

# Community Foundation of Greater Dubuque

Consolidated Financial Statements  
December 31, 2018

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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
Community Foundation of Greater Dubuque

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Greater Dubuque and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Greater Dubuque and its subsidiaries as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Des Moines, Iowa  
August 27, 2019

**Community Foundation of Greater Dubuque**

**Consolidated Statement of Financial Position  
December 31, 2018**

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**Assets**

Cash and cash equivalents	\$ 5,090,813
Investments	76,785,000
Promises to give, net	141,234
Prepaid expenses and other assets	153,892
Property and equipment, net	996,151
Arbitrage annuities	600,000
Assets held in charitable gift annuity	178,548
	<hr/>
<b>Total assets</b>	<b>\$ 83,945,638</b>

**Liabilities and Net Assets**

Accounts payable	\$ 93,111
Accrued expenses	135,606
Grants payable	196,545
Note payable	764,426
Amounts due under annuity agreement	61,762
Deferred compensation payable	129,048
Deferred revenue	37,500
Deferred lease liability	173,333
Funds held for others	14,423,268
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<b>Total liabilities</b>	<b>16,014,599</b>

Net assets:

Without donor restrictions:

Undesignated	811,667
Board-designated	9,895,708
Board-designated endowment	56,927,810
	<hr/>
	67,635,185

With donor restrictions

**Total net assets**

295,854
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67,931,039

**Total liabilities and net assets**

<b>\$ 83,945,638</b>
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See notes to consolidated financial statements.

**Community Foundation of Greater Dubuque**

**Consolidated Statement of Activities  
Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support and gains:</b>			
Contributions and grants	\$ 9,295,179	\$ 301,171	\$ 9,596,350
Service fee income	243,051	-	243,051
Net investment loss	(5,797,347)	-	(5,797,347)
In-kind contributions	71,541	-	71,541
Change in value of split-interest agreements	53,034	-	53,034
Other revenue	117,175	-	117,175
Net assets released from restrictions	267,346	(267,346)	-
<b>Total revenue and support</b>	<b>4,249,979</b>	<b>33,825</b>	<b>4,283,804</b>
<b>Expenses:</b>			
Program services expense:			
Grants to others	6,616,458	-	6,616,458
Community programs	1,444,673	-	1,444,673
<b>Total program services expenses</b>	<b>8,061,131</b>	<b>-</b>	<b>8,061,131</b>
Supporting services expense:			
Management and general	874,790	-	874,790
Fundraising and development	810,485	-	810,485
<b>Total supporting services expenses</b>	<b>1,685,275</b>	<b>-</b>	<b>1,685,275</b>
<b>Total expenses</b>	<b>9,746,406</b>	<b>-</b>	<b>9,746,406</b>
<b>Change in net assets</b>	<b>(5,496,427)</b>	<b>33,825</b>	<b>(5,462,602)</b>
Net assets, beginning of year	73,131,612	262,029	73,393,641
Net assets, end of year	<b>\$ 67,635,185</b>	<b>\$ 295,854</b>	<b>\$ 67,931,039</b>

See notes to consolidated financial statements.

**Community Foundation of Greater Dubuque**

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2018**

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Cash flows from operating activities:	
Change in net assets	\$ (5,462,602)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	98,632
Realized and unrealized (gains) losses on investments, net	7,098,262
Contributions of stock	(427,866)
Change in assets held in charitable gift annuity	11,690
Change in value of split-interest agreements held	(53,034)
Amortization of deferred lease liability	(13,334)
Changes in operating assets and liabilities:	
Promises to give	35,591
Prepaid expenses and other assets	12,550
Accounts payable	(80,199)
Accrued expenses	33,477
Grants payable	91,232
Deferred compensation payable	421
Deferred revenue	3,750
Funds held for others	(1,810,757)
<b>Net cash used in operating activities</b>	<u>(462,187)</u>
Cash flows from investing activities:	
Purchases of investments	(16,454,550)
Proceeds from sales of investments	17,774,226
Purchases of property and equipment	(2,995)
<b>Net cash provided by investing activities</b>	<u>1,316,681</u>
Cash flows from financing activities:	
Principal payments on note payable	(24,472)
<b>Net increase in cash and cash equivalents</b>	830,022
Cash and cash equivalents:	
Beginning of year	<u>4,260,791</u>
End of year	<u>\$ 5,090,813</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 25,620</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:** Community Foundation of Greater Dubuque (Foundation) is a nonprofit foundation established to support the scientific, educational and charitable activities in the greater Dubuque Metropolitan area including Northwest Illinois and Southwest Wisconsin. 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 include 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. At December 31, 2018, there was no allowance for uncollectable pledges.

Unconditional promises to give as of December 31, 2018, are summarized as follows:

Within one year	\$ 37,400
In one to five years	93,000
Over five years	24,000
	<u>154,400</u>
Less unamortized discount rates ranging from 1.8% to 2.6%	(13,166)
	<u><u>\$ 141,234</u></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 year ended December 31, 2018.

**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 statement of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital 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

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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. Unrestricted 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 or actions and/or the passage of time.

**Basis of presentation:** 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:** Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period 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.

**Advertising costs:** Advertising costs of \$123,096 were expensed as incurred, for the year ended December 31, 2018.

**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.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 31, 2018. Management is currently evaluating the effect that adopting this new accounting guidance will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The updated standard will be effective for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the potential impact that the adoption will have on the consolidated financial statements.

In February 2016, the FASB issued 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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

**Subsequent events:** Subsequent events have been evaluated through August 27, 2019, the date the financial statements were available to be issued.

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### 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 year ended December 31, 2018. 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.

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Grants	\$ 6,648,540	\$ 2,918	\$ -	\$ 6,651,458
Salaries and benefits	292,154	517,772	521,763	1,331,689
Insurance	14,950	6,220	5,053	26,223
Rent	21,552	47,822	50,039	119,413
Parking	3,512	4,176	4,634	12,322
Technology supplies and services	3,982	30,929	8,175	43,086
Professional services	311,557	51,990	79,912	443,459
Office and other expense	19,823	50,346	28,465	98,634
Memberships and publications	55,894	4,763	619	61,276
Travel	61,436	15,746	11,786	88,968
Special event expenses	505,237	6,792	38,528	550,557
Marketing	54,226	19,121	49,749	123,096
Capital purchases and repairs	66,623	2,216	3,134	71,973
Loan interest	-	16,992	8,628	25,620
Depreciation expense	1,645	96,987	-	98,632
	<u>\$ 8,061,131</u>	<u>\$ 874,790</u>	<u>\$ 810,485</u>	<u>\$ 9,746,406</u>

#### Note 3. Liquidity

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

Cash and cash equivalents	\$ 863,808
Other assets	2,150
Board designated:	
Fiscal 2018 endowment payout	<u>137,200</u>
	1,003,158
Less operating reserve	<u>(517,313)</u>
	<u>\$ 485,845</u>

The Foundation has \$485,845 of financial assets available within one year of the statement of financial position date 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 \$850,000. At times, the Board of Directors designates a portion of any operating surplus to its Operating Reserve, which totaled \$517,313 at December 31, 2018. 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 business.

## 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 open-end mutual funds with readily determinable fair values based on daily redemption values. Bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2. Common stock represents stock in a non-public 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, 2018.

	Fair Value Measurements at December 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Bonds	\$ 11,951,711	\$ -	\$ 11,951,711	\$ -
Common stock	232,540	-	232,540	-
Equity securities	49,683,982	49,683,982	-	-
Fixed income mutual funds	10,399,862	10,399,862	-	-
	<u>72,268,095</u>	<u>\$ 60,083,844</u>	<u>\$ 12,184,251</u>	<u>\$ -</u>
Other investments not at fair value (cost):				
Cash surrender value of life insurance policies	946,381			
Cash and money market	<u>3,570,524</u>			
	<u>4,516,905</u>			
Total investments	<u>\$ 76,785,000</u>			
Assets held in charitable gift annuity:				
Fixed income mutual funds	\$ 72,092	\$ 72,092	\$ -	\$ -
Equity securities	96,848	96,848	-	-
	<u>168,940</u>	<u>168,940</u>	<u>-</u>	<u>-</u>
Cash and money market (cost)	9,608	-	-	-
Total assets held in charitable gift annuity	<u>\$ 178,548</u>	<u>\$ 168,940</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 5. Net Investment Income

Net investment income consists of the following for the year ended December 31, 2018:

Interest and dividends	\$ 1,524,330
Net realized and unrealized gains (losses)	(7,098,262)
Less investment management and custodial fees	(223,415)
	<u>\$ (5,797,347)</u>

#### Note 6. Property and Equipment

Property and equipment at December 31, 2018, included the following:

Leasehold improvements	\$ 794,872
Equipment	707,024
Total property and equipment	<u>1,501,896</u>
Less accumulated depreciation	505,745
Net property and equipment	<u>\$ 996,151</u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### Note 7. Funds Held for Others

The change in funds held for others for the year ended December 31, 2018, is as follows:

Balance, December 31, 2017	\$ 16,234,025
Contributions	1,321,024
Interest and dividends	346,732
Net realized and unrealized gains (losses)	(1,619,184)
Grant revenue	129,356
Fees	(226,080)
Grant expense	(1,664,487)
Other expenses	(98,118)
Balance, December 31, 2018	<u><u>\$ 14,423,268</u></u>

#### Note 8. Note Payable

The Foundation has a note payable with borrowings of up to \$850,000 available bearing interest at 3.25 percent. Principal and interest payments of \$18,700 are due quarterly beginning July 15, 2018, with any remaining principal and interest to be paid at maturity (April 2021). The outstanding balance on the note payable was \$764,426 at December 31, 2018.

Maturities required on the note payable at December 31, 2018, are as follows:

Years ending December 31:	
2019	\$ 50,228
2020	51,840
2021	662,358
	<u><u>\$ 764,426</u></u>

#### Note 9. Leases

The Foundation leases office space under an operating lease that expires in March 2026. Rent expense for the year ended December 31, 2018, totaled \$119,413.

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

Years ending December 31:	
2019	\$ 109,218
2020	109,218
2021	109,218
2022	109,218
2023	109,218
Thereafter	245,741
Total minimum lease payments	<u><u>\$ 791,831</u></u>

## Community Foundation of Greater Dubuque

### Notes to Consolidated Financial Statements

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#### **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. At December 31, 2018, 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 percent 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 each year. Five percent (5 percent) of the fair value of the Endowment investments for the prior 12 quarter moving average is 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

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#### Note 10. Endowments (Continued)

Changes in Endowment net assets and net asset composition by type are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 59,636,390	\$ -	\$ 59,636,390
Investment return:			
Investment income, net of fees	1,314,492	-	1,314,492
Net realized and unrealized loss	(6,333,097)	-	(6,333,097)
	<u>54,617,785</u>	<u>-</u>	<u>54,617,785</u>
Contributions	5,738,267	-	5,738,267
Appropriation of endowment assets pursuant to spending-rate policy	(3,428,242)	-	(3,428,242)
Endowment net assets, end of year	<u>\$ 56,927,810</u>	<u>\$ -</u>	<u>\$ 56,927,810</u>

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

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Net assets released from restrictions follows:

Restricted by Donors for:	
Community programs	\$ 154,620
Promises to give, time	141,234
	<u>\$ 295,854</u>
Satisfaction of purpose restrictions:	
Community programs	<u>\$ 267,346</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 percent of the first 6 percent of employee contributions based on certain eligibility requirements. The plan does a yearly match on June 30. Total expenses during the year ended December 31, 2018, were \$29,858.