

The Greater Cedar Rapids Community Foundation

Financial Statements
December 31, 2017

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Independent Auditor's Report

RSM US LLP

Board of Directors
The Greater Cedar Rapids
Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Greater Cedar Rapids Community Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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 The Greater Cedar Rapids Community Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Cedar Rapids, Iowa
April 17, 2018

**The Greater Cedar Rapids
Community Foundation**

**Statements of Financial Position
December 31, 2017 and 2016**

	2017	2016
Assets		
Cash and cash equivalents	\$ 5,059,659	\$ 2,122,088
Certificates of deposit	750,000	-
Receivables, contributions, grants and bequests, net	97,123	438,782
Prepaid expenses	21,668	16,972
Investments	164,959,413	142,867,678
Interests in real estate	576,000	2,096,000
Property and equipment, net	1,453,434	1,518,040
Cash value of life insurance	310,586	277,940
	<u>173,227,883</u>	<u>149,337,500</u>
Total assets	\$ 173,227,883	\$ 149,337,500
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 24,609	\$ 17,026
Accrued expense	63,497	57,030
Grants payable	500,341	7,667
Amounts due under annuity and unitrust agreements	1,712,383	2,145,573
Amounts held on behalf of others	38,831,232	31,146,548
	<u>41,132,062</u>	<u>33,373,844</u>
Total liabilities	41,132,062	33,373,844
Net assets:		
Unrestricted net assets	130,057,444	114,313,021
Temporarily restricted	2,038,377	1,650,635
	<u>132,095,821</u>	<u>115,963,656</u>
Total net assets	132,095,821	115,963,656
Total liabilities and net assets	\$ 173,227,883	\$ 149,337,500

See notes to financial statements.

**The Greater Cedar Rapids
Community Foundation**

**Statement of Activities
Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and bequests	\$ 14,613,573	\$ -	\$ 14,613,573
Less contributions raised on behalf of others	(2,684,477)	-	(2,684,477)
Contributions, net	11,929,096	-	11,929,096
Investment income, net of investment expense \$292,571	2,962,859	151,643	3,114,502
Net appreciation of investments	16,937,258	17,459	16,954,717
	19,900,117	169,102	20,069,219
Less (earnings) on behalf of others	(4,306,481)	-	(4,306,481)
Investment income, net	15,593,636	169,102	15,762,738
Other revenue	158,916	-	158,916
Net assets released from restrictions	-	-	-
Total support and revenue	27,681,648	169,102	27,850,750
Expenses and other adjustments:			
Grants	9,157,577	-	9,157,577
Administration of grants, allocated expenses	485,561	-	485,561
Less grants awarded on behalf of others	(1,247,772)	-	(1,247,772)
Grant expense, net	8,395,366	-	8,395,366
Other programs	315,845	-	315,845
Management and general expense	588,700	-	588,700
Fundraising and development expenses	695,816	-	695,816
Total expenses, net	9,995,727	-	9,995,727
Other adjustments, actuarial adjustment on annuities and unitrust agreements	-	(218,640)	(218,640)
Total expenses and other adjustments	9,995,727	(218,640)	9,777,087
Change in net assets	17,685,921	387,742	18,073,663
Adjustment for transfer of funds to amounts held on behalf of others (Note 1)	(1,941,498)	-	(1,941,498)
Net assets, beginning of year	114,313,021	1,650,635	115,963,656
Net assets, end of year	\$ 130,057,444	\$ 2,038,377	\$ 132,095,821

See notes to financial statements.

**The Greater Cedar Rapids
Community Foundation**

**Statement of Activities
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and bequests	\$ 12,510,484	\$ -	\$ 12,510,484
Less contributions raised on behalf of others	(1,598,788)	-	(1,598,788)
Contributions, net	<u>10,911,696</u>	-	<u>10,911,696</u>
Investment income, net of investment expense \$293,028	2,736,481	163,258	2,899,739
Net appreciation of investments	6,059,655	130,535	6,190,190
	<u>8,796,136</u>	<u>293,793</u>	<u>9,089,929</u>
Less (earnings) on behalf of others	(1,930,221)	-	(1,930,221)
Investment income, net	<u>6,865,915</u>	<u>293,793</u>	<u>7,159,708</u>
Other revenue	46,261	-	46,261
Net assets released from restrictions	(5,645)	5,645	-
Total support and revenue	<u>17,818,227</u>	<u>299,438</u>	<u>18,117,665</u>
Expenses and other adjustments:			
Grants	10,027,303	-	10,027,303
Administration of grants, allocated expenses	488,910	-	488,910
Less grants awarded on behalf of others	(2,376,986)	-	(2,376,986)
Grant expense, net	<u>8,139,227</u>	-	<u>8,139,227</u>
Other programs	237,340	-	237,340
Management and general expense	592,957	-	592,957
Fundraising and development expenses	651,064	-	651,064
Total expenses, net	<u>9,620,588</u>	-	<u>9,620,588</u>
Other adjustments, actuarial adjustment on annuities and unitrust agreements	-	359,122	359,122
Total expenses and other adjustments	<u>9,620,588</u>	<u>359,122</u>	<u>9,979,710</u>
Change in net assets	8,197,639	(59,684)	8,137,955
Net assets, beginning of year	106,115,382	1,710,319	107,825,701
Net assets, end of year	<u>\$ 114,313,021</u>	<u>\$ 1,650,635</u>	<u>\$ 115,963,656</u>

See notes to financial statements.

**The Greater Cedar Rapids
Community Foundation**

**Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 18,073,663	\$ 8,137,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,433	113,227
Actuarial adjustment on annuities and unitrust agreements	(218,640)	359,122
Net (appreciation) in market value of investments	(12,648,236)	(4,259,969)
Reinvested investment earnings	(3,114,502)	(2,899,739)
Proceeds from sale of donated investment securities	3,674,251	1,282,181
Noncash donation of real estate interest	-	(1,460,000)
Effects of changes in operating assets and liabilities:		
Receivables and interests in real estate	401,659	59,323
Prepaid expenses	(4,696)	7,905
Accounts payable and accrued expenses	14,050	10,598
Grants payable	492,674	(4,071)
Net cash provided by operating activities	6,740,656	1,346,532
Cash flows from investing activities:		
Purchase of certificates of deposit	(750,000)	-
Proceeds from sales and maturities of investments	1,471,281	1,874,625
Purchases of investments	(7,168,048)	(3,207,121)
Proceeds from sale of donated real estate interest	1,460,000	-
Purchases of property and equipment	(5,827)	(58,548)
(Increase) in cash value of life insurance	(32,646)	(4,592)
Net cash used in investing activities	(5,025,240)	(1,395,636)
Cash flows from financing activities:		
Contributions raised on behalf of others	2,684,477	1,598,788
Grants paid on behalf of others	(1,247,772)	(2,376,986)
Payments on annuity and life income agreements	(214,550)	(221,373)
Net cash provided by (used in) financing activities	1,222,155	(999,571)
Net increase (decrease) in cash and cash equivalents	2,937,571	(1,048,675)
Cash and cash equivalents:		
Beginning	2,122,088	3,170,763
Ending	\$ 5,059,659	\$ 2,122,088
Supplemental schedules of noncash operating activities:		
Net (appreciation) in market value of investments for earnings on behalf of others	\$ 4,306,481	\$ 1,930,221
Adjustment for transfer of funds to amounts held on behalf of others	\$ 1,941,498	\$ -

See notes to financial statements.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of business: In 1949, the Community Welfare Foundation (the Foundation) of Cedar Rapids was established as a private foundation for the purpose of receiving gifts and bequests to provide support for charitable enterprise in the city of Cedar Rapids. In 1987, the Foundation became a public foundation and changed its name to The Greater Cedar Rapids Community Foundation (the Foundation) to reflect the broader interests of the rapidly growing Linn County community. Today, the Foundation provides grants to various organizations in the greater Cedar Rapids community to help foster and promote public, charitable, scientific, literary and educational activities.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statements of the Foundation have been prepared on the accrual basis and follow the accounting guidance for contributions received and contributions made and financial statements of not-for-profit organizations. Under these standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, known as variance power, the contributions should be classified as unrestricted net assets. 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.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

A description of the funds of the Foundation is as follows:

Endowed funds, subject to variance power as described earlier, include gifts which require, by donor restriction, that the corpus of the gift be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. The related income and expenses associated with these restrictions have been reflected in the endowed funds. The endowed funds are classified as unrestricted due to the Foundation's variance power over the assets and are included in unrestricted net assets in the financial statements. The various types of endowed agreements are as follows:

Type of Endowed Fund	Description of Fund
Unrestricted	The donor has made a contribution of cash or assets to the Discretionary Fund at the Foundation which is invested in perpetuity. The investment earnings are then distributed by the Foundation as grants that address current issues and community needs.
Donor advised	The donor has made a contribution of cash or assets to an endowed fund at the Foundation which is invested in perpetuity. The donor, or someone the donor names, makes recommendations to the Foundation about how the investment earnings should be distributed as grants. The recommendations are submitted to the Foundation's Board of Directors for their approval.
Donor designated	The donor has made a contribution of cash or assets to an endowed fund at the Foundation which is invested in perpetuity. The investment earnings are then distributed by the Foundation as grants to the beneficiary(ies) that were specified by the donor when the fund was established to support general operations or a specific program of the organization.
Field of interest	The donor has made a contribution of cash or assets to an endowed Fund at the Foundation which is invested in perpetuity. The investment earnings are then distributed by the Foundation as grants that focus on a particular charitable cause.

Non-endowed funds include gifts (other than for operations) that are presently available for use and are included in unrestricted net assets in the financial statements. The donor may establish a donor advised, donor designated or field of interest fund whereby the corpus of the fund is available for use as determined under the various donor agreements subject to the variance power as described earlier.

Temporarily restricted net assets include funds received under various trust and annuity agreements, which require the Foundation to follow the provisions of the trust or annuity agreement until termination. Upon termination, the funds will be classified as unrestricted net assets as outlined earlier.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Amounts held on behalf of others: The Foundation acts as an agent for certain unrelated organizations. The total amount of the funds held on behalf of these organizations has been reflected in investments as an asset and a liability on the statement of financial position. On the statement of activities, the Foundation reports the gross amount of support, revenue and expenses with the amount raised and expended on behalf of others being shown as a reduction in the gross amounts of support, revenue and expenses. During the years ended December 31, 2017 and 2016, management determined that funds totaling \$1,941,498 and none, respectively, needed to be transferred to amounts held on behalf of others upon changes in the donor agreements.

Endowment fund investment and distribution policies: The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The long-term objective of the Foundation, as determined by its investment committee, is to achieve a total return in excess of the sum of its distribution rate, the long-term inflation rate, the aggregate costs of portfolio management and any growth factor which the investment committee may, from time to time, determine appropriate. Total endowment assets should return, over rolling 12 month periods, a nominal rate of return greater than or equal to a composite index created by combining the various benchmark indices adopted by the investment committee for each category of its portfolio allocation.

To satisfy its long-term return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

On an annual basis, the investment committee recommends the distribution rate to the Board of Directors for the ensuing year. It is the policy of the Foundation to distribute an amount equal to the product of the investment portfolio's average market value for the trailing 12 quarter average multiplied by the distribution rate. All distributions are subject to compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Contributions: The Foundation records contributions (including promises to give) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time the unconditional promise to give is made. Bequests are recognized as a contribution at the time the will is declared valid, provided that the bequest is unconditional. Pledges, bequests and other promises to give that are to be received after more than a year have been discounted to reflect the present value of the future cash flows.

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of the assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. There are no material amounts of conditional promises to give at December 31, 2017 and 2016.

Gifts of cash and other assets that are received under trust or annuity agreements to be received in subsequent periods are recorded as temporarily restricted net assets. The temporarily restricted net assets are released to unrestricted net assets when the trust or annuity agreement terminates and the assets are collected.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions of donated items are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributions from related parties, primarily board members, for the years ended December 31, 2017 and 2016 totaled \$105,943 and \$554,885, respectively.

Cash equivalents: The Foundation considers highly liquid investments purchased with an original maturity of three months or less and not held by a trustee to be cash equivalents.

Certificates of deposit: Consist of certificates of deposit with a maturity greater than 90 days at the date acquired and are recorded at cost.

Investments: Investments of the Foundation are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation elected to report the fair value of alternative investments, comprised of hedge funds and private equity funds, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors. See Note 4 for discussion of fair value measurements. Realized gains or losses on investments are determined by the average cost method for mutual funds, and specific identification method for investments in common stock and are reported as increases or decreases in net assets. Investment income is also reported in the statement of activities as an increase in unrestricted or temporarily restricted net assets based on the intentions stipulated by the donor.

Fair value of financial instruments: The present value of contributions, grants and bequests receivable are estimated based upon discounted cash flows. The carrying amount of long-term receivables approximate fair value since the receivables have been discounted to net present value. Investments are stated at fair value in the financial statements based primarily on quoted market values. Where quoted market values are not available for investments, fair value is determined based on supporting information received from the investees, including audited financial statements.

The carrying amounts of cash, certificates of deposit, accounts payable, and accrued expenses approximate the fair value because of the short maturity of these instruments.

Living trusts, testamentary trusts and gift annuities: The assets in living trusts, testamentary trusts and gift annuities are recorded at fair value at the inception of the trust or annuity based on the fair value of the underlying investments and a liability is recorded to reflect the net present value of the expected future payments to the beneficiary. Living trusts, testamentary trusts and gift annuities assets totaled \$4,895,558 and \$4,424,809 as of December 31, 2017 and 2016, respectively, and are included with investments in the statements of financial position.

The annuity and life income obligations are determined annually to reflect the change in life expectancy of the donor/beneficiary as well as expected payments to be made under the agreement. Investment income and distributions to beneficiaries increase or decrease the assets and the related obligation.

The remainder interest is recorded as a contribution to the Foundation or an increase in amounts held on behalf of others, depending on the terms of the agreement.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The net asset value of the annuity and life income obligations is computed using life expectancies from the Society of Actuaries' Annuity 2000 Mortality Table and the applicable interest rates established by the Internal Revenue Service.

Property and equipment: Property and equipment which are purchased are stated at their original cost and donated equipment is recorded at fair value at the date of receipt, typically determined through independent appraisal. Property and equipment are depreciated on the straight-line method over their estimated useful lives, which range from 5 to 40 years. The Foundation has adopted a policy of capitalizing, at cost, or at fair value if donated, all acquisitions of property and equipment in excess of \$1,000 and a useful life greater than one year. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Grants payable: Grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid.

Functional expenses: Operating expenses are allocated to program services, management and general, and fundraising based on estimated time spent in the activity. The amounts allocated to each functional expense category are included in the statement of activities.

Income tax status: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. Certain investments of the Foundation are subject to the unrelated business income tax regulations, and occasionally will require the Foundation to pay tax on this unrelated business income. The Foundation is not classified as a private foundation.

The Foundation follows the accounting guidance for Accounting for Uncertainty in Income Taxes. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal or state authorities for years prior to 2014, nor has the Foundation been notified of any impending examination and no examinations are currently in process.

Current accounting developments: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Foundation is currently evaluating the effect this updated standard will have on the financial statements.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Foundation's financial statements as the Foundation has certain operating lease arrangements for which it is the lessee and lessor. The standard is effective on January 1, 2020, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

Note 2. Receivables

Unconditional promises to give are expected to be realized in the following periods as of December 31, 2017 and 2016:

	2017	2016
In one year or less	\$ 8,223	\$ 106,182
From one to five years	88,900	332,600
Total	<u>\$ 97,123</u>	<u>\$ 438,782</u>

Imputed interest in discounting contributions receivable was not material for the years ended December 31, 2017 and 2016.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 3. Investments

Many of the Foundation's investments are pooled on a market value basis. Income from the pool is allocated to funds based on the respective market value of the particular funds. The carrying value of investments is as follows as of December 31, 2017 and 2016:

	2017	2016
Equity securities	\$ 6,029,183	\$ 6,466,802
Mutual funds	112,733,015	98,024,237
Debt securities	1,832,899	1,532,433
Global fixed income bond funds	7,295,251	6,766,222
Money market funds	2,192,650	1,984,968
Real estate based securities	1,930,977	2,548,717
Hedge funds	4,429,793	4,546,856
Private equity funds	26,185,542	20,407,129
Savings and cash equivalents	2,330,103	590,314
Total	<u>\$ 164,959,413</u>	<u>\$ 142,867,678</u>

The Foundation is the trustee for three charitable remainder trusts whereby the Foundation is required to pay certain amounts to the income beneficiary for their lifetime. At the termination of the agreements, the Foundation will receive the corpus of these funds. As a result, these investments have been segregated from the general investments of the Foundation. Investments in the charitable remainder trusts consist of equity securities, debt securities and money market funds.

Note 4. Fair Value Measurements

The Foundation estimates fair value using the guidance established by *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market the most advantageous market for the investment or liability. The Foundation accounts for its investments at fair value. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable, or can be corroborated by, observable market data. Level 2 investments also include other investments, measured using the practical expedient, that do not have any significant redemption restrictions, lock up periods, gates or other characteristics that would cause report and liquidation date NAV to be significantly different, if redemption were requested at the report date.

**The Greater Cedar Rapids
Community Foundation**

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Level 3: The Foundation has elected to report the fair value of certain investments, primarily those included in other investments on the statement of financial position, using the practical expedient. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Foundation's ability to redeem out of the fund at report date NAV. For all investments that do not meet the conditions for using the practical expedient, valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Foundation's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of option pricing models, discounted cash flow models and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. There have been no changes in the methodologies used as of December 31, 2017 and 2016.

Debt and equity securities: Valued at the closing price reported on the active or observable market on which the individual securities are traded. In less active markets or if prices are not current, the valuation is based on quoted prices for identical or similar assets.

Mutual funds: Valued at the quoted closing price reported on the active market on which the individual securities are traded.

Money market funds: Valued at cost, which approximates fair value of shares held at year-end.

Global fixed income bond funds: Valued at the closing price reported on the active or observable market on which the individual securities are traded. In less active markets or if prices are not current, the valuation is based on quoted prices for identical or similar assets which could result in Level 2 classification.

Real estate based funds: Fair value is determined based on the value of the underlying assets held by the funds. The valuation policy includes complete independent appraisals at least annually for each asset, with approximately 25 percent of the real estate investments externally appraised each quarter. Additionally the fund performs quarterly internal valuations on each of the real estate investments in the fund with the exception of recently acquired real estate investments.

Hedge funds: Valued using the practical expedient, which allows for the use of NAV of shares held at year-end. Values are based on exchange quotes, broker quotes or third-party vendor pricing to value complex or illiquid assets. Fair values of other assets are based on the best information available under the circumstances, which may include the Foundation's own data. Certain funds are classified as Level 1, which are valued at the quoted closing price reported on the active market on which the individual securities are traded.

Private equity—limited partnerships: Valued using the practical expedient, which allows for the use of the NAV of the ownership interest in the partnership based on the most recently completed audited financial statements of the partnership prepared in accordance with accounting principles generally accepted in the United States of America and adjusted for activity through the measurement date.

**The Greater Cedar Rapids
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Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Levels 2 and 3 during the years ended December 31, 2017 and 2016.

The following tables present assets measured at fair value by classification within the fair value hierarchy as of December 31, 2017 and 2016:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Service	\$ 142,380	\$ 142,380	\$ -	\$ -
Technology	1,076,321	1,076,321	-	-
Financials	947,160	947,160	-	-
Utilities	29,113	29,113	-	-
Consumer goods	1,027,617	1,027,617	-	-
Healthcare	968,809	968,809	-	-
Basic materials	206,335	206,335	-	-
Industrial	750,814	750,814	-	-
Energy	880,634	880,634	-	-
Mutual funds:				
Large cap	37,685,163	37,685,163	-	-
Mid cap	715,818	715,818	-	-
Small cap	8,945,136	8,945,136	-	-
Balanced	13,654	13,654	-	-
Diversifying strategies	1,421,281	1,421,281	-	-
International	37,491,763	37,491,763	-	-
Real estate	833,396	833,396	-	-
Real assets	130,229	130,229	-	-
Bond	24,525,324	24,525,324	-	-
Commodities	971,251	971,251	-	-
Debt securities	1,832,899	1,832,899	-	-
Global fixed income bond funds	1,085,430	1,085,430	-	-
Money market funds	800,023	800,023	-	-
Real estate based funds	50,678	50,678	-	-
Hedge funds	346,816	346,816	-	-
Total	122,878,044	<u>\$ 122,878,044</u>	\$ -	\$ -
Investments measured at net asset value (1)	39,751,266			
Cash equivalents, reported at cost	2,330,103			
	<u>\$ 164,959,413</u>			

**The Greater Cedar Rapids
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Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

	2016			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Service	\$ 133,977	\$ 133,977	\$ -	\$ -
Technology	919,138	919,138	-	-
Financials	915,597	915,597	-	-
Utilities	53,702	53,702	-	-
Consumer goods	1,181,881	1,181,881	-	-
Healthcare	1,078,454	1,078,454	-	-
Basic materials	265,108	265,108	-	-
Industrial	952,501	952,501	-	-
Energy	966,444	966,444	-	-
Mutual funds:				
Large cap	32,453,357	32,453,357	-	-
Mid cap	192,311	192,311	-	-
Small cap	7,184,158	7,184,158	-	-
Balanced	12,781	12,781	-	-
Diversifying strategies	282,358	282,358	-	-
International	30,403,871	30,403,871	-	-
Real estate	591,123	591,123	-	-
Real assets	28,501	28,501	-	-
Bond	22,714,350	22,714,350	-	-
Commodities	4,161,427	4,161,427	-	-
Debt securities	1,532,433	1,532,433	-	-
Global fixed income bond funds	1,121,879	1,121,879	-	-
Money market funds	635,840	635,840	-	-
Real estate based funds	759,826	759,826	-	-
Hedge funds	286,530	286,530	-	-
Total	108,827,547	<u>\$ 108,827,547</u>	\$ -	\$ -
Investments measured at net asset value (1)	33,449,817			
Cash equivalents, reported at cost	590,314			
	<u>\$ 142,867,678</u>			

(1) In accordance with Subtopic 810-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The table below sets forth the unfunded commitments and redemption terms for the assets that were valued at NAV (or its practical expedient) as of December 31, 2017 and 2016:

Description	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Private equity funds (a)	\$ 23,995,187	\$ 17,737,120	\$ 10,770,771	Monthly/Quarterly/Semi-Annually	30-100 days
Multi-strategy hedge funds (b)	4,082,977	4,260,326	-	Quarterly	not required
Global fixed income funds (c)	6,209,821	5,644,343	-	Daily	not required
Real estate funds (d)	1,880,299	1,788,891	-	Daily	not required
Private equity funds (a)	2,190,355	2,670,009	793,151	Not eligible	N/A
Money market funds (e)	1,392,627	1,349,128	-	N/A	N/A
Total	<u>\$ 39,751,266</u>	<u>\$ 33,449,817</u>	<u>\$ 11,563,922</u>		

- (a) These are investments in several private equity funds that invest primarily in equity and debt investments. These investments are considered to have certain nonredeemable interests where redemptions are generally not permitted during the life of the fund. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.
- (b) This category invests in funds that pursue multiple strategies to diversify risks and reduce volatility. The fund classifies its private investment funds into five portfolio strategies: opportunistic equity, enhanced fixed income, absolute return, tactical trading and private investments.
- (c) The objective of this investment category is to provide income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities. An associated objective is the preservation and enhancement of principal.
- (d) This category includes investments in a real estate fund that invests primarily in U.S. commercial real estate. The fund uses derivative financial instruments to reduce its exposure to changes in interest rates.
- (e) This category seeks to offer the potential to earn higher yields than other money market funds. Current income consistent with liquidity and stability of capital are sought and the fund invests in various high-quality, short-term instruments.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those affects could be significant.

Note 5. Property and Equipment

The balances of the major classes of depreciable assets at December 31, 2017 and 2016 are as follows:

	2017	2016
Land	\$ 70,000	\$ 70,000
Building and improvements	1,595,133	1,595,133
Furniture and equipment	453,373	447,546
Total	2,118,506	2,112,679
Less accumulated depreciation	(665,072)	(594,639)
Net property and equipment	<u>\$ 1,453,434</u>	<u>\$ 1,518,040</u>

**The Greater Cedar Rapids
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Notes to Financial Statements

Note 6. Annuity and Unitrust Agreements

The Foundation has received amounts from various individuals under annuity and unitrust agreements (life income agreements), which require the Foundation to pay the donors varying amounts during their lifetime. The present value of the payments to be made, using discount rates ranging from 3 percent to 8.8 percent, is \$1,712,383 and \$2,145,573, as of December 31, 2017 and 2016, respectively. In estimating the amounts due under the annuity and unitrust agreements, management has estimated the life expectancy of the annuitants using life expectancy tables prepared by the Society of Actuaries' Annuity 2000 Mortality Table. However, actual events impacting these estimates could significantly change the valuation.

Note 7. Pension Plan

The Foundation has adopted a pension plan, qualified under Section 403(b) of the Internal Revenue Code, covering all of its employees. The plan is a defined-contribution plan whereby the Foundation contributes a percentage of the employees' salaries. The total pension expense for the years ended December 31, 2017 and 2016 was \$85,453 and \$75,863, respectively.

Note 8. Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents in a commercial bank located in Cedar Rapids, Iowa. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Total cash and cash equivalents held by the bank in excess of the FDIC insured limits at December 31, 2017 and 2016 was \$4,809,659 and \$1,872,088, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Charitable remainder unitrusts and annuity agreements	<u>\$ 2,038,377</u>	<u>\$ 1,650,635</u>

Note 10. Lease Commitments

The Foundation leases office equipment under noncancellable operating leases expiring in various years through 2022.

Future minimum lease payments required under these leases are as follows:

Years ending December 31:		
2018	\$	25,025
2019		3,473
2020		1,209
2021		1,209
2022		906
Total	<u>\$</u>	<u>31,822</u>

**The Greater Cedar Rapids
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Notes to Financial Statements

Note 10. Lease Commitments (Continued)

There was minimal rent expense for the years ended December 31, 2017 and 2016.

The Foundation rents a portion of its facility under an operating lease to another organization. The lease has a term of five years expiring in June 2021. Rental income from the lease for the years ended December 31, 2017 and 2016 was \$25,458 and \$25,250, respectively.

The following is a schedule by years of future minimum rental payments to be received under the lease:

Years ending December 31:	
2018	\$ 25,459
2019	25,459
2020	25,459
2021	12,727
Total minimum future rentals	<u>\$ 89,104</u>

Note 11. Endow Iowa Program

The Foundation participates in the Endow Iowa Program (the Program), which is administered by the Iowa Economic Development Authority through qualified community foundations. The Program's purpose is to create sustainable, philanthropic opportunities for charitable impact in Iowa communities. The legislation governing the Program requires that contributions received be accumulated in a fund, referred to as a 'permanent endowment', for purposes of calculating annual spending, which may not exceed 5 percent. As of December 31, 2017 and 2016, unrestricted contributions totaled \$3,137,455 and \$2,917,816, respectively, related to the Program.

Note 12. Subsequent Events

Management has evaluated subsequent events through April 17, 2018, the date the financial statements were available for issuance. Through that date there were no events requiring recognition or disclosure in the financial statements.

