

The Greater Cedar Rapids Community Foundation

Financial Statements
December 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 22, 2021

The Greater Cedar Rapids Community Foundation

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 5,907,570	\$ 1,340,937
Certificates of deposit	-	4,215,668
Receivables, contributions and grants	212,950	1,623,599
Prepaid expenses	25,396	25,074
Investments	182,776,090	175,261,915
Beneficial interests in charitable trusts	3,761,100	2,581,600
Interests in real estate	-	576,000
Property and equipment, net	1,492,533	1,479,132
Cash value of life insurance	346,042	329,082
	<u>194,521,681</u>	<u>187,433,007</u>
Total assets	\$ 194,521,681	\$ 187,433,007
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 17,378	\$ 18,632
Accrued expense	124,062	68,051
Grants payable	59,024	95,941
Amounts due under annuity and unitrust agreements	1,228,280	1,316,056
Amounts held on behalf of others	37,683,839	37,598,350
Total liabilities	<u>39,112,583</u>	<u>39,097,030</u>
Net assets:		
Net assets, without donor restrictions	149,476,592	143,426,680
Net assets, with donor restrictions	5,932,506	4,909,297
Total net assets	<u>155,409,098</u>	<u>148,335,977</u>
Total liabilities and net assets	\$ 194,521,681	\$ 187,433,007

See notes to financial statements.

The Greater Cedar Rapids Community Foundation

**Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue, contributions and bequests	\$ 6,848,560	\$ 1,179,500	\$ 8,028,060
Investment income	2,081,513	73,042	2,154,555
Net appreciation (depreciation) of investments	9,461,835	(97,996)	9,363,839
Investment income (loss)	11,543,348	(24,954)	11,518,394
Other revenue	365,557	-	365,557
Total support and revenue	18,757,465	1,154,546	19,912,011
Expenses and other adjustments:			
Grants	9,967,252	-	9,967,252
Administration of grants, allocated expenses	524,467	-	524,467
Grant expense	10,491,719	-	10,491,719
Other programs	526,457	-	526,457
Management and general expense	806,931	-	806,931
Fundraising and development expenses	882,446	-	882,446
Total expenses	12,707,553	-	12,707,553
Other adjustments, actuarial adjustment on annuities and unitrust agreements	-	131,337	131,337
Total expenses and other adjustments	12,707,553	131,337	12,838,890
Change in net assets	6,049,912	1,023,209	7,073,121
Net assets, beginning of year	143,426,680	4,909,297	148,335,977
Net assets, end of year	\$ 149,476,592	\$ 5,932,506	\$ 155,409,098

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	<u>\$ 143,426,680</u>	<u>\$ 4,909,297</u>	<u>\$ 148,335,977</u>

See notes to financial statements.

The Greater Cedar Rapids Community Foundation

**Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 7,073,121	\$ 23,735,426
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in present value of beneficial interest in charitable trusts	(1,179,500)	(1,132,300)
Depreciation	66,750	62,948
Actuarial adjustment on annuities and unitrust agreements	131,337	(189,536)
Net (appreciation) in market value of investments	(9,363,839)	(16,236,807)
Reinvested investment earnings	(2,154,555)	(3,419,976)
Loss from sale of interests in real estate	82,890	-
Proceeds from sale of donated investment securities	1,137,728	3,406,869
Effects of changes in operating assets and liabilities:		
Receivables	1,410,649	(1,487,065)
Prepaid expenses	(322)	(5,868)
Accounts payable and accrued expenses	54,757	(3,373)
Grants payable	(36,917)	(454,007)
Net cash (used in) provided by operating activities	(2,777,901)	4,276,311
Cash flows from investing activities:		
Proceeds from certificates of deposit, net	4,215,668	681,800
Proceeds from sales and maturities of investments	10,616,937	5,033,026
Purchases of investments	(5,422,945)	(5,769,769)
Purchases of property and equipment	(80,151)	(123,859)
(Increase) in cash value of life insurance	(16,960)	(30,728)
Proceeds from sale of interests in real estate	493,110	-
Net cash provided by (used in) investing activities	9,805,659	(209,530)
Cash flows from financing activities:		
Contributions raised on behalf of others	1,620,715	679,791
Grants paid on behalf of others	(3,862,727)	(2,825,186)
Payments on annuity and life income agreements	(219,113)	(131,315)
Change in excess of outstanding checks over bank balance	-	(449,134)
Net cash used in financing activities	(2,461,125)	(2,725,844)
Net increase in cash and cash equivalents	4,566,633	1,340,937
Cash and cash equivalents:		
Beginning	1,340,937	-
Ending	\$ 5,907,570	\$ 1,340,937
Supplemental schedules of noncash operating activities:		
Investment income and net appreciation in market value of investments for earnings on behalf of others	\$ 2,327,501	\$ 5,151,343
Adjustment for transfer of funds to amounts held on behalf of others	\$ -	\$ 1,454

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 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 Community Welfare Foundation of Cedar Rapids became a public foundation and changed its name to the Greater Cedar Rapids Community Foundation (the Community Foundation) to reflect the broader interests of the rapidly growing Linn County community. Today, the Community 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 Community Foundation's significant accounting policies follows:

Basis of presentation: The financial statements of the Community 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 Community 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 Community Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Community Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under the fund agreements the Community 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 Community 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 Community 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 spent for program operations in accordance with donor restrictions, subject to compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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 Community 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 Fund at the Community Foundation which is invested in perpetuity. Distributions are made by the Community Foundation as grants that address current issues and community needs.
Field of interest	The donor has made a contribution of cash or assets to an endowed fund at the Community Foundation which is invested in perpetuity. Distributions are made by the Community Foundation as grants that focus on a particular charitable cause.
Donor advised	The donor has made a contribution of cash or assets to an endowed fund at the Community Foundation which is invested in perpetuity. The donor, or someone the donor names, makes recommendations to the Community Foundation about how distributions are made as grants.
Donor designated	The donor has made a contribution of cash or assets to an endowed fund at the Community Foundation which is invested in perpetuity. Distributions are made by the Community 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.

Nonendowed 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 Community 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 Community Foundation holds funds for certain nonprofit 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 statements of financial position. On the statements of activities, the Community 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, 2020 and 2019:

	2020	2019
Contributions and bequests	\$ 9,648,775	\$ 15,171,402
Less contributions raised on behalf of others	(1,620,715)	(679,791)
Contributions and bequests, net	<u>\$ 8,028,060</u>	<u>\$ 14,491,611</u>
Investment income	\$ 2,567,888	\$ 4,240,079
Less investment income incurred on behalf of others	(413,333)	(820,103)
	<u>2,154,555</u>	<u>3,419,976</u>
Net appreciation of investments	11,278,007	20,568,047
Less net appreciation of investments incurred on behalf of others	(1,914,168)	(4,331,240)
	<u>9,363,839</u>	<u>16,236,807</u>
Investment income, net	<u>\$ 11,518,394</u>	<u>\$ 19,656,783</u>
Grants	\$ 13,829,979	\$ 11,004,793
Less grants awarded on behalf of others	(3,862,727)	(2,825,186)
Grant expense, net	<u>\$ 9,967,252</u>	<u>\$ 8,179,607</u>

During the years ended December 31, 2020 and 2019, management determined that funds totaling \$0 and \$1,454, 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 Community 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 Community 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. The Community Foundation serves as the steward of endowment funds that are to serve the community forever. These funds must be managed with a long-term time horizon to preserve and enhance the value of the initial endowment gift while allowing for an annual distribution to serve current needs.

To accomplish this goal, the endowment pool is globally diversified, providing exposure to a wide range of asset classes. Such diversification allows the pool to benefit from the strong performance of individual asset classes while mitigating the negative impact of poor performance in any single asset class.

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 Community 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 UPMIFA.

Contributions: The Community 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 were no material amounts of conditional promises to give for the years ended December 31, 2020 and 2019.

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, 2020 and 2019 totaled \$52,510 and \$108,425, respectively.

Cash equivalents: The Community 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 Community 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 Community 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 Community 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 statements 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 Community Foundation has beneficial interests in charitable trusts that are held by third parties. Under these arrangements, the Community 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 Community 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 Community 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 statements 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 \$5,788,836 and \$5,346,857 as of December 31, 2020 and 2019, 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 Community 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 Community 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.

Cash value of life insurance: Life insurance is carried at cash surrender value, net of surrender or other charges, with increases/decreases reflected as income/expense in the statements of activities.

Impairment of long-lived assets: The Community 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 recorded in the statements of activities and are 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 statements 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 Community Foundation as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Community Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Community 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.

Paycheck Protection Program: The Community Foundation entered into a note payable with the U.S. Small Business Administration (SBA) for a total amount of \$277,100 during the year ended December 31, 2020. On December 7, 2020 this amount was forgiven by the SBA and has been included with other revenue on the statements of activities.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Community Foundation is currently evaluating the effects the adoption of this guidance will have on the financial statements.

Subsequent events: The Community Foundation has evaluated all subsequent events through April 22, 2021, the date the financial statements were available to be issued. Through this date, there are no events required to be disclosed.

Note 2. Receivables

Unconditional promises to give are expected to be realized in the following periods as of December 31, 2020 and 2019:

	2020	2019
In one year or less	\$ 172,265	\$ 1,575,566
From one to five years	40,685	48,033
Total	<u>\$ 212,950</u>	<u>\$ 1,623,599</u>

Imputed interest in discounting contributions receivable was not material for the years ended December 31, 2020 and 2019.

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 3. Investments

Many of the Community 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, 2020 and 2019:

	2020	2019
Equity securities	\$ 7,969,486	\$ 6,698,935
Mutual funds	126,316,010	117,588,215
Debt securities	1,669,820	1,975,436
Global fixed income bond funds	288,299	6,789,210
Money market funds	387,022	454,590
Real estate based securities	2,047,247	2,165,037
Hedge funds	5,251,826	5,066,199
Private equity funds	29,893,132	29,677,238
Savings and cash equivalents	8,953,248	4,847,055
Total	<u>\$ 182,776,090</u>	<u>\$ 175,261,915</u>

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

Note 4. Fair Value Measurements

The Community 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 Community Foundation accounts for its investments at fair value. In accordance with the guidance, the Community 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 Community 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 Community Foundation has elected to report the fair value of certain investments, primarily those included in investments on the statements 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 Community 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 Community 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, 2020 and 2019.

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.

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 Community 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 Greater Cedar Rapids Community Foundation

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 Community 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, 2020 and 2019.

The following tables present assets measured at fair value by classification within the fair value hierarchy as of December 31, 2020 and 2019:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Service	\$ 968,360	\$ 968,360	\$ -	\$ -
Technology	1,577,970	1,577,970	-	-
Financials	1,216,310	1,216,310	-	-
Utilities	108,044	108,044	-	-
Consumer goods	444,510	444,510	-	-
Healthcare	1,056,774	1,056,774	-	-
Basic materials	305,734	305,734	-	-
Industrial	990,809	990,809	-	-
Energy	299,497	299,497	-	-
Consumer discretionary	1,001,478	1,001,478	-	-
Mutual funds:				
Large cap	38,923,725	38,923,725	-	-
Mid cap	2,095,853	2,095,853	-	-
Small cap	6,233,092	6,233,092	-	-
Balanced	13,808	13,808	-	-
Diversifying strategies	638,317	638,317	-	-
International	36,254,698	36,254,698	-	-
Real estate	192,092	192,092	-	-
Real assets	687,990	687,990	-	-
Bond	41,050,597	41,050,597	-	-
Commodities	225,838	225,838	-	-
Debt securities	1,669,820	1,669,820	-	-
Global fixed income bond funds	288,299	288,299	-	-
Money market funds	387,022	387,022	-	-
Real estate based funds	44,016	44,016	-	-
Total	136,674,653	\$ 136,674,653	\$ -	\$ -
Investments measured at net asset value (1)	46,101,437			
Total investments portfolio	\$ 182,776,090			
Beneficial interest in charitable trusts	\$ 3,761,100	\$ -	\$ -	\$ 3,761,100

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Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

	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

(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 statements 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 Community Foundation has utilized Level 3 inputs to determine fair value as of December 31, 2020 and 2019:

	2020	2019
	Beneficial Interest in Charitable Trusts	Beneficial Interest in Charitable Trusts
Balance, beginning	\$ 2,581,600	\$ 1,449,300
Change in present value	1,179,500	1,132,300
Balance, ending	<u>\$ 3,761,100</u>	<u>\$ 2,581,600</u>

The net unrealized gains or losses attributable to investments held were not material during the years ended December 31, 2020 and 2019.

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, 2020 and 2019:

Description	2020 Fair Value	2019 Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Private equity funds (a)	\$ 28,901,821	\$ 28,301,822	\$ 3,235,771	Monthly/Quarterly/Semi-Annually	30-100 days
Multi-strategy hedge funds (b)	5,251,826	5,066,199	-	Quarterly	Not required
Global fixed income funds (c)	-	6,527,093	-	Daily	Not required
Real estate funds (d)	2,003,231	2,118,263	-	Daily	Not required
Private equity funds (a)	991,311	1,375,416	576,818	Not eligible	N/A
Money market funds (e)	8,953,248	1,823,613	-	N/A	N/A
Total	<u>\$ 46,101,437</u>	<u>\$ 45,212,406</u>	<u>\$ 3,812,589</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, 2020 and 2019 are as follows:

	2020	2019
Land	\$ 70,000	\$ 70,000
Building and improvements	1,790,167	1,715,242
Furniture and equipment	468,492	468,680
Total	2,328,659	2,253,922
Less accumulated depreciation	(836,126)	(774,790)
Net property and equipment	<u>\$ 1,492,533</u>	<u>\$ 1,479,132</u>

Note 6. Annuity and Unitrust Agreements

The Community Foundation has received amounts from various individuals under annuity and unitrust agreements (life income agreements), which require the Community 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 \$1,228,280 and \$1,316,056 as of December 31, 2020 and 2019, 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 Community 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 Community Foundation contributes a percentage of the employees' salaries. The total retirement expense for the years ended December 31, 2020 and 2019 was \$113,093 and \$99,352, respectively.

Note 8. Concentration of Credit Risk

The Community 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 Community Foundation maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Community 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:

	2020	2019
Charitable remainder trusts	<u>\$ 5,932,506</u>	<u>\$ 4,909,297</u>

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 10. Lease Commitments

The Community 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:		
2021	\$	39,157
2022		10,727
2023		4,560
2024		1,060
Total	\$	<u>55,504</u>

There was minimal rent expense for the years ended December 31, 2020 and 2019.

The Community 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, 2020 and 2019 was \$25,459. Total future minimum rental payments to be received under the lease are \$12,727 for the year ending December 31, 2021.

Note 11. Endow Iowa Program

The Community 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, 2020 and 2019, contributions without donor restrictions totaled \$1,658,915 and \$4,722,200, respectively, related to the Program.

Note 12. Functional Expense Classification

The Community Foundation allocates expenses across the following functions as follows for the years ended December 31, 2020 and 2019:

	2020				
	Administration of Grants	Management and General	Fundraising	Other Program	Total
Salaries and benefits	\$ 338,805	\$ 413,332	\$ 577,276	\$ 269,876	\$ 1,599,289
Depreciation and amortization	-	66,750	-	-	66,750
Other	185,662	326,849	305,170	256,581	1,074,262
Total	<u>\$ 524,467</u>	<u>\$ 806,931</u>	<u>\$ 882,446</u>	<u>\$ 526,457</u>	<u>\$ 2,740,301</u>
	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>

The Greater Cedar Rapids Community Foundation

Notes to Financial Statements

Note 13. Financial Assets Availability and Liquidity

The Community 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 Community 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, 2020 and 2019, the following financial assets are available to meet annual operating needs:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,907,570	\$ 1,340,937
Contributions for unrestricted purposes due in one year or less	172,265	1,575,566
Certificates of deposit	-	4,215,668
Investments	182,776,090	175,261,915
Beneficial interests in charitable trusts	3,761,100	2,581,600
Total financial assets as of December 31	<u>\$ 192,617,025</u>	<u>\$ 184,975,686</u>
Financial assets available to meet operating expenditures over the next 12 months:		
Cash and cash equivalents	\$ 476,643	\$ 286,082
Estimated administrative fees	2,148,203	2,066,604
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 2,624,846</u>	<u>\$ 2,352,686</u>