

Community Foundation of Greater Dubuque

Consolidated Financial Statements
December 31, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-19



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, 2021 and 2020, 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, 2021 and 2020, 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
June 27, 2022

Community Foundation of Greater Dubuque

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 15,962,347	\$ 6,260,013
Investments	127,455,451	104,757,268
Promises to give, net	184,196	258,859
Prepaid expenses and other assets	229,574	196,147
Property and equipment, net	782,526	827,915
Arbitrage annuities	600,000	600,000
Assets held in charitable gift annuity	272,146	268,297
	\$ 145,486,240	\$ 113,168,499
Liabilities and Net Assets		
Accounts payable	\$ 136,912	\$ 122,083
Accrued expenses	117,766	208,386
Grants payable	143,986	106,580
Note payable	466,707	673,598
Amounts due under annuity agreement	24,383	47,578
Deferred compensation payable	229,574	196,147
Deferred lease liability	133,333	146,667
Funds held for others	21,839,729	18,486,987
	23,092,390	19,988,026
Net assets:		
Without donor restrictions:		
Undesignated	1,400,484	1,020,178
Board-designated	16,164,725	14,812,249
Board-designated endowment	104,552,158	77,164,271
	122,117,367	92,996,698
With donor restrictions	276,483	183,775
	122,393,850	93,180,473
	\$ 145,486,240	\$ 113,168,499

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
Revenue, support and gains:			
Contributions and grants	\$ 22,559,026	\$ 304,500	\$ 22,863,526
Service fee income	274,431	-	274,431
Net investment gain	14,965,344	-	14,965,344
In-kind contributions	49,545	-	49,545
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)	-
Total revenue and support	38,153,549	92,708	38,246,257
Expenses:			
Program services expense:			
Grants to others	5,877,357	-	5,877,357
Community programs	2,287,849	-	2,287,849
Total program services expenses	8,165,206	-	8,165,206
Supporting services expense:			
Management and general	774,899	-	774,899
Fundraising and development	92,775	-	92,775
Total supporting services expenses	867,674	-	867,674
Total expenses	9,032,880	-	9,032,880
Change in net assets	29,120,669	92,708	29,213,377
Net assets:			
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 Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:			
Contributions and grants	\$ 10,041,935	\$ 242,083	\$ 10,284,018
Service fee income	243,294	-	243,294
Net investment gain	8,463,792	-	8,463,792
In-kind contributions	40,555	-	40,555
Change in value of split-interest agreements	(12,623)	-	(12,623)
Other revenue	77,451	-	77,451
Net assets released from restrictions	251,628	(251,628)	-
Total revenue and support	19,106,032	(9,545)	19,096,487
Expenses:			
Program services expense:			
Grants to others	6,082,159	-	6,082,159
Community programs	2,027,739	-	2,027,739
Total program services expenses	8,109,898	-	8,109,898
Supporting services expense:			
Management and general	788,072	-	788,072
Fundraising and development	73,512	-	73,512
Total supporting services expenses	861,584	-	861,584
Total expenses	8,971,482	-	8,971,482
Change in net assets	10,134,550	(9,545)	10,125,005
Net assets, beginning of year	82,862,148	193,320	83,055,468
Net assets, end of year	\$ 92,996,698	\$ 183,775	\$ 93,180,473

See notes to consolidated financial statements.

Community Foundation of Greater Dubuque

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 29,213,377	\$ 10,125,005
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	84,084	89,705
Realized and unrealized gains on investments, net	(12,790,256)	(7,090,321)
Contributions of stock	(1,346,485)	(1,052,225)
Change in assets held in charitable gift annuity	(27,044)	(27,772)
Change in value of split-interest agreements held	45,358	12,623
Amortization of deferred lease liability	(13,334)	(13,333)
Changes in operating assets and liabilities:		
Promises to give	74,663	(70,964)
Prepaid expenses and other assets	(33,427)	(28,343)
Accounts payable	14,829	(16,240)
Accrued expenses	(90,620)	47,054
Grants payable	37,406	44,085
Deferred compensation payable	33,427	31,251
Deferred revenue	-	(37,500)
Funds held for others	3,352,742	1,616,254
Net cash provided by operating activities	18,554,720	3,629,279
Cash flows from investing activities:		
Purchases of investments	(64,533,330)	(19,313,705)
Proceeds from sales of investments	55,926,530	17,130,390
Purchases of property and equipment	(38,695)	(16,500)
Net cash used in investing activities	(8,645,495)	(2,199,815)
Cash flows from financing activities:		
Principal payments on note payable	(206,891)	(40,601)
Net increase in cash and cash equivalents	9,702,334	1,388,863
Cash and cash equivalents:		
Beginning of year	6,260,013	4,871,150
End of year	<u>\$ 15,962,347</u>	<u>\$ 6,260,013</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 41,297</u>	<u>\$ 36,479</u>

See notes to consolidated financial statements.

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

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 uncollectable pledges at both December 31, 2021 and 2020.

Unconditional promises to give as of December 31, 2021 and 2020, is summarized as follows:

	2021	2020
Within one year	\$ 99,719	\$ 156,427
In one to five years	45,000	45,000
Over five years	45,000	60,000
	189,719	261,427
Less unamortized discount rates ranging from 0.6% to 1.6%	(5,523)	(2,568)
	<u>\$ 184,196</u>	<u>\$ 258,859</u>

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

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, 2021 or 2020.

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 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 administrative offices. The balance is being amortized on a straight-line basis over the life of the lease.

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

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 and support: The Foundation recognizes revenue by following the five-step model under 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.

Donated services and in-kind contributions: 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

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

Advertising costs: Advertising costs of \$67,782 and \$88,569 were expensed as incurred for the years ended December 31, 2021 and 2020, 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.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (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 new standard is effective on January 1, 2022, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through June 27, 2022, the date the financial statements were available to be issued.

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

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, 2021 and 2020. 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.

	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
Special event 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
Deprecation 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>

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

Note 2. Classification of Expenses (Continued)

	2020			
	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Grants	\$ 6,082,159	\$ -	\$ -	\$ 6,082,159
Salaries and benefits	1,134,892	488,294	52,749	1,675,935
Insurance	102,859	3,633	261	106,753
Rent	95,582	22,342	2,781	120,705
Parking	6,186	4,446	220	10,852
Technology supplies and services	57,637	31,947	2,072	91,656
Professional services	229,236	97,185	7,042	333,463
Office and other expense	57,290	11,269	2,255	70,814
Memberships and publications	43,266	3,700	14	46,980
Travel	16,486	9,498	344	26,328
Special event expenses	184,866	2,049	2,525	189,440
Marketing	70,319	16,214	2,036	88,569
Capital purchases and repairs	1,247	-	397	1,644
Loan interest	27,340	8,323	816	36,479
Deprecation expense	533	89,172	-	89,705
	<u>\$ 8,109,898</u>	<u>\$ 788,072</u>	<u>\$ 73,512</u>	<u>\$ 8,971,482</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:

	2021	2020
Cash and cash equivalents	\$ 1,385,045	\$ 1,187,539
Board designated, fiscal endowment payout	148,780	121,220
	<u>1,533,825</u>	<u>1,308,759</u>
Less operating reserve	<u>(552,207)</u>	<u>(538,921)</u>
	<u>\$ 981,618</u>	<u>\$ 769,838</u>

The Foundation has \$981,618 and \$769,838 of financial assets available within one year of December 31, 2021 and 2020, 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 \$1,100,000 and \$1,000,000 as of December 31, 2021 and 2020, respectively. At times, the Board of Directors designates a portion of any operating surplus to its Operating Reserve, which totaled \$552,207 and \$538,921 at December 31, 2021 and 2020, 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

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, 2021 and 2020:

	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)	10,407	-	-	-
Total assets held in charitable gift annuity	<u>\$ 272,146</u>	<u>\$ 261,739</u>	<u>\$ -</u>	<u>\$ -</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, 2020			
	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	\$ 368,144	\$ -	\$ 368,144	\$ -
Equity securities	87,859,071	87,859,071	-	-
Fixed income mutual funds	14,366,518	14,366,518	-	-
	<u>102,593,733</u>	<u>\$ 102,225,589</u>	<u>\$ 368,144</u>	<u>\$ -</u>
Other investments not at fair value (cost):				
Cash surrender value of life insurance policies	935,309			
Cash and money market	1,228,226			
	<u>2,163,535</u>			
 Total investments	 <u>\$ 104,757,268</u>			
 Assets held in charitable gift annuity:				
Fixed income mutual funds	\$ 96,508	\$ 96,508	\$ -	\$ -
Equity securities	166,758	166,758	-	-
	<u>263,266</u>	<u>263,266</u>	<u>-</u>	<u>-</u>
Cash and money market (cost)	5,031	-	-	-
Total assets held in charitable gift annuity	<u>\$ 268,297</u>	<u>\$ 263,266</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5. Net Investment Income

Net investment income consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 2,477,819	\$ 1,629,008
Net realized and unrealized gains	12,790,256	7,090,321
Less investment management and custodial fees	(302,731)	(255,537)
	<u>\$ 14,965,344</u>	<u>\$ 8,463,792</u>

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

Note 6. Property and Equipment

Property and equipment at December 31, 2021 and 2020, included the following:

	2021	2020
Leasehold improvements	\$ 794,872	\$ 794,872
Equipment	602,426	563,731
Total property and equipment	1,397,298	1,358,603
Less accumulated depreciation	614,772	530,688
Net property and equipment	<u>\$ 782,526</u>	<u>\$ 827,915</u>

Note 7. Funds Held for Others

The change in funds held for others for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Balance, beginning of year	\$ 18,486,987	\$ 16,870,733
Contributions	1,638,061	469,782
Interest and dividends	573,506	334,378
Net realized and unrealized gains	2,484,863	1,547,654
Grant revenue	100,435	8,763
Fees	(276,199)	(244,010)
Grant expense	(1,107,344)	(430,972)
Other expenses	(60,580)	(69,341)
Balance, end of year	<u>\$ 21,839,729</u>	<u>\$ 18,486,987</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. At December 31, 2021 and 2020, \$8,373,126 and \$9,300,961, 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 \$466,707 and \$673,598 at December 31, 2021 and 2020, respectively.

In April 2020, the Foundation received a \$268,400 Paycheck Protection Program (PPP) loan. In February 2021, the Foundation received a \$284,200 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 December 2020 received forgiveness of the \$268,400 loan and in September 2021 received forgiveness of the \$284,200 loan by the Small Business Administration. The debt forgiveness income of \$268,400 and \$284,200 are included in contributions and grants on the consolidated statement of activities during the years ended December 31, 2021 and 2020, respectively.

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

Note 8. Note Payable (Continued)

Maturities required on the note payable at December 31, 2021, are as follows:

Years ending December 31:	
2022	\$ 162,537
2023	65,584
2024	67,750
2025	170,836
	<u>\$ 466,707</u>

Note 9. Leases

The Foundation leases office space under an operating lease that expires in March 2026. Rent expense for the years ended December 31, 2021 and 2020, totaled \$114,329 and \$120,705, respectively.

Future minimum lease payments, which includes the Foundation's share of maintenance, interest and taxes, are as follows:

Years ending December 31:	
2022	\$ 109,218
2023	109,218
2024	109,218
2025	109,218
2026	27,305
Total minimum lease payments	<u>\$ 464,177</u>

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, 2021 and 2020, 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

Community Foundation of Greater Dubuque

Notes to Consolidated Financial Statements

Note 10. Endowments (Continued)

- 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, 2021, 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.

Changes in Endowment net assets and net asset composition by type for December 31, 2021 and 2020, are as follows:

	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

Note 10. Endowments (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 69,535,215	\$ -	\$ 69,535,215
Investment return:			
Investment income, net of fees	1,381,840	-	1,381,840
Net realized and unrealized gain	6,230,210	-	6,230,210
	<u>77,147,265</u>	<u>-</u>	<u>77,147,265</u>
Contributions	3,784,656	-	3,784,656
Appropriation of endowment assets pursuant to spending-rate policy	<u>(3,767,650)</u>	<u>-</u>	<u>(3,767,650)</u>
Endowment net assets, end of year	<u>\$ 77,164,271</u>	<u>\$ -</u>	<u>\$ 77,164,271</u>

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2021 and 2020:

Net assets released from restrictions follows:

	2021	2020
Restricted by donors for:		
Community programs	\$ 177,006	\$ 46,343
Promises to give, time	99,477	137,432
	<u>\$ 276,483</u>	<u>\$ 183,775</u>
Satisfaction of purpose restrictions:		
Community programs	<u>\$ 211,792</u>	<u>\$ 251,628</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. The plan does a yearly match on June 30. Total expenses during the years ended December 31, 2021 and 2020, were \$31,094 and \$31,436, respectively.