

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Financial Statements**

**December 31, 2021 and 2020**

**(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, 2021 and 2020, 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, 2021 and 2020, 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.

Bettendorf, Iowa  
December 8, 2022

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

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Financial Position**

**December 31, 2021 and 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
<b>Investments (notes 2 and 3):</b>		
Cash and cash equivalents	\$ 8,617,283	5,804,187
Equity securities	34,175,874	27,525,426
Fixed income securities	19,717,633	22,447,778
Total investments	<u>62,510,790</u>	<u>55,777,391</u>
<b>Equipment:</b>		
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>
<b>Other assets:</b>		
Real estate held for sale (notes 3 and 5)	1,741,999	1,741,999
Building (notes 3 and 6)	2,162,464	2,129,781
Residential development property held for sale	154,282	-
Cash value of life insurance	21,482	21,482
Total other assets	<u>4,080,227</u>	<u>3,893,262</u>
Total assets	<u>\$ 66,591,017</u>	<u>59,670,653</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	140,480	13,177
Deferred revenue	15,750	15,750
Grants payable	-	462,507
Total liabilities	<u>156,230</u>	<u>491,434</u>
<b>Net assets:</b>		
Without donor restrictions (note 7)	7,589,203	6,687,091
With donor restrictions (note 8)	58,845,584	52,492,128
Total net assets	<u>66,434,787</u>	<u>59,179,219</u>
Total liabilities and net assets	<u>\$ 66,591,017</u>	<u>59,670,653</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Activities**

**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating support and revenue:</b>						
Contributions	\$ 739,126	2,935,867	3,674,993	888,746	4,987,363	5,876,109
Grants	315,886	-	315,886	231,721	-	231,721
Net investment income (note 2)	1,382,439	5,047,735	6,430,174	712,871	4,598,273	5,311,144
Rent income (note 6)	-	189,000	189,000	-	189,000	189,000
Other (note 14)	103,935	-	103,935	63,207	-	63,207
Net assets released from restrictions – purpose satisfaction	1,174,079	(1,174,079)	-	1,454,236	(1,454,236)	-
Reclasifications and other transfers (note 8)	-	-	-	1,417,205	(1,417,205)	-
Transfers – administrative fees	645,067	(645,067)	-	405,426	(405,426)	-
<b>Total operating support and revenue</b>	<b>4,360,532</b>	<b>6,353,456</b>	<b>10,713,988</b>	<b>5,173,412</b>	<b>6,497,769</b>	<b>11,671,181</b>
<b>Operating expenses:</b>						
Program expenses	2,800,662	-	2,800,662	2,615,960	-	2,615,960
General and administrative	657,758	-	657,758	458,946	-	458,946
<b>Total operating expenses</b>	<b>3,458,420</b>	<b>-</b>	<b>3,458,420</b>	<b>3,074,906</b>	<b>-</b>	<b>3,074,906</b>
<b>Increase in net assets</b>	<b>902,112</b>	<b>6,353,456</b>	<b>7,255,568</b>	<b>2,098,506</b>	<b>6,497,769</b>	<b>8,596,275</b>
<b>Net assets, beginning of year</b>	<b>6,687,091</b>	<b>52,492,128</b>	<b>59,179,219</b>	<b>4,588,585</b>	<b>45,994,359</b>	<b>50,582,944</b>
<b>Net assets, end of year</b>	<b>\$ 7,589,203</b>	<b>58,845,584</b>	<b>66,434,787</b>	<b>6,687,091</b>	<b>52,492,128</b>	<b>59,179,219</b>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Cash Flows**

**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 7,255,568	8,596,275
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
PPP loan forgiveness recognized as revenue	(52,257)	(52,257)
Realized and unrealized gains on investments	(5,175,830)	(4,367,467)
Increase in accounts payable and accrued expenses	3,585	1,615
Increase in grants payable	-	600
Net cash provided by operating activities	<u>2,031,066</u>	<u>4,178,766</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(23,484,422)	(11,058,725)
Proceeds from sales and maturities of investments	24,739,949	3,557,635
Residential development property costs	(59,564)	-
Building costs	(3,683)	-
Net cash provided by (used in) investing activities	<u>1,192,280</u>	<u>(7,501,090)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP loan	52,257	52,257
Grants paid from donor restricted funds	(462,507)	(2,279,804)
Net cash used in financing activities	<u>(410,250)</u>	<u>(2,227,547)</u>
 Net increase (decrease) in cash and cash equivalents	2,813,096	(5,549,871)
 Cash and cash equivalents at beginning of year	<u>5,804,187</u>	<u>11,354,058</u>
 Cash and cash equivalents at end of year	<u>\$ 8,617,283</u>	<u>5,804,187</u>
 <b>Supplemental disclosure of noncash investing activities:</b>		
Net change in unrealized appreciation of investments	\$ <u>(200,296)</u>	<u>3,837,886</u>
PPP loan forgiveness recognized as revenue	\$ <u>52,257</u>	<u>52,257</u>
Residential development property costs included in accounts payable	\$ <u>94,718</u>	<u>-</u>
Buildings costs included in accounts payable	\$ <u>29,000</u>	<u>-</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Statements of Functional Expenses**

**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Program services:</b>		
Grants	\$ 1,373,571	1,351,886
Scholarships and other fund specific expenses	<u>1,427,091</u>	<u>1,264,074</u>
Total program services	<u>2,800,662</u>	<u>2,615,960</u>
<b>General and administrative expenses:</b>		
Salaries and wages	367,037	272,896
Payroll taxes and benefits	67,326	48,908
Retirement plan contributions	11,482	21,515
Memberships/publications/subscriptions	7,676	3,575
Insurance	8,703	7,849
Office expenses	55,705	41,151
Rent (note 10)	18,122	11,446
Professional services	51,647	34,083
Meals and entertainment	122	305
Professional development	6,356	4,092
Advertising and marketing	49,482	13,126
Community property development costs	<u>14,100</u>	<u>-</u>
Total general and administrative expenses	<u>657,758</u>	<u>458,946</u>
 Total expenses	 <u>\$ 3,458,420</u>	 <u>3,074,906</u>

See accompanying notes to financial statements.



COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

December 31, 2021 and 2020

(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 8, 2022, 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 \$5,615,309 and \$5,822,233 at December 31, 2021 and 2020, respectively.

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

(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, 2021 and 2020 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. 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. 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.

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, 2021, 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 2017 are subject to examination by taxing authorities.

**(2) Investments**

Investments consist of the following at December 31, 2021 and 2020:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<b><u>December 31, 2021:</u></b>				
Cash and cash equivalents – money market funds	\$ 8,617,283	-	-	8,617,283
Equity securities	26,015,384	8,160,490	-	34,175,874
Fixed income securities	19,883,995	-	(166,362)	19,717,633
Total investments	\$ 54,516,662	8,160,490	(166,362)	62,510,790
<b><u>December 31, 2020:</u></b>				
Cash and cash equivalents – money market funds	\$ 5,804,187	-	-	5,804,187
Equity securities	19,790,252	7,735,174	-	27,525,426
Fixed income securities	21,988,528	459,250	-	22,447,778
Total investments	\$ 47,582,967	8,194,424	-	55,777,391

Net unrealized gains on investments amounted to \$7,994,128 and \$8,194,424 at December 31, 2021 and 2020, respectively.

Investment income reported in the statement of activities for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Interest and dividends	\$ 1,254,344	943,677
Net realized gains on sale of investments	5,376,126	529,581
Change in net unrealized gains and losses on investments	(200,296)	3,837,886
Net investment income	\$ 6,430,174	5,311,144

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(2) Investments, continued**

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, 2021 and 2020:

	Fair Value	Quoted Market Price (Level 1)	Significant Unobservable Inputs (Level 3)
<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
<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

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 2021 and 2020.

**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 material change in the fair value of these assets in 2021 and 2020.

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

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

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

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.

	2021	2020
Cash and cash equivalents	\$ 8,617,283	5,804,187
Investments – equity and fixed securities	53,893,507	49,973,204
Total financial assets	62,510,790	55,777,391
Less:		
Grants Payable	-	(462,507)
Contractual or donor-imposed restrictions	(54,941,121)	(48,620,348)
Board designated funds	(6,768,468)	(3,707,895)
Financial assets available to meet cash needs for general expenditures within one year	\$ 801,201	2,986,641

**(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, 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, 2021 and 2020, there were no lots sold. Management of the Foundation believes the carrying value of the lots approximates fair value as of December 31, 2021 and 2020.

**(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, 2021 and 2020, 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 building 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.

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

Net assets without donor restrictions as of December 31, 2021 and 2020 consist of:

	2021	2020
Undesignated	\$ 820,735	2,979,196
Board designated:		
Cares & Shares Endowment Fund	2,491,927	2,303,500
Other programs	4,276,541	1,404,395
Total board designated	6,768,468	3,707,895
Total net assets without donor restrictions	\$ 7,589,203	6,687,091

**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, 2021 and 2020:

	2021	2020
<b>Restricted subject to timing or expenditure for specific purpose:</b>		
Employment	\$ 4,955,255	4,391,207
Health	7,076,277	6,456,953
Education	2,038,226	1,757,454
Environment preservation	3,377,432	2,939,060
Equity inclusion	2,892,040	2,489,300
Health/shelter	2,862,045	2,470,749
Human conditions	5,268,242	4,558,956
Real estate	1,757,854	1,762,046
Other temporarily restricted funds	14,390,852	14,136,690
	44,618,223	40,962,415
<b>Restricted in perpetuity:</b>		
Housing	492,355	732,358
Arts and culture	1,703,726	1,593,879
International Peace	1,594,172	1,465,877
Sports/Recreational	2,567,492	2,293,255
Other permanently restricted funds	7,869,616	5,444,344
	14,227,361	11,529,713
<b>Total net assets with donor restrictions</b>	<b>\$ 58,845,584</b>	<b>52,492,128</b>

Donor advised funds included in net assets with donor restrictions amounted to \$881,516 and \$679,944 at December 31, 2021 and 2020, 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. 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.

**COMMUNITY FOUNDATION OF GREATER MUSCATINE**

**Notes to Financial Statements**

**(9) Endowments, continued**

A summary of endowment activity for the year ended December 31, 2021 and 2020 is as follows:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total Endowments</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	832,708	2,178,621	3,011,329
Net assets, end of year	<u>\$ 16,568,301</u>	<u>5,769,995</u>	<u>22,338,296</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>

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) Facility Lease**

The Foundation leases office space under a monthly operating lease. The total rental expense (including related common area maintenance expenses) amounted to \$18,122 and \$11,446 for the years ended December 31, 2021 and 2020, respectively.

**(11) 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.

**(12) Commitments**

The Board has approved grants and scholarships amounting to approximately \$864,000 which will be paid in future years as the conditions of the grant or scholarship have been satisfied by the grantor.

COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

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

(14) Economic Impacts

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 the Foundation's financial statements

The Foundation received advances of \$52,257 in both 2021 and 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 July 20, 2021 and October 9, 2020 that the qualifying expense criteria was met and that the loans were forgiven. Accordingly, the PPP loans have been considered forgiven as of December 31, 2021 and 2020 and have been reflected as other revenue in the statement of activities in 2021 and 2020.