

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Financial Statements

December 31, 2019 and 2018

**(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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2019 and the six months ended December 31, 2018, 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, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and six months ended December 31, 2018 in accordance with U.S. generally accepted accounting principles.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
March 8, 2021

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statements of Financial Position

December 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Investments (notes 2 and 3):		
Cash and cash equivalents	\$11,354,058	944,339
Equity securities	23,192,187	11,800,419
Fixed income securities	14,912,460	10,125,957
Total investments	<u>49,458,705</u>	<u>22,870,715</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 (note 5)	1,741,999	1,741,999
Building (note 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>\$53,351,967</u>	<u>26,763,977</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	11,562	11,329
Deferred revenue	15,750	15,750
Grants payable (note 10)	2,741,711	-
Total liabilities	<u>2,769,023</u>	<u>27,079</u>
Net assets:		
Without donor restrictions (note 7)	4,588,585	3,829,835
With donor restrictions (note 8)	45,994,359	22,907,063
Total net assets	<u>50,582,944</u>	<u>26,736,898</u>
Total liabilities and net assets	<u>\$53,351,967</u>	<u>26,763,977</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statements of Activities

Year Ended December 31, 2019 and
Six Months Ended December 31, 2018

	2019		2018			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:						
Contributions (note 10)	\$ 29,603	29,021,751	29,051,354	\$ 70,292	1,454,654	1,524,946
Grants	173,200	(173,200)	-	20,070	275,472	295,542
Net investment loss (note 2)	757,280	3,457,255	4,214,535	(258,503)	(509,790)	(768,293)
Rent income	-	189,000	189,000	-	94,500	94,500
Other	8,224	-	8,224	31,450	-	31,450
Reclassifications - net assets released from restrictions	9,233,874	(9,233,874)	-	908,391	(908,391)	-
Transfers - administrative fees	173,636	(173,636)	-	106,187	(106,187)	-
Total operating support and revenue	<u>10,375,817</u>	<u>23,087,296</u>	<u>33,463,113</u>	<u>877,887</u>	<u>300,258</u>	<u>1,178,145</u>
Operating expenses:						
Program expenses	9,272,411	-	9,272,411	961,543	-	961,543
General and administrative	344,656	-	344,656	142,405	-	142,405
Total operating expenses	<u>9,617,067</u>	<u>-</u>	<u>9,617,067</u>	<u>1,103,948</u>	<u>-</u>	<u>1,103,948</u>
Increase (decrease) in net assets	758,750	23,087,296	23,846,046	(226,061)	300,258	74,197
Net assets, beginning of period	<u>3,829,835</u>	<u>22,907,063</u>	<u>26,736,898</u>	<u>4,055,896</u>	<u>22,606,805</u>	<u>26,662,701</u>
Net assets, end of period	<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>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statements of Cash Flows

**Year Ended December 31, 2019 and
Six Months Ended December 31, 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$23,846,046	74,197
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for donor restricted programs	(18,074,320)	-
Realized and unrealized (gains) losses on investments	(3,481,204)	985,767
Increase (decrease) in accounts payable and accrued expenses	233	(4,527)
Increase in grants payable	2,741,711	
Increase in deferred revenue	-	15,750
Net cash provided by operating activities	<u>5,032,466</u>	<u>1,071,187</u>
Cash flows from investing activities:		
Purchase of investments	(15,038,366)	(2,209,859)
Proceeds from sales and maturities of investments	<u>2,341,299</u>	<u>1,560,461</u>
Net cash used in investing activities	<u>(12,697,067)</u>	<u>(649,398)</u>
Cash flows from financing activities:		
Contributions restricted for donor restricted programs	<u>18,074,320</u>	<u>-</u>
Net cash provided by financing activities	<u>18,074,320</u>	<u>-</u>
Net increase in cash and cash equivalents	10,409,719	421,789
Cash and cash equivalents at beginning of period	<u>944,339</u>	<u>522,550</u>
Cash and cash equivalents at end of period	<u>\$11,354,058</u>	<u>944,339</u>
Supplemental disclosure of noncash investing activities:		
Net change in unrealized appreciation of investments	<u>\$ (2,832,509)</u>	<u>(1,113,148)</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statements of Functional Expenses

Year Ended December 31, 2019 and
Six Months Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
Program services:		
Grants	\$8,113,493	306,314
Scholarships and other fund specific expenses	<u>1,158,918</u>	<u>655,229</u>
Total program services	<u>9,272,411</u>	<u>961,543</u>
General and administrative expenses:		
Salaries and wages	197,243	88,530
Payroll taxes and benefits	37,923	18,422
Retirement plan contributions	15,914	6,552
Memberships/publications/subscriptions	5,461	667
Insurance	3,890	2,295
Office expenses	27,610	13,349
Rent	11,563	4,936
Professional services	18,378	500
Meals and entertainment	537	232
Professional development	3,760	2,432
Advertising and marketing	<u>22,377</u>	<u>4,490</u>
Total general and administrative expenses	<u>344,656</u>	<u>142,405</u>
Total expenses	<u>\$9,617,067</u>	<u>1,103,948</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

December 31, 2019 and 2018

(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 March 8, 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 \$10,968,856 and \$839,083 at December 31, 2019 and 2018, 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 year ended December 31, 2019 and six months ended December 31, 2018 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) 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 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.

(h) 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.

(i) 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.

(j) Deferred Revenue

Deferred revenue is recognized for uncompleted portions of exchange transactions.

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

(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, 2019, 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 2015 are subject to examination by taxing authorities.

(2) Investments

Investments consist of the following at December 31, 2019 and 2018:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Market Value</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	<u>14,749,151</u>	<u>163,309</u>	-	<u>14,912,460</u>
Total investments	<u>\$44,828,972</u>	<u>4,629,733</u>	<u>-</u>	<u>49,458,705</u>
<u>December 31, 2018:</u>				
Cash and cash equivalents – money market funds	\$ 944,340	-	-	944,340
Equity securities	9,968,839	1,831,580	-	11,800,419
Fixed income securities	<u>10,160,313</u>	-	(34,356)	<u>10,125,957</u>
Total investments	<u>\$21,073,492</u>	<u>1,831,580</u>	<u>(34,356)</u>	<u>22,870,716</u>

Net unrealized gains on investments amounted to \$4,629,733 and \$1,797,224 at December 31, 2019 and 2018, respectively.

Investment income (loss) reported in the statement of activities for the year ended December 31, 2019 and six months ended December 31, 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 733,331	217,474
Net realized gains on sale of investments	648,695	127,381
Change in net unrealized gains and losses on investments	<u>2,832,509</u>	<u>(1,113,148)</u>
Net investment income (loss)	<u>\$4,214,535</u>	<u>(768,293)</u>

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.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(3) Fair Value Measurements

The fair value of investments and other assets consists of the following as of December 31, 2019 and 2018:

	<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2019:</u>			
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
	<u>\$53,330,485</u>	<u>49,458,705</u>	<u>3,871,780</u>
<u>December 31, 2018:</u>			
Cash and cash equivalents	\$ 944,339	944,339	-
Equity securities	11,800,419	11,800,419	-
Fixed income securities	10,125,957	10,125,957	-
Building	2,129,781	-	2,129,781
Real estate held for sale	1,741,999	-	1,741,999
	<u>\$26,742,495</u>	<u>22,870,715</u>	<u>3,871,780</u>

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 2019 and 2018.

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 2019 and 2018.

(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 years 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.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(4) Liquidity and Availability of Financial Assets, continued

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$11,354,058	944,339
Investments – equity and fixed securities	<u>38,104,647</u>	<u>21,926,376</u>
Total financial assets	49,458,705	22,870,715
Less:		
Grants Payable	(2,741,711)	-
Contractual or donor-imposed restrictions	(42,101,097)	(19,013,801)
Board designated funds	<u>(2,202,935)</u>	<u>(1,717,776)</u>
 Financial assets available to meet cash needs for general expenditures within one years	 \$ <u>2,412,962</u>	 <u>2,139,138</u>

(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, 2019 and six months ended December 31, 2018, there were no lots sold. Management of the Foundation believes the carrying value of the lots approximates fair value as of December 31, 2019 and 2018.

(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 the year ended December 31, 2019 and \$94,500 for the six months ended December 31, 2018.

(7) Limitations on Net Assets Without Donor Restrictions

Net assets without donor restrictions as of December 31, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$2,385,650</u>	<u>2,112,059</u>
Board designated:		
Cares & Shares Endowment Fund	2,065,385	1,586,948
Other programs	<u>137,550</u>	<u>130,828</u>
Total board designated	<u>2,202,935</u>	<u>1,717,776</u>
 Total net assets without donor restrictions	 <u>\$4,588,585</u>	 <u>3,829,835</u>

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted subject to timing or expenditure for specific purpose:		
Employment	\$ 3,975,042	2,662,224
Health	5,956,540	5,275,927
Education	2,088,432	1,727,534
Education	1,458,503	1,217,129
Environment preservation	2,629,338	-
Equity inclusion	2,322,901	-
Health/shelter	2,322,901	-
Human conditions	4,078,527	-
Real estate	1,757,096	1,756,691
Other temporarily restricted funds	<u>7,731,502</u>	<u>4,400,991</u>
	<u>34,320,782</u>	<u>17,040,496</u>
Restricted in perpetuity:		
Community development	1,234,406	860,462
Housing	696,422	621,732
Arts and culture	1,503,491	1,340,836
International Peace	1,381,699	-
Sports/Recreational	2,104,336	-
Education	755,880	-
Other permanently restricted funds	<u>3,997,343</u>	<u>3,043,537</u>
	<u>11,673,577</u>	<u>5,866,567</u>
 Total net assets with donor restrictions	 <u>\$45,994,359</u>	 <u>22,907,063</u>

Donor advised funds included in net assets with donor restrictions amounted to \$615,230 and \$487,831 at December 31, 2019 and 2018, respectively.

(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.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(9) Endowments, continued

A summary of endowment activity for the year ended December 31, 2019 and six months ended December 31, 2018 is as follows:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total Endowments</u>
<u>December 31, 2019:</u>			
Net assets, beginning of year	\$7,350,427	1,647,373	8,997,800
Changes in endowment funds during the year:			
Contributions during the years	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	<u>(321,326)</u>	<u>-</u>	<u>(321,326)</u>
Net assets, end of year	<u>\$13,410,494</u>	<u>2,136,435</u>	<u>15,546,929</u>
<u>December 31, 2018:</u>			
Net assets, beginning of period	\$7,564,600	1,739,684	9,304,284
Changes in endowment funds during the year:			
Contributions during the years	304,047	655	304,702
Net investment income (loss)	(385,552)	(84,192)	(469,744)
Amounts appropriated for expenditures	(93,634)	(8,774)	(1,024,018)
Transfers released from restrictions	<u>(39,034)</u>	<u>-</u>	<u>(39,034)</u>
Net assets, end of period	<u>\$7,350,427</u>	<u>1,647,373</u>	<u>8,997,800</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 amounting to \$7,552,132 of which \$2,741,711 was remaining to be paid as of December 31, 2019 and has been reflected as grants payable on the statement of financial position.

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.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(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 \$8,700 for the year ended December 31, 2019 and \$3,935 for the six months ended December 31, 2018.

(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 \$405,000 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.

In January 2014, the Financial Accounting Standards Board issued ASU 2014-09 "Revenue from Contracts with Customers". The pronouncement provides guidance regarding the recognition of revenue in connection with customer contracts. ASU 2014-09 will become effective for the Foundation's 2020 financial statements.

Management is currently analyzing the pronouncements to determine their impact to the Foundation.

(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.

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.