statements of Community Foundation of Greater Muscatine (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses 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 Community Foundation of Greater Muscatine 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 U.S. generally accepted accounting principles.

### Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Community Foundation of Greater Muscatine 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 U.S. generally accepted accounting principles 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 Community Foundation of Greater Muscatine's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit for 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 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 Community Foundation of Greater Muscatine'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 Community Foundation of Greater Muscatine'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.

*Anderson, Lower, Whitlow, P.C.*

Bettendorf, Iowa  
November 1, 2023

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Financial Position**

**December 31, 2022 and 2021**

| <u>Assets</u>                                  | <u>2022</u>                     | <u>2021</u>                  |
|--|---------------------------------|------------------------------|
| <b>Investments (notes 2 and 3):</b>            |                                 |                              |
| Cash and cash equivalents                      | \$ 2,963,291                    | 8,617,283                    |
| Equity securities                              | 30,010,069                      | 34,175,874                   |
| Fixed income securities                        | <u>20,418,312</u>               | <u>19,717,633</u>            |
| <b>Total investments</b>                       | <b><u>53,391,672</u></b>        | <b><u>62,510,790</u></b>     |
| <br><b>Accounts receivable</b>                 | <br><b><u>29,856</u></b>        | <br><b><u>-</u></b>          |
| <br><b>Property and equipment:</b>             |                                 |                              |
| Land   | 48,220                          | -                            |
| Building and improvements                      | 487,449                         | -                            |
| Furniture and fixtures                         | 1,130                           | 1,130                        |
| Office equipment                               | <u>9,818</u>                    | <u>9,818</u>                 |
|  | 546,617                         | 10,948                       |
| Less accumulated depreciation                  | <u>13,243</u>                   | <u>10,948</u>                |
| <b>Net property and equipment</b>              | <b><u>533,374</u></b>           | <b><u>-</u></b>              |
| <br><b>Other assets:</b>                       |                                 |                              |
| Real estate held for sale (notes 3 and 5)      | 1,741,999                       | 1,741,999                    |
| Building (notes 3 and 6)                       | 2,129,781                       | 2,129,781                    |
| New clinic facility (note 6)                   | 508,163                         | 32,683                       |
| Residential development property held for sale | 32,067                          | 154,282                      |
| Cash value of life insurance                   | <u>21,482</u>                   | <u>21,482</u>                |
| <b>Total other assets</b>                      | <b><u>4,433,492</u></b>         | <b><u>4,080,227</u></b>      |
| <br><b>Total assets</b>                        | <br><b><u>\$ 58,388,394</u></b> | <br><b><u>66,591,017</u></b> |
| <br><u>Liabilities and Net Assets</u>          |                                 |                              |
| <br><b>Liabilities:</b>                        |                                 |                              |
| Accounts payable and accrued expenses          | 92,691                          | 140,480                      |
| Deferred revenue                               | -                               | 15,750                       |
| <b>Total liabilities</b>                       | <b><u>92,691</u></b>            | <b><u>156,230</u></b>        |
| <br><b>Net assets:</b>                         |                                 |                              |
| Without donor restrictions (note 7)            | 7,443,201                       | 7,589,203                    |
| With donor restrictions (note 8)               | <u>50,852,502</u>               | <u>58,845,584</u>            |
| <b>Total net assets</b>                        | <b><u>58,295,703</u></b>        | <b><u>66,434,787</u></b>     |
| <br><b>Total liabilities and net assets</b>    | <br><b><u>\$ 58,388,394</u></b> | <br><b><u>66,591,017</u></b> |

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Activities**

**Years Ended December 31, 2022 and 2021**

|  | 2022                       |                         |                    | 2021                       |                         |                   |
|--|----------------------------|-------------------------|--------------------|----------------------------|-------------------------|-------------------|
|  | Without Donor Restrictions | With Donor Restrictions | Total              | Without Donor Restrictions | With Donor Restrictions | Total             |
| <b>Operating support and revenue:</b>                              |                            |                         |                    |                            |                         |                   |
| Contributions  | \$ 160,281                 | 2,628,560               | 2,788,841          | 739,126                    | 2,935,867               | 3,674,993         |
| Grants   | 423,041                    | -                       | 423,041            | 315,886                    | -                       | 315,886           |
| Net investment income (loss) (note 2)                              | (890,870)                  | (6,255,253)             | (7,146,123)        | 1,382,439                  | 5,047,735               | 6,430,174         |
| Rent income (note 6)   | -                          | 189,000                 | 189,000            | -                          | 189,000                 | 189,000           |
| Other (note 14)  | 9,000                      | -                       | 9,000              | 103,935                    | -                       | 103,935           |
| Net assets released from purpose restrictions and reclassification | 3,904,219                  | (3,904,219)             | -                  | 1,174,079                  | (1,174,079)             | -                 |
| Transfers – administrative fees                                    | 651,170                    | (651,170)               | -                  | 645,067                    | (645,067)               | -                 |
| <b>Total operating support and revenue</b>                         | <b>4,256,841</b>           | <b>(7,993,082)</b>      | <b>(3,736,241)</b> | <b>4,360,532</b>           | <b>6,353,456</b>        | <b>10,713,988</b> |
| <b>Operating expenses:</b>   |                            |                         |                    |                            |                         |                   |
| Program expenses   | 3,552,717                  | -                       | 3,552,717          | 2,800,662                  | -                       | 2,800,662         |
| General and administrative   | 850,126                    | -                       | 850,126            | 657,758                    | -                       | 657,758           |
| <b>Total operating expenses</b>                                    | <b>4,402,843</b>           | <b>-</b>                | <b>4,402,843</b>   | <b>3,458,420</b>           | <b>-</b>                | <b>3,458,420</b>  |
| <br>   |                            |                         |                    |                            |                         |                   |
| Increase (decrease) in net assets                                  | (146,002)                  | (7,993,082)             | (8,139,084)        | 902,112                    | 6,353,456               | 7,255,568         |
| <br>   |                            |                         |                    |                            |                         |                   |
| Net assets, beginning of year                                      | 7,589,203                  | 58,845,584              | 66,434,787         | 6,687,091                  | 52,492,128              | 59,179,219        |
| <br>   |                            |                         |                    |                            |                         |                   |
| Net assets, end of year  | \$ 7,443,201               | 50,852,502              | 58,295,703         | 7,589,203                  | 58,845,584              | 66,434,787        |

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Cash Flows**

**Years Ended December 31, 2022 and 2021**

|  | <b>2022</b>         | <b>2021</b>      |
|--|---------------------|------------------|
| <b>Cash flows from operating activities:</b>   |                     |                  |
| Increase (decrease) in net assets  | \$ (8,139,084)      | 7,255,568        |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: |                     |                  |
| PPP loan forgiveness recognized as revenue   | -                   | (52,257)         |
| Depreciation   | 2,295               | -                |
| Increase in accounts receivable  | (29,856)            | -                |
| Realized and unrealized (gains) losses on investments  | 8,741,757           | (5,175,830)      |
| Increase (decrease) in accounts payable and accrued expenses   | (47,789)            | 3,585            |
| Decrease in deferred revenue   | (15,750)            | -                |
| <b>Net cash provided by operating activities</b>   | <b>511,573</b>      | <b>2,031,066</b> |
| <b>Cash flows from investing activities:</b>   |                     |                  |
| Purchase of property and equipment   | (535,669)           | -                |
| Purchase of investments  | (5,366,631)         | (23,484,422)     |
| Proceeds from sales and maturities of investments  | 90,000              | 24,739,949       |
| Residential development property costs   | (32,067)            | (59,564)         |
| Proceeds from sale of residential development property   | 154,282             | -                |
| Building costs related to new clinic   | (475,480)           | (3,683)          |
| <b>Net cash provided by (used in) investing activities</b>   | <b>(6,165,565)</b>  | <b>1,192,280</b> |
| <b>Cash flows from financing activities:</b>   |                     |                  |
| Proceeds from PPP loan   | -                   | 52,257           |
| Grants paid from donor restricted funds  | -                   | (462,507)        |
| <b>Net cash used in financing activities</b>   | <b>-</b>            | <b>(410,250)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(5,653,992)</b>  | <b>2,813,096</b> |
| <b>Cash and cash equivalents at beginning of year</b>  | <b>8,617,283</b>    | <b>5,804,187</b> |
| <b>Cash and cash equivalents at end of year</b>  | <b>\$ 2,963,291</b> | <b>8,617,283</b> |
| <b>Supplemental disclosure of noncash investing activities:</b>  |                     |                  |
| Net change in unrealized appreciation (depreciation) of investments                                      | \$ (9,078,354)      | (200,296)        |
| PPP loan forgiveness recognized as revenue   | \$ -                | 52,257           |
| Residential development property costs included in accounts payable                                      | \$ -                | 94,718           |
| Buildings costs included in accounts payable   | \$ -                | 29,000           |

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Functional Expenses**

**Years Ended December 31, 2022 and 2021**

|  | <u>2022</u>                | <u>2021</u>             |
|--|----------------------------|-------------------------|
| <b>Program services:</b>                         |                            |                         |
| Grants   | \$ 1,066,951               | 1,373,571               |
| Scholarships and other fund specific expenses    | <u>2,485,766</u>           | <u>1,427,091</u>        |
| <b>Total program services</b>                    | <u><b>3,552,717</b></u>    | <u><b>2,800,662</b></u> |
| <br><b>General and administrative expenses:</b>  |                            |                         |
| Salaries and wages                               | 532,675                    | 367,037                 |
| Payroll taxes and benefits                       | 89,346                     | 67,326                  |
| Retirement plan contributions                    | 61,271                     | 11,482                  |
| Memberships/publications/subscriptions           | 4,512                      | 7,676                   |
| Insurance  | 7,869                      | 8,703                   |
| Office expenses                                  | 57,600                     | 55,705                  |
| Rent (note 10)                                   | 20,772                     | 18,122                  |
| Professional services                            | 27,345                     | 51,647                  |
| Meals and entertainment                          | 356                        | 122                     |
| Professional development                         | 12,300                     | 6,356                   |
| Advertising and marketing                        | 33,785                     | 49,482                  |
| Depreciation                                     | 2,295                      | -                       |
| Community property development costs             | -                          | 14,100                  |
| <b>Total general and administrative expenses</b> | <u><b>850,126</b></u>      | <u><b>657,758</b></u>   |
| <br><b>Total expenses</b>                        | <u><b>\$ 4,402,843</b></u> | <u><b>3,458,420</b></u> |

See accompanying notes to financial statements.



COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

December 31, 2022 and 2021

(1) **Nature of Organization and Summary of Significant Accounting Policies**

**Nature of Organization**

The mission of Community Foundation of Greater Muscatine (the Foundation) is to actively work to improve the quality of life in Muscatine County through philanthropy.

**Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Foundation has evaluated subsequent events through November 1, 2023, which is the date the financial statements were available to be issued.

(b) **Basis of Presentation**

Resources are classified for accounting and reporting purposes into two categories of net assets – without donor restrictions and with donor restrictions – according to externally (donor) imposed restrictions.

**Net Assets Without Donor Restrictions:** Net assets without donor restrictions include all resources that are not subject to donor-imposed restrictions. Revenues received and expenses incurred in conducting the programs and services of the Foundation are presented in the financial statements as unrestricted operating funds that increase or decrease net assets without donor restrictions. By action of the Board of Directors (the Board), certain net assets without donor restrictions have been designated for long-term investment or other special purposes.

**Net Assets With Donor Restrictions:** Net assets whose use is subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained perpetually. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(c) **Cash and Cash Equivalents**

For purposes of the statement of financial position and statement of cash flows, the Foundation considers only uninvested funds as cash. Cash equivalents includes money market accounts which amounted to \$1,489,588 and \$5,615,309 at December 31, 2022 and 2021, respectively.

The Foundation maintains cash balances and certificates of deposits at financial institutions during the year and at year end for operating needs which are in excess of the \$250,000 Federal Deposit Insurance Corporation insured limit. The cash balances and certificates of deposit are reviewed quarterly by the Foundation's investment committee. Management believes the Foundation is not exposed to any significant credit risk on its cash and certificate of deposit accounts.

(d) **Accounts Receivable**

Accounts receivable are stated at invoice amount. Management believes that the receivables are fully collectible; therefore, no allowance for uncollectible accounts has been recorded at December 31, 2022.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(e) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from three to twenty years. Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$2,295 and \$-0-, respectively.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

(g) Investments

Investments in equity securities and fixed income securities are stated at fair market value as determined by quoted market prices with related unrealized gains and losses on investments included in the statement of activities. Gains and losses on sales of investments are determined by the specific-identification method. Realized and unrealized gains and losses on investments, interest and dividends (net of related investment expenses) are reported as increases or decreases in net assets without donor restrictions unless the income is restricted by donor or law.

(h) Revenue Recognition

*Revenue from Exchange Transactions:* The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Rent income is recognized as revenue in the applicable rental period with rent received in advance recorded as deferred revenue.

(i) Support and Expenses

Contributions received are recognized as revenue in the period the contributions are received. The Foundation reports gifts of cash or other assets as restricted support if the contribution is received with donor restrictions that limit the use of the donated assets or if they are designed as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction or event occurs, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their fair values at the date of the gift. The Foundation records revenue from operating grants in the period in which all contractual requirements of the grant, including approved expenditures if applicable, have been fulfilled.

Grants and scholarships awarded to third parties are recorded when approved by the Board or when all applicable conditions have been met by the grantee. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues, support and expenses are allocated directly to the programs to which they relate.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(1) Nature of Organization and Summary of Significant Accounting Policies, continued**

**Summary of Significant Accounting Policies, continued**

**(j) Expense Allocation**

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. Certain costs have been allocated between program and supporting services classifications on the basis of time records, actual expenses and/or estimates made by the Foundation's management.

**(k) Grant Spending Policy**

The Foundation maintains a policy for payout of the grants from the unrestricted fund. In accordance with the policy, 5% of the average balance in the investment portfolio for the previous four quarters measured as of December 31 is available for grant payouts. The Board of Directors annually approves the policy and determines the amount to be paid out.

**(l) Leases**

Payments related to operating leases are recognized as rent expense as incurred. The Foundation has no operating leases with terms greater than twelve months which should be recognized as right-of-use assets and corresponding lease liability at December 31, 2022 and 2021.

**(m) Income Tax Status**

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and the corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. The Foundation evaluates the tax benefits of a tax position using the "more likely than not" threshold. As of December 31, 2022, management is not aware of any uncertain tax positions and related tax benefits which would be material to the Foundation's financial statements. The Foundation files a U.S. Federal informational return which for fiscal years subsequent to 2018 are subject to examination by taxing authorities.

**(n) Reclassification**

Certain accounts for 2021 have been reclassified to conform with the presentation for 2022.

**(2) Investments**

Investments consist of the following at December 31, 2022 and 2021:

|  | <u>Cost</u>          | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Market<br/>Value</u> |
|--|----------------------|---------------------------------------|--|-------------------------|
| <b><u>December 31, 2022:</u></b>               |                      |                                       |  |                         |
| Cash and cash equivalents – money market funds | \$ 2,963,291         | -                                     | -                                      | 2,963,291               |
| Equity securities                              | 28,460,093           | 1,594,515                             | (44,539)                               | 30,010,069              |
| Fixed income securities                        | 23,102,124           | -                                     | (2,683,812)                            | 20,418,312              |
| Total investments                              | <u>\$ 54,525,508</u> | <u>1,594,515</u>                      | <u>(2,728,351)</u>                     | <u>53,391,672</u>       |
| <b><u>December 31, 2021:</u></b>               |                      |                                       |  |                         |
| Cash and cash equivalents – money market funds | \$ 8,617,283         | -                                     | -                                      | 8,617,283               |
| Equity securities                              | 26,471,116           | 7,704,758                             | -                                      | 34,175,874              |
| Fixed income securities                        | 19,833,995           | -                                     | (116,362)                              | 19,717,633              |
| Total investments                              | <u>\$ 54,922,394</u> | <u>7,704,758</u>                      | <u>(116,362)</u>                       | <u>62,510,790</u>       |

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(2) Investments, continued**

Net unrealized gains (losses) on investments amounted to \$(1,133,836) and \$7,588,396 at December 31, 2022 and 2021, respectively.

Investment income reported in the statement of activities for the years ended December 31, 2022 and 2021 is summarized as follows:

|  | 2022           | 2021      |
|--|----------------|-----------|
| Interest and dividends                                   | \$ 1,595,635   | 1,254,344 |
| Net realized gains (losses) on sale of investments       | (19,526)       | 5,376,126 |
| Change in net unrealized gains and losses on investments | (8,722,232)    | (200,296) |
| Net investment income (loss)                             | \$ (7,146,123) | 6,430,174 |

The investments of the Foundation are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**(3) Fair Value Measurements**

The fair value of investments and other assets consists of the following as of December 31, 2022 and 2021:

|                                  | Fair Value    | Quoted Market Price (Level 1) | Significant Unobservable Inputs (Level 3) |
|----------------------------------|---------------|-------------------------------|---|
| <b><u>December 31, 2022:</u></b> |               |                               |   |
| Cash and cash equivalents        | \$ 2,963,291  | 2,963,291                     | -   |
| Equity securities                | 30,010,069    | 30,010,069                    | -   |
| Fixed income securities          | 20,418,312    | 20,418,312                    | -   |
| Building                         | 2,129,781     | -                             | 2,129,781                                 |
| Real estate held for sale        | 1,741,999     | -                             | 1,741,999                                 |
|                                  | \$ 57,263,452 | 53,391,672                    | 3,871,780                                 |
| <b><u>December 31, 2021:</u></b> |               |                               |   |
| Cash and cash equivalents        | \$ 8,617,283  | 8,617,283                     | -   |
| Equity securities                | 34,175,874    | 34,175,874                    | -   |
| Fixed income securities          | 19,717,633    | 19,717,633                    | -   |
| Building                         | 2,162,464     | -                             | 2,162,464                                 |
| Real estate held for sale        | 1,741,999     | -                             | 1,741,999                                 |
|                                  | \$ 66,415,253 | 62,510,790                    | 3,904,463                                 |

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices in active markets of similar assets for assets in non-active markets and Level 3 inputs consist of other valuation techniques which have the lowest priority. The Foundation uses appropriate valuation techniques based on the availability inputs to

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(3) Fair Value Measurements, continued**

measure the fair value of its investments. There were no investments requiring the use of Level 2 inputs in 2022 and 2021 and there were no transfers between levels or changes in methods used to determine fair value as of December 31, 2022 and 2021.

**Level 1 Inputs**

The fair value of investments in cash and cash equivalents, equity securities and fixed income securities are based on quoted market prices in active markets.

**Level 3 Inputs**

The fair value of the real estate held for sale and the building is based on the appraised value of the property at the date of donation to the Foundation. Management believes there was no material change in the fair value of these assets in 2022 and 2021.

**(4) Liquidity and Availability of Financial Assets**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the board designated funds that could be drawn upon if the governing board approves that action.

|   | 2022         | 2021         |
|---|--------------|--------------|
| Cash and cash equivalents   | \$ 2,963,291 | 8,617,283    |
| Investments – equity and fixed securities   | 50,428,381   | 53,893,507   |
| Total financial assets  | 53,391,672   | 62,510,790   |
| Less:   |              |              |
| Contractual or donor-imposed restrictions   | (46,594,010) | (54,941,121) |
| Board designated funds  | (5,288,028)  | (6,768,468)  |
| Financial assets available to meet cash needs for<br>general expenditures within one year | \$ 1,509,634 | 801,201      |

**(5) Real Estate Held for Resale**

The Foundation owns the West Liberty Business Park in West Liberty, Iowa, which was created as a charitable venture to promote and encourage businesses to locate in the West Liberty, Iowa community to expand employment opportunities. The property was received through an anonymous donor in 2001 and developed through the West Liberty Fund, LLC, a member-managed limited liability company created by the Foundation (as sole member) which appoints an operational and granting committee approved by the Board. The sale of lots increases the West Liberty Park Endowment Fund from which earnings may be used for the benefit of West Liberty. The carrying amount of the real estate is the fair value of the land at the date of donation plus the direct costs of improvements. During the year ended December 31, 2022 and 2021, there were no lots sold. Management of the Foundation believes the carrying value of the lots approximates fair value as of December 31, 2022 and 2021.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(6) Building and New Clinic Facility**

In 2018, the Foundation received a building as a donation from an unrelated donor. Management determined the fair value of the building at the date of the donation was \$2,129,781. The Foundation leases the building to unrelated parties under an operating lease arrangement through December, 2023. Rent income from the lease arrangement amounted to \$189,000 for each of the years ended December 31, 2022 and 2021, respectively. The rent income received from the building is used by the Foundation to support grants to the local healthcare system.

The Board of the Foundation has approved construction of a new clinic facility adjacent to the existing building at a total estimated cost of approximately \$18 – \$19 million. The new facility is expected to be completed in late 2024 and will be occupied by the same tenants leasing the current building which will then be demolished. Construction costs on the new clinic facility amounted to \$505,163 and \$32,683 as of December 31, 2022 and 2021, respectively.

**(7) Net Assets With Donor Restrictions**

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated purpose as specified by the donor. Included in this category are contributions received by the Foundation from donors which have been segregated into two hundred sixty five separate funds whose use is restricted by the donor for charitable distributions, scholarships or other specified purposes.

Net assets with donor restrictions consist of the following as of December 31, 2022 and 2021:

|  | <u>2022</u>          | <u>2021</u>       |
|--|----------------------|-------------------|
| <b>Restricted subject to timing or expenditure for specific purpose:</b> |                      |                   |
| <b>Arts, culture and humanities</b>                                      | \$ 2,192,058         | 2,575,527         |
| <b>Community and public benefit</b>                                      | 4,572,764            | 5,736,765         |
| <b>Education</b>   | 3,847,566            | 4,002,817         |
| <b>Environment and animals</b>   | 2,928,032            | 3,390,812         |
| <b>Health</b>  | 10,744,782           | 11,378,549        |
| <b>Housing</b>   | 1,160,249            | 1,506,884         |
| <b>Human servies</b>   | 11,671,805           | 13,642,639        |
| <b>Other temporarily restricted funds</b>                                | 303,582              | 965,473           |
|  | <u>37,420,838</u>    | <u>43,199,466</u> |
| <b>Restricted in perpetuity:</b>   |                      |                   |
| <b>Arts, culture and humanities</b>                                      | \$ 2,093,986         | 2,432,322         |
| <b>Community and public benefit</b>                                      | 2,034,568            | 2,471,837         |
| <b>Education</b>   | 4,648,370            | 5,419,091         |
| <b>Environment and animals</b>   | 48,435               | 50,888            |
| <b>Health</b>  | 2,286,383            | 2,632,734         |
| <b>Human servies</b>   | 2,023,286            | 2,469,689         |
| <b>Other permanently restricted funds</b>                                | 296,636              | 169,557           |
|  | <u>13,431,664</u>    | <u>15,646,118</u> |
| <b>Total net assets with donor restrictions</b>                          | <u>\$ 50,852,502</u> | <u>58,845,584</u> |

Donor advised funds included in net assets with donor restrictions amounted to \$600,217 and \$881,516 at December 31, 2022 and 2021, respectively.

During 2022, management performed a detailed review of the net asset classification of the fund accounts and reclassified certain fund accounts based on the donor restrictions, if any, related to the account. The reclassification amounted to \$161,270 and is reported as a reclassification in the statement of activities for 2022.

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**Notes to Financial Statements**

**(8) Limitations on Net Assets Without Donor Restrictions**

Net assets without donor restrictions as of December 31, 2022 and 2021 consist of:

|   | 2022                       | 2021             |
|---|----------------------------|------------------|
| Undesignated                                | \$ <u>2,155,173</u>        | <u>820,735</u>   |
| Board designated:                           |                            |                  |
| Cares & Shares Endowment Fund               | 2,137,499                  | 2,491,927        |
| Other programs                              | <u>3,150,529</u>           | <u>4,276,541</u> |
| Total board designated                      | <u>5,288,028</u>           | <u>6,768,468</u> |
| Total net assets without donor restrictions | <u>\$ <u>7,443,201</u></u> | <u>7,589,203</u> |

Unrestricted contributions received from donors which are subject only to the Board's annual spending policy are classified as Board-designated endowments as described in note 9.

**(9) Endowments**

The Foundation's endowments consist of funds established to support program activities and includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The net assets associated with the endowment funds, including Board-designated endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

A summary of endowment activity for the year ended December 31, 2022 and 2021 is as follows:

|   | With Donor<br>Restrictions | Without<br>Donor<br>Restrictions | Total<br>Endowments |
|---|----------------------------|----------------------------------|---------------------|
| <b><u>December 31, 2022:</u></b>                |                            |                                  |                     |
| Net assets, beginning of year                   | \$ 16,568,301              | 5,769,995                        | 22,338,296          |
| Changes in endowment funds during the year:     |                            |                                  |                     |
| Contributions during the year                   | 261,493                    | 179,521                          | 441,014             |
| Net investment income (loss)                    | (2,093,624)                | (800,817)                        | (2,894,441)         |
| Amounts appropriated for expenditures           | <u>(639,756)</u>           | <u>(347,761)</u>                 | <u>(987,517)</u>    |
| Net assets, end of year                         | <u>\$ 14,096,414</u>       | <u>4,800,938</u>                 | <u>18,897,352</u>   |
| <b><u>December 31, 2021:</u></b>                |                            |                                  |                     |
| Net assets, beginning of year                   | \$ 13,179,031              | 3,077,968                        | 16,256,999          |
| Changes in endowment funds during the year:     |                            |                                  |                     |
| Contributions during the year                   | 1,148,571                  | 122,145                          | 1,270,716           |
| Net investment income                           | 2,054,787                  | 729,269                          | 2,784,056           |
| Amounts appropriated for expenditures           | (646,796)                  | (338,008)                        | (984,804)           |
| Transfers added to (released from) restrictions | <u>832,708</u>             | <u>2,178,621</u>                 | <u>3,011,329</u>    |
| Net assets, end of year                         | <u>\$ 16,568,301</u>       | <u>5,769,995</u>                 | <u>22,338,296</u>   |

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain investment return of endowment assets. The Foundation's investment policy establishes investment portfolio guidelines regarding the composition of equity and fixed income securities as well as diversification with investment categories. The Board of Directors has approved a spending policy from the endowment income to support specific programs which includes a spending rate of 5% of the average balance in the investment portfolio of the previous four quarters measured as of December 31. The

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Notes to Financial Statements

(9) Endowments, continued

Foundation's endowment funds are invested in various types of investments, all of which are publicly traded and are subject to their investment policy. The Foundation's investments are at a moderate level of risk with a diversification of assets within the parameters of its investment policy.

(10) Facility Lease

The Foundation leased office space under a monthly operating lease through November, 2022 at which time it relocated to a newly acquired facility. The total rental expense (including related common area maintenance expenses) amounted to \$20,772 and \$18,122 for the years ended December 31, 2022 and 2021, respectively.

(11) Affiliation with Community Foundation of Louisa County

The Foundation entered into a formal affiliation agreement on September 20, 2016 with the Community Foundation of Louisa County (affiliate). The affiliate is organized as a geographic component fund of the Foundation. As a component fund, the Foundation provides policy governance, along with financial, investment and administrative management services to the affiliate, including tax deductibility for donors.

(12) Commitments

The Board has approved grants and scholarships amounting to approximately \$1,200,000 which will be paid in future years as the conditions of the grant or scholarship have been satisfied by the grantor.

(13) Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 "Leases". The pronouncement requires recognition of lease assets and lease liabilities by lessees for leases generally with a term of 12 months or more. ASU 2016-02 became effective for the Foundation's 2022 financial statements. The Foundation had no operating leases with terms of 12 months or more.

(14) Economic Impacts and CARES Act

The COVID-19 virus and other national and worldwide factors have led to significant volatility in financial markets and have affected, and may continue to affect, the market value of the Foundation's investments. The potential future economic impact of these conditions is difficult to predict. Management is not able to estimate the full impact of these conditions on its future operations.

The Foundation received an advance of \$52,257 in 2021 through the SBA – Payroll Protection Program (PPP) authorized under the CARES Act. Funds received under PPP are to be used for payroll and other qualified expenses during the COVID-19 pandemic period. Repayment of the advance is deferred for ten months and the advance carries an interest rate of 1%. The PPP advance is forgivable if the Foundation incurs qualifying payroll and other expenses in excess of the advance within 24 weeks of when the funds were received. The Foundation received formal notification from SBA on July 20, 2021 that the qualifying expense criteria was met and that the loans were forgiven. Accordingly, the PPP loan has been considered forgiven as of December 31, 2021 and has been reflected as other revenue in the statement of activities in 2021.