

The Greater Cedar Rapids Community Foundation

Financial Statements
December 31, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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 28, 2020

The Greater Cedar Rapids Community Foundation

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,340,937	\$ -
Certificates of deposit	4,215,668	4,897,468
Receivables, contributions and grants	1,623,599	136,534
Prepaid expenses	25,074	19,206
Investments	175,261,915	153,123,915
Beneficial interests in charitable trusts	2,581,600	1,449,300
Interests in real estate	576,000	576,000
Property and equipment, net	1,479,132	1,418,221
Cash value of life insurance	329,082	298,354
	<u>187,433,007</u>	<u>161,918,998</u>
Total assets	\$ 187,433,007	\$ 161,918,998
Liabilities and Net Assets		
Liabilities:		
Excess of outstanding checks over bank balance	\$ -	\$ 449,134
Accounts payable	18,632	26,236
Accrued expense	68,051	63,820
Grants payable	95,941	549,948
Amounts due under annuity and unitrust agreements	1,316,056	1,636,907
Amounts held on behalf of others	37,598,350	34,590,948
Total liabilities	<u>39,097,030</u>	<u>37,316,993</u>
Net assets:		
Net assets, without donor restrictions	143,426,680	121,390,989
Net assets, with donor restrictions	4,909,297	3,211,016
Total net assets	<u>148,335,977</u>	<u>124,602,005</u>
Total liabilities and net assets	<u>\$ 187,433,007</u>	<u>\$ 161,918,998</u>

See notes to financial statements.

The Greater Cedar Rapids Community Foundation

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and bequests	\$ 13,359,311	\$ 1,132,300	\$ 14,491,611
Investment income	3,267,856	152,120	3,419,976
Net appreciation of investments	16,012,482	224,325	16,236,807
Investment income	19,280,338	376,445	19,656,783
Other revenue	76,097	-	76,097
Total support and revenue	32,715,746	1,508,745	34,224,491
Expenses and other adjustments:			
Grants	8,179,607	-	8,179,607
Administration of grants, allocated expenses	538,699	-	538,699
Grant expense	8,718,306	-	8,718,306
Other programs	389,238	-	389,238
Management and general expense	663,392	-	663,392
Fundraising and development expenses	907,665	-	907,665
Total expenses	10,678,601	-	10,678,601
Other adjustments, actuarial adjustment on annuities and unitrust agreements	-	(189,536)	(189,536)
Total expenses and other adjustments	10,678,601	(189,536)	10,489,065
Change in net assets	22,037,145	1,698,281	23,735,426
Adjustment for transfer of funds to amounts held on behalf of others (Note 1)	(1,454)	-	(1,454)
Net assets, beginning of year	121,390,989	3,211,016	124,602,005
Net assets, end of year	\$ 143,426,680	\$ 4,909,297	\$ 148,335,977

See notes to financial statements.

The Greater Cedar Rapids Community Foundation

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and bequests	\$ 7,914,301	\$ 1,369,400	\$ 9,283,701
Investment income	3,466,260	151,592	3,617,852
Net depreciation of investments	(10,021,514)	(202,563)	(10,224,077)
Investment loss	(6,555,254)	(50,971)	(6,606,225)
Other revenue	89,274	-	89,274
Total support and revenue	1,448,321	1,318,429	2,766,750
Expenses and other adjustments:			
Grants	7,791,689	-	7,791,689
Administration of grants, allocated expenses	565,426	-	565,426
Grant expense	8,357,115	-	8,357,115
Other programs	359,389	-	359,389
Management and general expense	608,619	-	608,619
Fundraising and development expenses	777,160	-	777,160
Total expenses	10,102,283	-	10,102,283
Other adjustments, actuarial adjustment on annuities and unitrust agreements	-	145,790	145,790
Total expenses and other adjustments	10,102,283	145,790	10,248,073
Change in net assets	(8,653,962)	1,172,639	(7,481,323)
Adjustment for transfer of funds to amounts held on behalf of others (Note 1)	(12,493)	-	(12,493)
Net assets, beginning of year	130,057,444	2,038,377	132,095,821
Net assets, end of year	<u>\$ 121,390,989</u>	<u>\$ 3,211,016</u>	<u>\$ 124,602,005</u>

See notes to financial statements.

The Greater Cedar Rapids Community Foundation

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 23,735,426	\$ (7,481,323)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of beneficial interest in charitable trusts	(1,132,300)	(1,369,400)
Depreciation	62,948	59,796
Actuarial adjustment on annuities and unitrust agreements	(189,536)	145,790
Net (appreciation) depreciation in market value of investments	(16,236,807)	10,224,077
Reinvested investment earnings	(3,419,976)	(3,617,852)
Proceeds from sale of donated investment securities	3,406,869	888,356
Effects of changes in operating assets and liabilities:		
Receivables	(1,487,065)	(119,311)
Prepaid expenses	(5,868)	2,462
Accounts payable and accrued expenses	(3,373)	1,950
Grants payable	(454,007)	49,607
Net cash provided by (used in) operating activities	4,276,311	(1,215,848)
Cash flows from investing activities:		
Proceeds from (purchase of) certificates of deposit, net	681,800	(4,147,468)
Proceeds from sales and maturities of investments	5,033,026	5,631,852
Purchases of investments	(5,769,769)	(3,123,737)
Purchases of property and equipment	(123,859)	(24,583)
(Increase) decrease in cash value of life insurance	(30,728)	12,232
Net cash used in investing activities	(209,530)	(1,651,704)
Cash flows from financing activities:		
Contributions raised on behalf of others	679,791	1,594,935
Grants paid on behalf of others	(2,825,186)	(4,014,910)
Payments on annuity and life income agreements	(131,315)	(221,266)
Change in excess of outstanding checks over bank balance	(449,134)	449,134
Net cash used in financing activities	(2,725,844)	(2,192,107)
Net increase (decrease) in cash and cash equivalents	1,340,937	(5,059,659)
Cash and cash equivalents:		
Beginning	-	5,059,659
Ending	\$ 1,340,937	\$ -
Supplemental schedules of noncash operating activities:		
Net appreciation (depreciation) in market value of investments for earnings on behalf of others	\$ 5,151,343	\$ (1,832,802)
Adjustment for transfer of funds to amounts held on behalf of others	\$ 1,454	\$ 12,493

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 two classes of net assets: with donor restrictions and without donor restrictions. Contributions received are reported as with donor restrictions or without donor restrictions, depending on the existence or absence of donor-imposed 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 net assets without 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.

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 net assets without donor restrictions due to the Foundation's variance power over the assets and are included in net assets without donor restrictions in the financial statements. The various types of endowed agreements are as follows:

Type of Endowed Fund	Description of Fund
Without donor restrictions	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 net assets without donor restrictions 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.

Net assets with donor restrictions 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 net assets without donor restrictions 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 net amount of support, revenue and expenses with the amount raised and expended on behalf of others. Below is the break out of amounts raised and expended on behalf of others during the years ended December 31, 2019 and 2018:

	2019	2018
Contributions and bequests	\$ 15,171,402	\$ 10,878,632
Less contributions raised on behalf of others	(679,791)	(1,594,931)
Contributions and bequests, net	<u>\$ 14,491,611</u>	<u>\$ 9,283,701</u>
Investment income	\$ 4,240,079	\$ 4,588,205
Less investment (income) incurred on behalf of others	(820,103)	(970,353)
	3,419,976	3,617,852
Net appreciation (depreciation) of investments	20,568,047	(13,027,232)
Less net (appreciation) depreciation of investments incurred on behalf of others	(4,331,240)	2,803,155
Investment income (loss), net	<u>\$ 19,656,783</u>	<u>\$ (6,606,225)</u>
Grants	\$ 11,004,793	\$ 11,806,599
Less grants awarded on behalf of others	(2,825,186)	(4,014,910)
Grant expense, net	<u>\$ 8,179,607</u>	<u>\$ 7,791,689</u>

During the years ended December 31, 2019 and 2018, management determined that funds totaling \$1,454 and \$12,493, 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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

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

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, 2019 and 2018.

Gifts of cash and other assets that are received under trust or annuity agreements to be received in subsequent periods are recorded as net assets with donor restrictions. The net assets with donor restrictions are released to net assets without donor restrictions when the trust or annuity agreement terminates and the assets are collected.

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, 2019 and 2018 totaled \$108,425 and \$40,625, 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 net assets without donor restrictions or net assets with donor restrictions based on the intentions stipulated by the donor.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

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

Beneficial interests in charitable trusts: The Foundation has beneficial interests in charitable trusts that are held by third parties. Under these arrangements, the Foundation has an irrevocable right to receive its share of the income earned on the trust assets in perpetuity, but never receives its share of the underlying assets. The Foundation's share of the trust assets is initially recorded at fair value as a beneficial interest in charitable trusts and contribution income under restricted support within net assets with donor restrictions. Subsequent changes in the fair value of the Foundation's share of the trust assets are recorded as change in value of split-interest agreements in net assets with donor restrictions in the statement of activities. Annual distributions are reported as investment income.

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 \$5,346,857 and \$4,245,932 as of December 31, 2019 and 2018, 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 NAV of the annuity and life income obligations is computed using life expectancies from the Social Security Administration's life expectancy calculator 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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

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

Income tax status: The Internal Revenue Service has recognized the Foundation as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. 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 2016 nor has the Foundation been notified of any impending examination and no examinations are currently in process.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permitted the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The standard was adopted by the Foundation on January 1, 2019, and the adoption had no significant impact on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. These amendments are effective for transactions in which the Foundation serves as a resource recipient for annual periods beginning after December 15, 2018 and for transactions in which the Foundation serves as a resource provider for annual periods beginning after December 15, 2019 with early adoption permitted. The standard was adopted by the Foundation on January 1, 2019, and the adoption had no significant impact 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. In November 2019, FASB approved ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), Leases (Topic 842): Effective Dates*. The new ASU moves the effective date back one year. The standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 2. Receivables

Unconditional promises to give are expected to be realized in the following periods as of December 31, 2019 and 2018:

	2019	2018
In one year or less	\$ 1,575,566	\$ 45,167
From one to five years	48,033	91,367
Total	<u>\$ 1,623,599</u>	<u>\$ 136,534</u>

Imputed interest in discounting contributions receivable was not material for the years ended December 31, 2019 and 2018.

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, 2019 and 2018:

	2019	2018
Equity securities	\$ 6,698,935	\$ 5,435,410
Mutual funds	117,588,215	101,176,782
Debt securities	1,975,436	1,920,338
Global fixed income bond funds	6,789,210	6,828,004
Money market funds	454,590	547,045
Real estate based securities	2,165,037	1,969,492
Hedge funds	5,066,199	4,956,938
Private equity funds	29,677,238	27,308,583
Savings and cash equivalents	4,847,055	2,981,323
Total	<u>\$175,261,915</u>	<u>\$153,123,915</u>

The Foundation is the trustee for five 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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

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.
- Level 3:** The Foundation has elected to report the fair value of certain investments, primarily those included in 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, 2019 and 2018.

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.

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% 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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

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.

Beneficial interest in charitable trusts: The value of beneficial interest in charitable trusts is derived from the fair value of the underlying investments of the trusts. The investments are valued by third parties and are based on the fair value of assets held in the trusts. Future expected cash flows are discounted using a risk adjusted discount rate.

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, 2019 and 2018.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following tables present assets measured at fair value by classification within the fair value hierarchy as of December 31, 2019 and 2018:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Service	\$ 541,185	\$ 541,185	\$ -	\$ -
Technology	988,541	988,541	-	-
Financials	1,056,989	1,056,989	-	-
Utilities	66,613	66,613	-	-
Consumer goods	372,996	372,996	-	-
Healthcare	1,124,312	1,124,312	-	-
Basic materials	219,231	219,231	-	-
Industrial	966,891	966,891	-	-
Energy	668,391	668,391	-	-
Consumer discretionary	693,786	693,786	-	-
Mutual funds:				
Large cap	40,334,959	40,334,959	-	-
Mid cap	1,170,697	1,170,697	-	-
Small cap	8,460,207	8,460,207	-	-
Balanced	12,983	12,983	-	-
Diversifying strategies	287,132	287,132	-	-
International	42,665,191	42,665,191	-	-
Real estate	211,055	211,055	-	-
Real assets	142,104	142,104	-	-
Bond	24,075,091	24,075,091	-	-
Commodities	228,796	228,796	-	-
Debt securities	1,975,436	1,975,436	-	-
Global fixed income bond funds	262,117	262,117	-	-
Money market funds	454,590	454,590	-	-
Real estate based funds	46,774	46,774	-	-
Total	127,026,067	\$ 127,026,067	\$ -	\$ -
Investments measured at net asset value (1)	45,212,406			
Cash equivalents, reported at cost	3,023,442			
Total investments portfolio	\$ 175,261,915			
Beneficial interest in charitable trusts	\$ 2,581,600	\$ -	\$ -	\$ 2,581,600

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

	2018			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Service	\$ 498,363	\$ 498,363	\$ -	\$ -
Technology	635,657	635,657	-	-
Financials	929,573	929,573	-	-
Utilities	39,020	39,020	-	-
Consumer goods	860,427	860,427	-	-
Healthcare	1,035,091	1,035,091	-	-
Basic materials	179,128	179,128	-	-
Industrial	686,104	686,104	-	-
Energy	572,047	572,047	-	-
Mutual funds:				
Large cap	32,952,377	32,952,377	-	-
Mid cap	669,778	669,778	-	-
Small cap	6,798,711	6,798,711	-	-
Balanced	11,867	11,867	-	-
Diversifying strategies	428,321	428,321	-	-
International	36,781,220	36,781,220	-	-
Real estate	653,014	653,014	-	-
Real assets	95,937	95,937	-	-
Bond	22,065,963	22,065,963	-	-
Commodities	719,594	719,594	-	-
Debt securities	1,920,338	1,920,338	-	-
Global fixed income bond funds	863,181	863,181	-	-
Money market funds	547,045	547,045	-	-
Real estate based funds	35,272	35,272	-	-
Hedge funds	300,760	300,760	-	-
Total	110,278,788	\$ 110,278,788	\$ -	\$ -
Investments measured at net asset value (1)	42,761,584			
Cash equivalents, reported at cost	83,543			
Total investments portfolio	\$ 153,123,915			
Beneficial interest in charitable trusts	\$ 1,449,300	\$ -	\$ -	\$ 1,449,300

(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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table presents additional information about investments measured at fair value on a recurring basis for which the Foundation has utilized Level 3 inputs to determine fair value as of December 31, 2019 and 2018:

	2019	2018
	Beneficial Interest in Charitable Trusts	Beneficial Interest in Charitable Trusts
Balance, beginning	\$ 1,449,300	\$ 79,900
Contributions	1,132,300	1,369,400
Balance, ending	<u>\$ 2,581,600</u>	<u>\$ 1,449,300</u>

The net unrealized gains or losses attributable to investments held were not material during the years ended December 31, 2019 and 2018.

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, 2019 and 2018:

Description	2019		2018		Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
	Fair Value	Fair Value	Fair Value	Fair Value			
Private equity funds (a)	\$ 28,301,822	\$ 25,469,729	\$ 4,575,771		Monthly/Quarterly/Semi-Annually	30-100 days	
Multi-strategy hedge funds (b)	5,066,199	4,656,178	-		Quarterly	not required	
Global fixed income funds (c)	6,527,093	5,964,823	-		Daily	not required	
Real estate funds (d)	2,118,263	1,934,220	-		Daily	not required	
Private equity funds (a)	1,375,416	1,838,854	643,367		Not eligible	N/A	
Money market funds (e)	1,823,613	2,897,780	-		N/A	N/A	
Total	<u>\$ 45,212,406</u>	<u>\$ 42,761,584</u>	<u>\$ 5,219,138</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.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 5. Property and Equipment

The balances of the major classes of depreciable assets at December 31, 2019 and 2018 are as follows:

	2019	2018
Land	\$ 70,000	\$ 70,000
Building and improvements	1,715,242	1,595,133
Furniture and equipment	468,680	465,963
Total	2,253,922	2,131,096
Less accumulated depreciation	(774,790)	(712,875)
Net property and equipment	<u>\$ 1,479,132</u>	<u>\$ 1,418,221</u>

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 5.3% to 8.8%, is \$1,316,056 and \$1,636,907, as of December 31, 2019 and 2018, 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. Retirement Plan

The Foundation has adopted a retirement 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 retirement expense for the years ended December 31, 2019 and 2018 was \$99,352 and \$93,083, 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. The Foundation maintains cash in bank deposit accounts, which at times may exceed federally insured limits. 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. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Charitable remainder trusts	<u>\$ 4,909,297</u>	<u>\$ 3,211,016</u>

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 10. Lease Commitments

The Foundation leases office equipment under noncancellable operating leases expiring in various years through 2024.

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

Years ending December 31:	
2020	\$ 27,806
2021	27,326
2022	7,351
2023	3,600
2024	900
Total	<u>\$ 66,983</u>

There was minimal rent expense for the years ended December 31, 2019 and 2018.

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 both of the years ended December 31, 2019 and 2018 was \$25,459.

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

Years ending December 31:	
2020	\$ 25,459
2021	12,727
Total minimum future rentals	<u>\$ 38,186</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%. During the years ended December 31, 2019 and 2018, contributions without donor restrictions totaled \$4,722,200 and \$2,014,330, respectively, related to the Program.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 12. Functional Expense Classification

The Foundation allocates expenses across the following functions as follows for the years ended December 31, 2019 and 2018:

	2019				
	Administration of Grants	Management and General	Fundraising	Other Program	Total
Salaries and benefits	\$ 331,593	\$ 332,250	\$ 508,079	\$ 239,917	\$ 1,411,839
Depreciation and amortization	-	62,948	-	-	62,948
Other	207,106	268,194	399,586	149,321	1,024,207
Total	<u>\$ 538,699</u>	<u>\$ 663,392</u>	<u>\$ 907,665</u>	<u>\$ 389,238</u>	<u>\$ 2,498,994</u>

	2018				
	Administration of Grants	Management and General	Fundraising	Other Program	Total
Salaries and benefits	\$ 384,615	\$ 401,389	\$ 593,727	\$ 286,165	\$ 1,665,896
Depreciation and amortization	-	59,796	-	-	59,796
Other	180,811	147,434	183,433	73,224	584,902
Total	<u>\$ 565,426</u>	<u>\$ 608,619</u>	<u>\$ 777,160</u>	<u>\$ 359,389</u>	<u>\$ 2,310,594</u>

Note 13. Financial Assets Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, and marketable debt and equity securities. As of December 31, 2019, the following financial assets are available to meet annual operating needs for the years then ended:

Cash and cash equivalents	\$ 1,340,937
Contributions for unrestricted purposes due in one year or less	1,575,566
Certificates of deposit	4,215,668
Investments	175,261,915
Beneficial interests in charitable trusts	2,581,600
Total financial assets as of December 31	<u>\$ 184,975,686</u>
Financial assets available to meet operating expenditures over the next 12 months:	
Cash and cash equivalents	\$ 286,082
Estimated administrative fees	2,066,604
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 2,352,686</u>

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 14. Subsequent Events

Management has evaluated subsequent events through April 28, 2020, the date the financial statements were available for issuance. 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 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 on 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 Company, but such an impact could have a material adverse effect on the financial condition of the Foundation.

On April 15, 2020, the Foundation was issued a \$277,100 loan through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Securities Act to be used primarily for the payroll costs of employees. Monthly principal and interest payments of \$15,594 beginning November 15, 2020 are due through the maturity date of April 15, 2022. The interest rate is 1%. The PPP loan may be forgiven up to the full principal amount of the loan and any accrued interest.

