Community Foundation of Greater Dubuque

Consolidated Financial Statements
December 31, 2019

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Independent Auditor's Report

Board of Directors
Community Foundation of Greater Dubuque

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation of Greater Dubuque and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, 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, 2019, 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
July 7, 2020

Community Foundation of Greater Dubuque

Consolidated Statement of Financial Position
December 31, 2019

Assets	
Cash and cash equivalents	$ 4,871,150
Investments	94,444,030
Promises to give, net	187,895
Prepaid expenses and other assets	167,804
Property and equipment, net	901,120
Arbitrage annuities	600,000
Assets held in charitable gift annuity	263,719
Total assets	$ 101,435,718
Liabilities and Net Assets	
Accounts payable	$ 138,323
Accrued expenses	161,332
Grants payable	62,495
Note payable	714,199
Amounts due under annuity agreement	70,772
Deferred compensation payable	164,896
Deferred revenue	37,500
Deferred lease liability	160,000
Funds held for others	16,870,733
Total liabilities	18,380,250
Net assets:	
Without donor restrictions:	
Undesignated	814,368
Board-designated	12,512,565
Board-designated endowment	69,535,215
	82,862,148
With donor restrictions	193,320
Total net assets	83,055,468
Total liabilities and net assets	$ 101,435,718

See notes to consolidated financial statements.

Community Foundation of Greater Dubuque

Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:			
Contributions and grants	$ 10,321,687	$ 200,000	$ 10,521,687
Service fee income	241,608	-	241,608
Net investment gain	12,449,460	-	12,449,460
In-kind contributions	51,501	-	51,501
Change in value of split-interest agreements	1,551	-	1,551
Other revenue	85,768	-	85,768
Net assets released from restrictions	302,534	(302,534)	-
Total revenue and support	23,454,109	(102,534)	23,351,575
Expenses:			
Program services expense:			
Grants to others	4,933,190	-	4,933,190
Community programs	2,432,075	-	2,432,075
Total program services expenses	7,365,265	-	7,365,265
Supporting services expense:			
Management and general	787,355	-	787,355
Fundraising and development	74,526	-	74,526
Total supporting services expenses	861,881	-	861,881
Total expenses	8,227,146	-	8,227,146
Change in net assets	15,226,963	(102,534)	15,124,429
Net assets, beginning of year	67,635,185	295,854	67,931,039
Net assets, end of year	$ 82,862,148	$ 193,320	$ 83,055,468

See notes to consolidated financial statements.

Community Foundation of Greater Dubuque

Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	$ 15,124,429
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	95,031
Realized and unrealized gains on investments, net	(10,728,935)
Contributions of stock	(3,237,085)
Change in assets held in charitable gift annuity	(76,161)
Change in value of split-interest agreements held	(1,551)
Amortization of deferred lease liability	(13,333)
Changes in operating assets and liabilities:	
Promises to give	(46,661)
Prepaid expenses and other assets	(13,912)
Accounts payable	45,212
Accrued expenses	25,726
Grants payable	(134,050)
Deferred compensation payable	35,848
Deferred revenue	-
Funds held for others	2,447,465
Net cash provided by operating activities	3,522,023
Cash flows from investing activities:	
Purchases of investments	(138,075,168)
Proceeds from sales of investments	134,383,709
Net cash used in investing activities	(3,691,459)
Cash flows from financing activities:	
Principal payments on note payable	(50,227)
Net decrease in cash and cash equivalents	(219,663)
Cash and cash equivalents:	
Beginning of year	5,090,813
End of year	$ 4,871,150
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 24,573

See 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 activates 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. At December 31, 2019, there were no allowances for uncollectible pledges.

Unconditional promises to give as of December 31, 2019, is summarized as follows:

Within one year	$ 58,332
In one to five years	80,000
Over five years	60,000
	198,332
Less unamortized discount rates ranging from 1.8% to 3.6%	(10,437)
	$ 187,895

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, 2019.

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 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.

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 or 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: During the year ended December 31, 2019, the Foundation implemented Accounting Standards Update (ASU) No. 2014-09, *Revenue with Contracts from Customers (Topic 606)*. 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 income (loss) are scoped out of ASC 606. The Foundation determined that ASC 606 had no quantitative impact.

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.

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

Advertising costs: Advertising costs of $98,115 were expensed as incurred, for the year ended December 31, 2019.

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 June 2018, the Financial Accounting Standards Board (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 Foundation adopted the standard with no material effect on the 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 on January 1, 2021, 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 July 7, 2020, the date the financial statements were available to be issued.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have recently experienced a significant decline attributed to the coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Foundation’s results will depend upon future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Foundation, but such an impact could have a material adverse effect on the financial condition of the Foundation.

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

Subsequent to year end the Company received a $268,000 Paycheck Protection Program (PPP) loan. A portion of the loan proceeds will be forgiven if used within a stipulated timeframe to fund qualified payroll and benefit related expenditures, mortgage interest, rent and utilities payments. Any portion of the PPP loan not forgiven will be repaid over a period not to exceed two years and bears interest at 1.0%.

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, 2019. 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.

		Supporting Services		
	Program Services	Management and General	Fundraising and Development	Total
Grants	$ 4,930,582	$ 2,608	$ -	$ 4,933,190
Salaries and benefits	1,012,981	422,830	49,683	1,485,494
Insurance	103,325	3,402	392	107,119
Rent	98,051	20,275	3,922	122,248
Parking	9,847	3,342	398	13,587
Technology supplies and services	42,426	37,358	1,409	81,193
Professional services	296,087	110,997	7,142	414,226
Office and other expense	23,344	21,997	519	45,860
Memberships and publications	48,193	5,103	26	53,322
Travel	50,771	9,355	960	61,086
Special event expenses	638,106	5,053	7,020	650,179
Marketing	62,691	33,639	1,783	98,113
Capital purchases and repairs	15,483	9,958	412	25,853
Loan interest	32,413	7,372	860	40,645
Deprecation expense	965	94,066	-	95,031
	$ 7,365,265	$ 787,355	$ 74,526	$ 8,227,146

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	$ 1,027,747
Board designated:	
Fiscal 2020 endowment payout	120,930
	1,148,677
Less operating reserve	(527,102)
	$ 621,575

Note 3. Liquidity (Continued)

The Foundation has $621,575 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 $900,000. At times, the Board of Directors designates a portion of any operating surplus to its Operating Reserve, which totaled $527,102 at December 31, 2019. 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.

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.

Note 4. Fair Value Measurements and Disclosures (Continued)

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 nonpublic company and is valued by the custodian using pricing models for similar stocks, and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at December 31, 2019.

		Fair Value Measurements		
	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	$ 305,676	$ -	$ 305,676	$ -
Equity securities	77,822,611	77,822,611	-	-
Fixed income mutual funds	13,441,918	13,441,918	-	-
	91,570,205	$ 91,264,529	$ 305,676	$ -
Other investments not at fair value (cost):				
Cash surrender value of life insurance policies	947,932			
Cash and money market	1,925,893			
	2,873,825			
Total investments	$ 94,444,030			
Assets held in charitable gift annuity:				
Fixed income mutual funds	$ 97,244	$ 97,244	$ -	$ -
Equity securities	155,432	155,432	-	-
	252,676	252,676	-	-
Cash and money market (cost)	11,043	-	-	-
Total assets held in charitable gift annuity	$ 263,719	$ 252,676	$ -	$ -

Note 5. Net Investment Income

Net investment income consists of the following for the year ended December 31, 2019:

Interest and dividends	$ 1,969,503
Net realized and unrealized gains (losses)	10,728,935
Less investment management and custodial fees	(248,978)
	$ 12,449,460

Note 6. Property and Equipment

Property and equipment at December 31, 2019, included the following:

Leasehold improvements	$ 794,872
Equipment	562,716
Total property and equipment	1,357,588
Less accumulated depreciation	456,468
Net property and equipment	$ 901,120

Note 7. Funds Held for Others

The change in funds held for others for the year ended December 31, 2019, is as follows:

Balance, beginning of year	$ 14,423,268
Contributions	631,504
Interest and dividends	425,827
Net realized and unrealized gains (losses)	2,392,005
Grant revenue	49,753
Fees	(220,587)
Grant expense	(727,241)
Other expenses	(103,796)
Balance, end of year	$ 16,870,733

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 April 2021. The outstanding balance on the note payable was $714,199 at December 31, 2019.

Maturities required on the note payable at December 31, 2019, are as follows:

Years ending December 31:	
2020	$ 51,840
2021	662,359
	$ 714,199

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, 2019, totaled $122,248.

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

Years ending December 31:		
2020	$	109,218
2021		109,218
2022		109,218
2023		109,218
2024		109,218
Thereafter		136,523
Total minimum lease payments	$	682,613

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 year ended December 31, 2019, 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.

Note 10. Endowments (Continued)

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment. During the year ended December 31, 2019, 5% of the fair value of the Endowment investments for the prior 12 quarter moving average is available for distribution for the upcoming year, respectively. 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, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 56,927,810	$ -	$ 56,927,810
Investment return:			
Investment income, net of fees	1,716,139	-	1,716,139
Net realized and unrealized gain	9,590,177	-	9,590,177
	68,234,126	-	68,234,126
Contributions	4,875,662	-	4,875,662
Appropriation of endowment assets pursuant to spending-rate policy	(3,574,573)	-	(3,574,573)
Endowment net assets, end of year	$ 69,535,215	$ -	$ 69,535,215

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Net assets released from restrictions follows:

Restricted by donors for:	
Community programs	$ 23,757
Promises to give, time	169,563
	$ 193,320
Satisfaction of purpose restrictions:	
Community programs	$ 302,534

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 year ended December 31, 2019, were $27,373.