

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Financial Statements**

**December 31, 2020 and 2019**

**(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:

We have audited the accompanying financial statements of Community Foundation of Greater Muscatine which comprise the statements of financial position as of December 31, 2020 and 2019, 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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

Opinion

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, 2020 and 2019, and the changes in its activities and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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

Bettendorf, Iowa  
December 1, 2021

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statements of Financial Position

December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Investments (notes 2 and 3):		
Cash and cash equivalents	\$ 5,804,187	11,354,058
Equity securities	27,525,426	23,192,187
Fixed income securities	22,447,778	14,912,460
Total investments	<u>55,777,391</u>	<u>49,458,705</u>
Equipment:		
Furniture and fixtures	1,130	1,130
Office equipment	9,818	9,818
	<u>10,948</u>	<u>10,948</u>
Less accumulated depreciation	10,948	10,948
Net equipment	<u>-</u>	<u>-</u>
Other assets:		
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
Cash value of life insurance	21,482	21,482
Total other assets	<u>3,893,262</u>	<u>3,893,262</u>
 Total assets	 <u>\$ 59,670,653</u>	 <u>53,351,967</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	13,177	11,562
Deferred revenue	15,750	15,750
Grants payable (note 10)	462,507	2,741,711
Total liabilities	<u>491,434</u>	<u>2,769,023</u>
Net assets:		
Without donor restrictions (note 7)	6,687,091	4,588,585
With donor restrictions (note 8)	52,492,128	45,994,359
Total net assets	<u>59,179,219</u>	<u>50,582,944</u>
 Total liabilities and net assets	 <u>\$ 59,670,653</u>	 <u>53,351,967</u>

See accompanying notes to financial statements.



**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Activities**

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating support and revenue:</b>						
Contributions (note 10)	\$ 888,746	4,987,363	5,876,109	29,603	28,848,551	28,878,154
Grants	231,721	-	231,721	173,200	-	173,200
Net investment income (note 2)	712,871	4,598,273	5,311,144	757,280	3,457,255	4,214,535
Rent income (note 6)	-	189,000	189,000	-	189,000	189,000
Other (note 15)	63,207	-	63,207	8,224	-	8,224
Net assets released from restrictions - purpose satisfaction	1,454,236	(1,454,236)	-	9,060,674	(9,060,674)	-
Reclassifications and other transfers (note 8)	1,417,205	(1,417,205)	-	-	-	-
Transfers - administrative fees	405,426	(405,426)	-	346,836	(346,836)	-
<b>Total operating support and revenue</b>	<u>5,173,412</u>	<u>6,497,769</u>	<u>11,671,181</u>	<u>10,375,817</u>	<u>23,087,296</u>	<u>33,463,113</u>
<b>Operating expenses:</b>						
Program expenses	2,615,960	-	2,615,960	9,272,411	-	9,272,411
General and administrative	458,946	-	458,946	344,656	-	344,656
<b>Total operating expenses</b>	<u>3,074,906</u>	<u>-</u>	<u>3,074,906</u>	<u>9,617,067</u>	<u>-</u>	<u>9,617,067</u>
<b>Increase in net assets</b>	<u>2,098,506</u>	<u>6,497,769</u>	<u>8,596,275</u>	<u>758,750</u>	<u>23,087,296</u>	<u>23,846,046</u>
<b>Net assets, beginning of year</b>	<u>4,588,585</u>	<u>45,994,359</u>	<u>50,582,944</u>	<u>3,829,835</u>	<u>22,907,063</u>	<u>26,736,898</u>
<b>Net assets, end of year</b>	<u>\$ 6,687,091</u>	<u>52,492,128</u>	<u>59,179,219</u>	<u>4,588,585</u>	<u>45,994,359</u>	<u>50,582,944</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Cash Flows**

**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 8,596,275	23,846,046
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for donor restricted programs	-	(18,074,320)
PPP loan forgiveness recognized as revenue	(52,257)	-
Realized and unrealized gains on investments	(4,367,467)	(3,481,204)
Increase in accounts payable and accrued expenses	1,615	233
Increase in grants payable	600	2,741,711
Net cash provided by operating activities	<u>4,178,766</u>	<u>5,032,466</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(11,058,725)	(15,038,366)
Proceeds from sales and maturities of investments	3,557,635	2,341,299
Net cash used in investing activities	<u>(7,501,090)</u>	<u>(12,697,067)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP loan	52,257	-
Grants paid from donor restricted funds	(2,279,804)	
Contributions restricted for donor restricted programs	-	18,074,320
Net cash provided by (used in) financing activities	<u>(2,227,547)</u>	<u>18,074,320</u>
Net increase (decrease) in cash and cash equivalents	(5,549,871)	10,409,719
Cash and cash equivalents at beginning of year	<u>11,354,058</u>	<u>944,339</u>
Cash and cash equivalents at end of year	\$ <u>5,804,187</u>	\$ <u>11,354,058</u>
<b>Supplemental disclosure of noncash investing activities:</b>		
Net change in unrealized appreciation of investments	\$ <u>3,837,886</u>	<u>2,832,509</u>
PPP loan forgiveness recognized as revenue	\$ <u>52,257</u>	<u>-</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Functional Expenses**

**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Program services:</b>		
Grants (note 10)	\$ 1,351,886	8,113,493
Scholarships and other fund specific expenses	1,264,074	1,158,918
Total program services	2,615,960	9,272,411
<b>General and administrative expenses:</b>		
Salaries and wages	272,896	197,243
Payroll taxes and benefits	48,908	37,923
Retirement plan contributions	21,515	15,914
Memberships/publications/subscriptions	3,575	5,461
Insurance	7,849	3,890
Office expenses	41,151	27,610
Rent (note 11)	11,446	11,563
Professional services	34,083	18,378
Meals and entertainment	305	537
Professional development	4,092	3,760
Advertising and marketing	13,126	22,377
Total general and administrative expenses	458,946	344,656
Total expenses	\$ 3,074,906	9,617,067

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

December 31, 2020 and 2019

(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 December 1, 2021, 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 \$5,822,233 and \$10,968,856 at December 31, 2020 and 2019, respectively.

The Foundation maintains cash account balances in financial institutions which are fully insured by the FDIC or by the financial institution.

(d) Equipment

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 seven years. Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$-0-.

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) 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.

(f) 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.

(g) 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. The Foundation records operating grants as exchange transactions and are recognized as revenue in the period in which all contractual requirements of the grant, including approved expenditures if applicable, have been fulfilled. Rent income is recognized as revenue in the applicable rental period with rent received in advance recorded as deferred revenue.

(h) 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.

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.

(i) 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.

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) Grant Spending Policy

The Foundation maintains a total return 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 meets annually to review the policy and determine the amount to be paid out.

(k) 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, 2020, 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 2016 are subject to examination by taxing authorities.

(l) Reclassifications

Certain accounts for 2019 have been reclassified to conform with the presentation for 2020.

(2) Investments

Investments consist of the following at December 31, 2020 and 2019:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
<u>December 31, 2020:</u>				
Cash and cash equivalents – money market funds	\$ 5,804,187	-	-	5,804,187
Equity securities	19,517,057	8,008,369	-	27,525,426
Fixed income securities	21,988,528	459,250	-	22,447,778
Total investments	<u>\$ 47,309,772</u>	<u>8,467,619</u>	<u>-</u>	<u>55,777,391</u>
<u>December 31, 2019:</u>				
Cash and cash equivalents – money market funds	11,354,058	-	-	11,354,058
Equity securities	18,725,763	4,466,424	-	23,192,187
Fixed income securities	14,749,151	163,309	-	14,912,460
Total investments	<u>\$ 44,828,972</u>	<u>4,629,733</u>	<u>-</u>	<u>49,458,705</u>

Net unrealized gains on investments amounted to \$8,467,619 and \$4,629,733 at December 31, 2020 and 2019, respectively.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(2) Investments, continued**

Investment income reported in the statement of activities for the year ended December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Interest and dividends	\$ 943,677	733,331
Net realized gains on sale of investments	529,581	648,695
Change in net unrealized gains and losses on investments	3,837,886	2,832,509
Net investment income	\$ 5,311,144	4,214,535

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, 2020 and 2019:

	Fair Value	Quoted Market Price (Level 1)	Significant Unobservable Inputs (Level 3)
<b><u>December 31, 2020:</u></b>			
Cash and cash equivalents	\$ 5,804,187	5,804,187	-
Equity securities	27,525,426	27,525,426	-
Fixed income securities	22,447,778	22,447,778	-
Building	2,129,781	-	2,129,781
Real estate held for sale	1,741,999	-	1,741,999
	\$ 59,649,171	55,777,391	3,871,780
<b><u>December 31, 2019:</u></b>			
Cash and cash equivalents	\$ 11,354,058	11,354,058	-
Equity securities	23,192,187	23,192,187	-
Fixed income securities	14,912,460	14,912,460	-
Building	2,129,781	-	2,129,781
Real estate held for sale	1,741,999	-	1,741,999
	\$ 53,330,485	49,458,705	3,871,780

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 measure the fair value of its investments. There were no investments requiring the use of Level 2 inputs in 2020 and 2019.



**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

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

**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. There was no change in the fair value of these assets in 2020 and 2019.

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

The following reflects the Foundation's financial assets as of the balance sheet 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.

	2020	2019
Cash and cash equivalents	\$ 5,804,187	11,354,058
Investments – equity and fixed securities	49,973,204	38,104,647
Total financial assets	55,777,391	49,458,705
Less:		
Grants Payable	(462,507)	(2,741,711)
Contractual or donor-imposed restrictions	(48,620,348)	(42,101,097)
Board designated funds	(3,707,895)	(2,202,935)
Financial assets available to meet cash needs for general expenditures within one years	\$ 2,986,641	2,412,962

**(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 provide expanded employment opportunities. The project was made possible through an anonymous donation of real estate made in 2001 and developed through the West Liberty Fund, LLC, an entity created by the Foundation which appoints an operational 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, 2020 and 2019, there were no lots sold. Management of the Foundation believes the carrying value of the lots approximates fair value as of December 31, 2020 and 2019.

**(6) Building**

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, 2020 and 2019, respectively.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

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

Net assets without donor restrictions as of December 31, 2020 and 2019 consist of:

	2020	2019
Undesignated	\$ 2,979,196	2,385,650
Board designated:		
Cares & Shares Endowment Fund	2,303,500	2,065,385
Other programs	1,404,395	137,550
Total board designated	3,707,895	2,202,935
Total net assets without donor restrictions	\$ 6,687,091	4,588,585

**(8) 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, 2020 and 2019:

	2020	2019
Restricted subject to timing or expenditure for specific purpose:		
Employment	\$ 4,391,207	3,975,042
Health	6,456,953	5,956,540
Education	1,757,454	1,458,503
Environment preservation	2,939,060	2,629,338
Equity inclusion	2,470,749	2,322,901
Health/shelter	2,489,300	2,322,901
Human conditions	4,558,956	4,078,527
Real estate	1,762,046	1,757,096
Other temporarily restricted funds	14,136,690	9,819,934
	40,962,415	34,320,782
Restricted in perpetuity:		
Housing	732,358	696,422
Arts and culture	1,593,879	1,503,491
International Peace	1,465,877	1,381,699
Sports/Recreational	2,293,255	2,104,336
Other permanently restricted funds	5,444,344	5,987,629
	11,529,713	11,673,577
Total net assets with donor restrictions	\$ 52,492,128	45,994,359

Donor advised funds included in net assets with donor restrictions amounted to \$679,944 and \$513,390 at December 31, 2020 and 2019, respectively.

During 2020, the Foundation converted its financial accounting programs to a new software. In connection with the conversion, management performed a detail review of the net asset classification of the fund accounts and reclassified certain accounts based on the donor restrictions, if any, related to the account.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(8) Net Assets With Donor Restrictions, continued**

As a result, a reclassification adjustment of \$1,417,205 has been reported in the statement of activities in 2020 to reflect the change in classifications.

**(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, 2020 and 2019 is as follows:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total Endowments</u>
<b><u>December 31, 2020:</u></b>			
Net assets, beginning of year	\$ 13,410,494	2,136,435	15,546,929
Changes in endowment funds during the year:			
Contributions during the year	351,002	168,602	519,604
Net investment income	1,402,121	323,293	1,725,414
Amounts appropriated for expenditures	(489,648)	(154,307)	(643,955)
Transfers added to (released from) restrictions	(1,494,938)	603,945	(890,993)
Net assets, end of year	<u>\$ 13,179,031</u>	<u>3,077,968</u>	<u>16,256,999</u>
<b><u>December 31, 2019:</u></b>			
Net assets, beginning of year	7,350,427	1,647,373	8,997,800
Changes in endowment funds during the year:			
Contributions during the year	5,434,706	272,333	5,707,039
Net investment income	1,503,762	317,723	1,821,485
Amounts appropriated for expenditures	(557,075)	(100,994)	(658,069)
Transfers released from restrictions	(321,326)	-	(321,326)
Net assets, end of year	<u>\$ 13,410,494</u>	<u>2,136,435</u>	<u>15,546,929</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 the purchasing power of the endowment assets. The Foundation's investment policy establishes long-term rate of return objectives of 7-10% through the diversification of 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 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) Major Contributions**

During 2019 the Foundation received contributions of approximately \$23,230,000 from the trust funds of two individuals which were deposited into charitable funds as requested by the donors. The donors also identified various charitable organizations to receive specific grants from these funds subject to approval by the Foundation's Board. The Board approved grants to other qualified organizations in 2019 amounting to \$7,552,132 of which \$461,907 and \$2,741,711 was remaining to be paid as of December 31, 2020 and 2019, respectively and have been reflected as grants payable on the statement of financial position.

# COMMUNITY FOUNDATION OF GREATER MUSCATINE

## Notes to Financial Statements

### (10) Major Contributions, continued

The remaining portion of the contributions (net of approved grants to qualified charitable organizations) has been allocated to various temporarily restricted funds within the Foundation as directed by the donors. The internal allocations which amounted to \$2,482,945 in 2020 are not reported as contributions or grant expenditures in the statement of activities.

### (11) Facility Lease

The Foundation leases office space under a monthly operating lease. The total rental expense (including related common area maintenance expenses) amounted to \$11,446 and \$11,563 for the years ended December 31, 2020 and 2019, respectively.

### (12) Affiliation with Community Foundation of Louisa County

The Foundation entered into a formal affiliation agreement with the Community Foundation of Louisa County of September 20, 2016. As the host foundation, Community Foundation of Greater Muscatine provides policy governance, along with financial, investment and administrative management to its affiliate, including tax deductibility for donors.

### (13) Commitments

The Board has approved grants and scholarships amounting to approximately \$918,000 which will be paid in future years as the conditions of the grant or scholarship have been satisfied by the grantor.

### (14) 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 will become effective for the Foundation's 2022 financial statements. Management is currently analyzing the pronouncement to determine its impact to the Foundation.

The Foundation adopted the provisions of the Financial Accounting Standards Board issued ASU 2014-09 "Revenue from Contracts with Customers" effective January 1, 2020. The pronouncement provides guidance regarding the recognition of revenue in connection with customer contracts. The adoption of the standard did not have a material effect on the Foundation's financial statements and restatement of prior periods was not required.

### (15) COVID19 Impact

During early 2020, a virus strain (COVID-19) spread around the world reaching pandemic levels. In response to COVID19, federal and state governments have issued restrictive regulations which substantially limit or reduce the operations and activities of businesses and individuals. Additionally, the potential economic impact of COVID-19 has resulted in significant volatility in the stock market.

The Foundation received an advance of \$52,257 in 2020 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 October 9, 2020 that the qualifying expense criteria was met and that the loan was forgiven. Accordingly, the PPP loan has been considered forgiven as of December 31, 2020 and has been reflected as other revenue in the statement of activities in 2020.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(15) COVID19 Impact, continued

Management of the Foundation has been closely monitoring the impact of COVID-19 on its operations and programs which have already been adversely impacted. Although the ultimate impact to COVID-19 on the Foundation's operations cannot be determined, management believes its operating results may be materially affected.