

# **Community Foundation of Greater Dubuque**

Consolidated Financial Statements  
December 31, 2022

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Community Foundation of Greater Dubuque

### Opinion

We have audited the consolidated financial statements of Community Foundation of Greater Dubuque and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of 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 a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 of the Foundation'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 the Foundation'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.

*RSM US LLP*

Des Moines, Iowa  
August 11, 2023

**Community Foundation of Greater Dubuque**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 10,039,693	\$ 15,962,347
Investments	120,339,311	127,455,451
Promises to give, net	175,258	184,196
Prepaid expenses and other assets	164,124	229,574
Property and equipment, net	822,397	782,526
Arbitrage annuities	600,000	600,000
Assets held in charitable gift annuity	203,124	272,146
Right of use asset	128,618	-
<b>Total assets</b>	<b>\$ 132,472,525</b>	<b>\$ 145,486,240</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 161,291	\$ 136,912
Accrued expenses	84,700	117,766
Grants payable	110,447	143,986
Note payable	304,170	466,707
Amounts due under annuity agreement	50,747	24,383
Deferred compensation payable	164,124	229,574
Deferred lease liability	-	133,333
Funds held for others	19,002,280	21,839,729
Operating lease liability	232,535	-
<b>Total liabilities</b>	<b>20,110,294</b>	<b>23,092,390</b>
Net assets:		
Without donor restrictions:		
Undesignated	1,509,780	1,400,484
Board-designated	18,923,217	16,164,725
Board-designated endowment	91,661,611	104,552,158
	<b>112,094,608</b>	<b>122,117,367</b>
With donor restrictions	267,623	276,483
<b>Total net assets</b>	<b>112,362,231</b>	<b>122,393,850</b>
<b>Total liabilities and net assets</b>	<b>\$ 132,472,525</b>	<b>\$ 145,486,240</b>

See notes to consolidated financial statements.

**Community Foundation of Greater Dubuque**

**Consolidated Statement of Activities  
Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:			
Contributions of cash and other financial assets	\$ 14,866,469	\$ 200,000	\$ 15,066,469
Contributions of nonfinancial assets	246,524	-	246,524
Service fee income	252,679	-	252,679
Net investment loss	(15,925,422)	-	(15,925,422)
Change in value of split-interest agreements	(18,620)	-	(18,620)
Other revenue	95,053	-	95,053
Net assets released from restrictions	208,860	(208,860)	-
<b>Total revenue (loss) and support</b>	<b>(274,457)</b>	<b>(8,860)</b>	<b>(283,317)</b>
Expenses:			
Program services expense:			
Grants to others	5,679,248	-	5,679,248
Community programs	2,998,727	-	2,998,727
<b>Total program services expenses</b>	<b>8,677,975</b>	<b>-</b>	<b>8,677,975</b>
Supporting services expense:			
Management and general	964,260	-	964,260
Fundraising and development	106,067	-	106,067
<b>Total supporting services expenses</b>	<b>1,070,327</b>	<b>-</b>	<b>1,070,327</b>
<b>Total expenses</b>	<b>9,748,302</b>	<b>-</b>	<b>9,748,302</b>
<b>Change in net assets</b>	<b>(10,022,759)</b>	<b>(8,860)</b>	<b>(10,031,619)</b>
Net assets:			
Beginning of year	122,117,367	276,483	122,393,850
End of year	<b>\$ 112,094,608</b>	<b>\$ 267,623</b>	<b>\$ 112,362,231</b>

See notes to consolidated financial statements.

**Community Foundation of Greater Dubuque**

**Consolidated Statement of Activities  
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support and gains:</b>			
Contributions of cash and other financial assets	\$ 22,550,176	\$ 304,500	\$ 22,854,676
Contributions of nonfinancial assets	58,395	-	58,395
Service fee income	274,431	-	274,431
Net investment gain	14,965,344	-	14,965,344
Change in value of split-interest agreements	45,358	-	45,358
Other revenue	48,053	-	48,053
Net assets released from restrictions	211,792	(211,792)	-
<b>Total revenue and support</b>	<b>38,153,549</b>	<b>92,708</b>	<b>38,246,257</b>
<b>Expenses:</b>			
Program services expense:			
Grants to others	5,877,357	-	5,877,357
Community programs	2,287,849	-	2,287,849
<b>Total program services expenses</b>	<b>8,165,206</b>	<b>-</b>	<b>8,165,206</b>
Supporting services expense:			
Management and general	774,899	-	774,899
Fundraising and development	92,775	-	92,775
<b>Total supporting services expenses</b>	<b>867,674</b>	<b>-</b>	<b>867,674</b>
<b>Total expenses</b>	<b>9,032,880</b>	<b>-</b>	<b>9,032,880</b>
<b>Change in net assets</b>	<b>29,120,669</b>	<b>92,708</b>	<b>29,213,377</b>
<b>Net assets:</b>			
Beginning of year	92,996,698	183,775	93,180,473
End of year	\$ 122,117,367	\$ 276,483	\$ 122,393,850

See notes to consolidated financial statements.

**Community Foundation of Greater Dubuque**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (10,031,619)	\$ 29,213,377
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	110,554	84,084
Realized and unrealized (gains) losses on investments, net	18,605,820	(12,790,256)
Contributions of stock	(2,396,153)	(1,346,485)
Change in assets held in charitable gift annuity	95,386	(27,044)
Change in value of split-interest agreements held	30,939	45,358
Amortization of deferred lease liability	-	(13,334)
Noncash lease expense	36,308	-
Changes in operating assets and liabilities:		
Promises to give	8,938	74,663
Prepaid expenses and other assets	65,450	(33,427)
Accounts payable	24,379	14,829
Accrued expenses	(33,066)	(90,620)
Grants payable	(33,539)	37,406
Deferred compensation payable	(65,450)	33,427
Operating lease liability	(65,724)	-
Funds held for others	(2,837,449)	3,352,742
<b>Net cash provided by operating activities</b>	<b>3,514,774</b>	<b>18,554,720</b>
Cash flows from investing activities:		
Purchases of investments	(30,173,115)	(64,533,330)
Proceeds from sales of investments	21,048,649	55,926,530
Purchases of property and equipment	(150,425)	(38,695)
<b>Net cash used in investing activities</b>	<b>(9,274,891)</b>	<b>(8,645,495)</b>
Cash flows from financing activities:		
Principal payments on note payable	(162,537)	(206,891)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,922,654)</b>	<b>9,702,334</b>
Cash and cash equivalents:		
Beginning of year	15,962,347	6,260,013
End of year	<b>\$ 10,039,693</b>	<b>\$ 15,962,347</b>

(Continued)



**Community Foundation of Greater Dubuque**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	2021
Schedule of noncash financing and investing activities:		
Right-of-use asset obtained in exchange for operating lease liability, net of reduction of deferred rent liability against right-of-use asset	<u><u>\$ 164,926</u></u>	<u><u>\$ -</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u><u>\$ 12,263</u></u>	<u><u>\$ 41,297</u></u>
Cash paid for amounts included in measurement of operating lease liability	<u><u>\$ 70,010</u></u>	<u><u>\$ -</u></u>

See notes to consolidated financial statements.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 1. Principal Activity and Significant Accounting Policies

**Organization:** The Community Foundation of Greater Dubuque (Foundation) is a nonprofit foundation established to support the scientific, educational and charitable activities in the seven-county Dubuque region, which comprises the Iowa counties of Dubuque, Allamakee, Delaware, Clayton, Clinton, Jackson and Jones, and the individual communities within them. The Foundation is supported through contributions from the general public and area organizations.

The financial statements of the Foundation include its affiliates, Clayton County Foundation for the Future, Dyersville Area Community Foundation, Allamakee County Community Foundation, Foundation for the Future of Delaware County, Jones County Community Foundation, Community Foundation of Jackson County, Lincoln Way Community Foundation and River Bluff Community Foundation. The Foundation and its affiliates are collectively referred to herein as the Foundation.

CFGD Real Estate, LLC and CFGD Charitable Trust, were established to assist the Foundation with its charitable giving needs. The Foundation exercises control and economic interest of these two separate entities.

**Principles of consolidation:** The consolidated financial statements (collectively, the financial statements) include the affiliates described above and the accounts of CFGD Real Estate, LLC and CFGD Charitable trust. All material intercompany balances and transactions are eliminated in consolidation.

**Cash and cash equivalents:** The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are not board-designated for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments that are board-designated are excluded from this definition.

**Concentration risk:** The Foundation maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

**Promises to give:** Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The Foundation had no allowance for uncollectible pledges at both December 31, 2022 and 2021.

Unconditional promises to give as of December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Within one year	\$ 113,290	\$ 99,719
In one to five years	45,000	45,000
Over five years	30,000	45,000
	188,290	189,719
Less unamortized discount rates ranging from 0.6% to 1.6%	(13,032)	(5,523)
	<u>\$ 175,258</u>	<u>\$ 184,196</u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 1. Principal Activity and Significant Accounting Policies (Continued)

**Property and equipment:** Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 15 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Foundation has determined that there are no long-lived asset impairments for the years ended December 31, 2022 or 2021.

**Arbitrage annuities:** Arbitrage annuities are designed to provide the Foundation with interest and annuity payments throughout the life of the insured annuitant. The Foundation is the owner and named beneficiary of life insurance policies in the amount of the initial investment in these contracts. These investments are recorded at the original amount invested.

**Charitable gift annuities:** Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

**Investments:** The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees (see Note 5).

**Grants payable:** Grants payable represent grants approved at year-end, but not yet paid to the beneficiaries.

**Deferred lease liability:** Deferred rent incentive represents funds received by the Foundation from its landlord in relation to leasehold improvements made to its offices. The balance is being amortized on a straight-line basis over the life of the lease. On January 1, 2022, the deferred rent incentive totaling \$133,333 was removed and recorded net of operating lease right-of-use asset upon implementation of ASC 842, Leases. See Note 9.

**Deferred compensation payable:** The Foundation has a deferred compensation agreement covering the executive director. The Foundation contributes a percentage of the executive director's salary quarterly to an investment account. The executive director is immediately vested in contributions when made.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 1. Principal Activity and Significant Accounting Policies (Continued)

**Funds held for others:** The Foundation invests funds for other organizations that have sole discretion over the use of these assets. All financial activity related to these funds is recorded as adjustments to the funds held for others liability and is omitted from the statement of activities. The Foundation charges service fees for managing these funds.

**Net assets:** Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without donor restrictions**—Net assets not subject to donor-imposed stipulations and are available for use in general operations. Board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and the board-designated endowment.

**With donor restrictions**—Net assets subject to donor-imposed stipulations that require they be maintained permanently or that may or will be met by expenditures, actions and/or the passage of time.

**Contributions:** Unconditional contributions received or pledged are reported as without donor restriction or with donor restriction support, depending on the existence or nature of any donor restrictions. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under the gifting agreements the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of directors, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the charitable needs of the community. These contributions are recorded as without restriction.

**Revenue (loss) and support:** The Foundation recognizes revenue by following the five-step model under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606 to achieve the core principle that the Foundation recognizes revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The five-step model requires that the Foundation (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (4) allocate the transaction price to the respective performance obligations in the contract and (5) recognize revenue as the performance obligation is satisfied. The Foundation's main revenue streams consisting of contributions and investment gain (loss) are scoped out of ASC 606.

Service fee income and other revenue is recognized when the performance obligation is satisfied, and control is transferred at a point in time. Program service fees received in advance are deferred to the applicable point in time in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Contributed nonfinancial assets:** Volunteers contribute significant amounts of time to the Foundation's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 1. Principal Activity and Significant Accounting Policies (Continued)

**Advertising costs:** Advertising costs of \$112,000 and \$67,782 were expensed as incurred for the years ended December 31, 2022 and 2021, respectively.

**Income taxes:** The Foundation is organized as an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under section 501(a) of the Internal Revenue Code as Foundations described in section 501(c)(3), qualifies for the charitable contribution deduction under sections 170(b)(1)(A)(vi), and has been determined not to be a private foundation under section 509(a)(1). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Foundation is subject to unrelated business income tax and will file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and those differences could be material.

**Reclassification:** Certain items on the statement of activities for the year ended December 31, 2021, have been reclassified with no effect on the change in net assets, to be consistent with the presentation used as of December 31, 2022.

**Recent accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Foundation adopted the standard on January 1, 2022, utilizing the modified retrospective transition method with no adjustments to the prior period presented. Additionally, the Foundation elected the package of practical expedients to not reassess the original conclusion reached regarding leases identification, lease classification and initial direct costs. The adoption of the standard resulted in the recognition of an operating lease right-of-use asset and liability totaling \$164,926 and \$289,259 on the consolidated statement of financial position as of January 1, 2022 as well as expanded qualitative and quantitative disclosures included in Note 9. The adoption of the standard did not materially impact the consolidated statements of activities or cash flows.

In September 2022, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which require a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The Foundation adopted the standard during the year ended December 31, 2022, and was applied retrospectively. The adoption of 2020-07 resulted in contributed nonfinancial assets being reported on the statement of activities.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

#### Note 1. Principal Activity and Significant Accounting Policies (Continued)

**Subsequent events:** Subsequent events have been evaluated through August 11, 2023, the date the financial statements were available to be issued.

#### Note 2. Classification of Expenses

The following reflects the classification of the Foundation's expenses, by both the underlying nature of the expense and function, for the years ended December 31, 2022 and 2021. An individual expense is allocated to the underlying activity through which it was incurred. Certain expenses are allocated on a reasonable basis which has been consistently applied based on actual usage or project purpose.

	2022			
	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Grants	\$ 5,679,248	\$ -	\$ -	\$ 5,679,248
Salaries and benefits	1,387,704	529,692	81,129	1,998,525
Insurance	104,601	7,087	449	112,137
Rent	64,906	36,899	3,390	105,195
Parking	6,255	5,129	284	11,668
Technology supplies and services	87,813	53,244	3,894	144,951
Professional services	325,758	96,923	7,297	429,978
Office and other expense	69,946	49,188	3,390	122,524
Memberships and publications	44,867	15,115	27	60,009
Travel	26,041	12,073	1,355	39,469
Program support expenses	782,897	24,393	1,818	809,108
Marketing	89,249	20,144	2,607	112,000
Capital purchases and repairs	675	-	-	675
Loan interest	8,015	3,819	427	12,261
Depreciation expense	-	110,554	-	110,554
	<u>\$ 8,677,975</u>	<u>\$ 964,260</u>	<u>\$ 106,067</u>	<u>\$ 9,748,302</u>

**Community Foundation of Greater Dubuque**

**Notes to Consolidated Financial Statements**

**Note 2. Classification of Expenses (Continued)**

	2021			
	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Grants	\$ 5,877,357	\$ -	\$ -	\$ 5,877,357
Salaries and benefits	1,352,363	434,161	71,525	1,858,049
Insurance	102,971	8,356	336	111,663
Rent	83,646	27,833	2,850	114,329
Parking	5,062	4,319	228	9,609
Technology supplies and services	75,788	36,664	3,056	115,508
Professional services	243,749	113,094	7,163	364,006
Office and other expense	52,519	22,035	679	75,233
Memberships and publications	44,162	11,902	57	56,121
Travel	13,373	6,395	620	20,388
Program support expenses	216,889	2,797	2,583	222,269
Marketing	50,867	14,604	2,311	67,782
Capital purchases and repairs	8,475	3,282	762	12,519
Loan interest	35,319	5,373	605	41,297
Depreciation expense	2,666	84,084	-	86,750
	<u>\$ 8,165,206</u>	<u>\$ 774,899</u>	<u>\$ 92,775</u>	<u>\$ 9,032,880</u>

**Note 3. Liquidity**

The Foundation's financial assets available within one year from the statement of financial position dates for general operating expenses are as follows:

	2022	2021
Cash and cash equivalents	\$ 1,314,829	\$ 1,385,045
Board designated, fiscal endowment payout	148,874	148,780
	<u>1,463,703</u>	<u>1,533,825</u>
Less operating reserve	(664,288)	(552,207)
	<u>\$ 799,415</u>	<u>\$ 981,618</u>

The Foundation has \$799,415 and \$981,618 of financial assets available within one year of December 31, 2022 and 2021, respectively, to meet cash needs for general expenditure consisting of cash and investments, other assets and endowment payouts received for operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Foundation has a policy to maintain financial assets, which consist of cash and cash equivalents, on hand to meet six months of normal supporting services expenses, which are, on average, approximately \$1,300,000 and \$1,100,000 as of December 31, 2022 and 2021, respectively. At times, the Board of Directors designates a portion of any operating surplus to its Operating Reserve, which totaled \$664,288 and \$552,207 at December 31, 2022 and 2021, respectively. The Operating Reserve may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the Foundation's routine course of operations.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### **Note 4. Fair Value Measurements and Disclosures**

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

**Level 1:** Quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

**Level 3:** Unobservable inputs for the asset or liability. In these situations, inputs are developed market assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of equity securities and mutual funds with readily determinable fair values based on daily redemption values. Common stock represents stock in a nonpublic company and is valued by the custodian using pricing models for similar stocks, and are classified within Level 2.



## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

#### Note 4. Fair Value Measurements and Disclosures (Continued)

The following table presents assets measured at fair value on a recurring basis at December 31, 2022 and 2021:

	Fair Value Measurements at December 31, 2022			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Equity securities	\$ 101,042,894	\$ 101,042,894	\$ -	\$ -
Fixed income mutual funds	16,295,482	16,295,482	-	-
	<u>117,338,376</u>	<u>\$ 117,338,376</u>	<u>\$ -</u>	<u>\$ -</u>
Other investments not at fair value (cost):				
Cash surrender value of life insurance policies	1,011,605			
Cash and money market	1,989,330			
	<u>3,000,935</u>			
Total investments	<u>\$ 120,339,311</u>			
Assets held in charitable gift annuity:				
Fixed income mutual funds	\$ 74,138	\$ 74,138	\$ -	\$ -
Equity securities	117,926	117,926	-	-
	<u>192,064</u>	<u>\$ 192,064</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and money market (cost)	11,060			
Total assets held in charitable gift annuity	<u>\$ 203,124</u>			

**Community Foundation of Greater Dubuque**

**Notes to Consolidated Financial Statements**

**Note 4. Fair Value Measurements and Disclosures (Continued)**

	Fair Value Measurements at December 31, 2021			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Common stock	\$ 384,874	\$ -	\$ 384,874	\$ -
Equity securities	106,646,930	106,646,930	-	-
Fixed income mutual funds	17,335,522	17,335,522	-	-
	<u>124,367,326</u>	<u>\$ 123,982,452</u>	<u>\$ 384,874</u>	<u>\$ -</u>
Other investments not at fair value (cost):				
Cash surrender value of life insurance policies	980,666			
Cash and money market	2,107,459			
	<u>3,088,125</u>			
 Total investments	 <u>\$ 127,455,451</u>			
Assets held in charitable gift annuity:				
Fixed income mutual funds	\$ 98,521	\$ 98,521	\$ -	\$ -
Equity securities	163,218	163,218	-	-
	<u>261,739</u>	<u>\$ 261,739</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and money market (cost)	<u>10,407</u>			
Total assets held in charitable gift annuity	<u>\$ 272,146</u>			

**Note 5. Net Investment Income (Loss)**

Net investment income (loss) consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 3,008,676	\$ 2,477,819
Net realized and unrealized gains (losses), net	(18,605,820)	12,790,256
Less investment management and custodial fees	(328,278)	(302,731)
	<u>\$ (15,925,422)</u>	<u>\$ 14,965,344</u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 6. Property and Equipment

Property and equipment at December 31, 2022 and 2021, included the following:

	2022	2021
Leasehold improvements	\$ 794,872	\$ 794,872
Equipment	698,068	602,426
Total property and equipment	1,492,940	1,397,298
Less accumulated depreciation	670,543	614,772
Net property and equipment	<u>\$ 822,397</u>	<u>\$ 782,526</u>

#### Note 7. Funds Held for Others

The change in funds held for others for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Balance, beginning of year	\$ 21,839,729	\$ 18,486,987
Contributions	915,933	1,638,061
Interest and dividends	573,687	573,506
Net realized and unrealized gains (losses)	(3,375,192)	2,484,863
Grant revenue	77,912	100,435
Fees	(255,585)	(276,199)
Grant expense	(698,127)	(1,107,344)
Other expenses	(76,077)	(60,580)
Balance, end of year	<u>\$ 19,002,280</u>	<u>\$ 21,839,729</u>

#### Note 8. Note Payable

The Foundation has a note payable with borrowings of up to \$850,000 available bearing interest at 3.25%. Principal and interest payments of \$18,700 are due quarterly, with any remaining principal and interest to be paid at maturity in September 2025. The note payable requires a minimum balance of \$1,700,000 to be maintained in an account held with the lender in cash or liquid securities. At December 31, 2022 and 2021, \$7,833,722 and \$8,373,126, respectively, was held in this account, which is included in investments on the consolidated statements of financial position. The outstanding balance on the note payable was \$304,170 and \$466,707 at December 31, 2022 and 2021, respectively.

In February 2021, the Foundation received a \$284,200 Paycheck Protection Program (PPP) loan. The loan proceeds are forgiven if used within a stipulated timeframe to fund qualified payroll and benefit related expenditures, mortgage interest, rent and utilities payments. The Foundation applied for forgiveness and in September 2021 received forgiveness of the \$284,200 loan by the Small Business Administration. The debt forgiveness income of \$284,200 is included in contributions of cash and other financial assets on the consolidated statement of activities during the year ended December 31, 2021.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 8. Note Payable (Continued)

Maturities required on the note payable at December 31, 2022, are as follows:

Years ending December 31:	
2023	\$ 65,584
2024	67,750
2025	170,836
	<u>\$ 304,170</u>

#### Note 9. Leases

The Foundation leases office space under an operating lease that expires in March 2026. Under ASC 842, lessees recognize the right-of-use assets and lease liabilities on the statement of financial position. At December 31, 2022, the Foundation has an operating right-of-use asset and operating lease liability totaling \$128,618 and \$232,535, respectively.

The Foundation also elected the practical expedient under ASC 842 to combine lease and non-lease components into a single lease component when measuring right-of-use assets and lease liabilities. The Foundation's lease provides for non-lease component costs related to maintenance, insurance and taxes. Any variable costs are excluded from the measurement of the right-of-use asset or lease liability.

The Foundation recorded the following lease costs included in program services, management and general and fundraising and development expense on the consolidated statement of activities for the year ended December 31, 2022:

Operating lease cost	\$ 40,594
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During the year ended December 31, 2022, rent expense, including maintenance, insurance and taxes under operating leases totaled approximately \$65,000.

Operating lease liabilities are recorded at the present value of remaining lease payments not yet paid for the lease term using the applicable discount rate. Under ASC 842, the Foundation has made the accounting policy election to use a risk-free discount rate for all leases. The following is a schedule of future minimum rental payments required under the operating lease as of December 31, 2022:

Years ending December 31:	
2023	\$ 73,410
2024	73,410
2025	73,410
2026	18,352
Total minimum lease payments	<u>238,582</u>
Less interest	6,047
Present value of operating lease liability	<u>\$ 232,535</u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 9. Leases (Continued)

The following is a schedule of weighted-average remaining lease term and weighted average discount rate for the operating lease as of December 31, 2022:

Weighted-average remaining lease term (years)	3.15
Weighted-average discount rate	1.63%

#### Note 10. Endowments

The Board of Directors of the Foundation has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds, unless there are explicit donor stipulations to the contrary. For the years ended December 31, 2022 and 2021, there were no such donor stipulations.

- The Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds:
- The duration and preservation of the fund
- The purposes of the Foundation and the board-designated endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

**Investment and spending policies:** The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is 6.25% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment. During the year ended December 31, 2022, 5% of the fair value of the endowment investments for the prior 20 quarter moving average are available for distribution for the upcoming year. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and sets the rate with the objective of maintaining the purchasing power of the Endowment over time.

**Community Foundation of Greater Dubuque**

**Notes to Consolidated Financial Statements**

**Note 10. Endowments (Continued)**

Changes in Endowment net assets and net asset composition by type for December 31, 2022 and 2021, are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 104,552,158	\$ -	\$ 104,552,158
Investment return:			
Investment income, net of fees	2,508,515	-	2,508,515
Net realized and unrealized loss	(16,397,712)	-	(16,397,712)
	90,662,961	-	90,662,961
Contributions	6,145,514	-	6,145,514
Appropriation of endowment assets pursuant to spending-rate policy	(5,146,864)	-	(5,146,864)
Endowment net assets, end of year	<u>\$ 91,661,611</u>	<u>\$ -</u>	<u>\$ 91,661,611</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 77,164,271	\$ -	\$ 77,164,271
Investment return:			
Investment income, net of fees	2,051,714	-	2,051,714
Net realized and unrealized gain	11,613,560	-	11,613,560
	90,829,545	-	90,829,545
Contributions	20,336,617	-	20,336,617
Appropriation of endowment assets pursuant to spending-rate policy	(6,614,004)	-	(6,614,004)
Endowment net assets, end of year	<u>\$ 104,552,158</u>	<u>\$ -</u>	<u>\$ 104,552,158</u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2022 and 2021:

Net assets released from restrictions follows:

	2022	2021
Restricted by donors for:		
Community programs	\$ 190,655	\$ 177,006
Promises to give, time	76,968	99,477
	<u>\$ 267,623</u>	<u>\$ 276,483</u>
Satisfaction of purpose restrictions:		
Community programs	<u>\$ 208,860</u>	<u>\$ 211,792</u>

#### Note 12. Pension Plan

The Foundation sponsors a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code covering employees who are scheduled to work 20 or more hours per week. The Foundation may also make a discretionary match of 50% of the first 6% of employee contributions based on certain eligibility requirements. Total expenses during the years ended December 31, 2022 and 2021, were \$41,954 and \$31,094, respectively.