

Quad Cities Community Foundation and Subsidiary

Consolidated Financial Report
December 31, 2022

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Independent Auditor's Report

Board of Directors
Quad Cities Community Foundation and Subsidiary

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of Quad Cities Community Foundation and Subsidiary (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Davenport, Iowa
May 16, 2023

Quad Cities Community Foundation and Subsidiary

**Consolidated Statements of Financial Position
December 31, 2022 and 2021**

	2022	2021
Assets		
Cash	\$ 2,202,820	\$ 876,696
Prepaid expenses and other assets	117,095	62,845
Contributions receivable, due within one year	25,515	30,935
Investments	162,962,626	195,190,133
Loans receivable, net of allowance for uncollectible loans of approximately \$5,000 in 2022 and 2021	53,964	60,585
Contributions receivable from charitable remainder unitrusts	2,238,229	2,695,976
Furniture, equipment and leasehold improvements, net of accumulated depreciation 2022—\$433,900; 2021—\$404,089	31,746	65,406
Total assets	\$ 167,631,995	\$ 198,982,576
Liabilities and Net Assets		
Liabilities:		
Funds held for organizations	\$ 9,728,928	\$ 11,664,098
Accounts payable and accrued expenses	138,454	114,982
Deferred compensation	86,650	115,547
Grants and scholarships payable	369,346	293,055
Amounts due under annuity and trust agreements	1,285,962	1,633,005
Total liabilities	11,609,340	13,820,687
Commitments (Note 6)		
Net assets:		
Without donor restrictions	151,017,373	179,128,365
With donor restrictions	5,005,282	6,033,524
Total net assets	156,022,655	185,161,889
Total liabilities and net assets	\$ 167,631,995	\$ 198,982,576

See notes to consolidated financial statements.

Quad Cities Community Foundation and Subsidiary

Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions of cash and other financial assets	\$ 6,409,712	\$ -	\$ 6,409,712
Contributions of nonfinancial assets	2,981,639	-	2,981,639
Investment income (expense), net of investment expenses 2022—\$379,626; 2021—\$422,229	2,866,466	(7,567)	2,858,899
Gain (loss) on investments, realized and unrealized	(30,269,617)	(174,547)	(30,444,164)
Other income	293,038	-	293,038
Paycheck Protection Program revenue	-	-	-
Change in value of split-interest agreements	10,816	(813,544)	(802,728)
	<u>(17,707,946)</u>	<u>(995,658)</u>	<u>(18,703,604)</u>
Net assets released from restrictions	32,584	(32,584)	-
Total support and revenue	<u>(17,675,362)</u>	<u>(1,028,242)</u>	<u>(18,703,604)</u>
Grants and expenses:			
Grants	8,469,581	-	8,469,581
Management and development	1,966,049	-	1,966,049
Total grants and expenses	<u>10,435,630</u>	<u>-</u>	<u>10,435,630</u>
(Decrease) increase in net assets	(28,110,992)	(1,028,242)	(29,139,234)
Net assets:			
Beginning	<u>179,128,365</u>	<u>6,033,524</u>	<u>185,161,889</u>
Ending	<u>\$ 151,017,373</u>	<u>\$ 5,005,282</u>	<u>\$ 156,022,655</u>

See notes to consolidated financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 18,167,524	\$ -	\$ 18,167,524
-	-	-
3,516,846	(9,265)	3,507,581
16,040,238	101,044	16,141,282
49,741	-	49,741
173,147	-	173,147
(7,916)	930,506	922,590
37,939,580	1,022,285	38,961,865
716,960	(716,960)	-
38,656,540	305,325	38,961,865
10,384,294	-	10,384,294
1,918,216	-	1,918,216
12,302,510	-	12,302,510
26,354,030	305,325	26,659,355
152,774,335	5,728,199	158,502,534
\$ 179,128,365	\$ 6,033,524	\$ 185,161,889

Quad Cities Community Foundation and Subsidiary

**Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (29,139,234)	\$ 26,659,355
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	33,660	32,921
Loss (gain) on investments, realized and unrealized	30,444,164	(16,141,282)
Change in value of split-interest agreements	802,728	(922,590)
Investment and real estate donations received	(4,550,198)	(9,054,045)
Proceeds from the sale of investment donations	1,809,468	9,065,900
Forgiveness of Paycheck Protection Program refundable advances	-	(173,147)
(Increase) decrease in prepaid expenses and other assets	(54,250)	7,522
Decrease in contributions receivable	5,420	653,629
Increase in annuity and trust agreement liabilities	7,059	8,046
Increase (decrease) in accounts payable and accrued expenses	23,472	(18,806)
Decrease in deferred compensation	(28,897)	(12,201)
Decrease in grants and scholarships payable	76,291	4,622
Net cash (used in) provided by operating activities	(570,317)	10,109,924
Cash flows from investing activities:		
Purchases of investments	(24,909,710)	(41,960,553)
Proceeds from sales and maturities of investments	26,921,081	27,605,629
Payments received on loans receivable	75,978	13,618
Disbursements of loans receivable	(69,357)	-
Purchase of furniture and equipment	-	(5,971)
Net cash provided by (used in) investing activities	2,017,992	(14,347,277)
Cash flows from financing activities:		
Payment on annuity and trust agreements	(201,817)	(200,821)
Increase in amounts held for other organizations	80,266	757,591
Net cash (used in) provided by financing activities	(121,551)	556,770
Net increase (decrease) in cash	1,326,124	(3,680,583)
Cash:		
Beginning	876,696	4,557,279
Ending	\$ 2,202,820	\$ 876,696
Supplemental disclosure of noncash financing activities, loss (gain) on investments, realized and unrealized on funds held for other organizations	\$ 2,015,436	\$ (1,105,897)

See notes to consolidated financial statements.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

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

Organization and nature of activities: The Quad Cities Community Foundation is a public foundation that is a collection of trusts and funds and two charitable corporations.

The Quad Cities Community Foundation provides grants to various organizations in the Quad Cities community to help foster and promote educational, scientific, medical, artistic, preservation of art, historical records and relics, and public and charitable activities. It supports many other agencies for the improvement of the moral, mental, social, and physical well-being of the area.

The Quad Cities Community Foundation has a tax-exempt subsidiary, Realty Holdings, Inc. of the Quad Cities Community Foundation, in order to administer real estate contributions.

Significant accounting policies:

Principles of consolidation: The financial statements include the accounts of the Quad Cities Community Foundation and Realty Holdings, Inc. of the Quad Cities Community Foundation (collectively, the Foundation). All material intercompany balances and transactions have been eliminated in the consolidation.

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 during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Net assets as well as revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed stipulations or are donor advised but the Foundation has variance power. Certain net assets without donor restrictions are designated by the Board of Directors and management for grants to endowments invested at the Foundation.

With donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. The Foundation did not have any net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Foundation as of December 31, 2022 and 2021.

Revenue recognition: Contributions are nonexchange transactions and are recognized as revenue when they are received or unconditionally pledged. Contributions of split-interest agreements are recorded at fair value when received. Contributions from estates are recognized in the same manner once the will has been probated.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

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

Most gifts received are reported as net assets without donor restrictions because the governing instruments of the Foundation, agreed to by the donor, provide for the Board of Directors of the Foundation to exercise its variance power to modify the donor restriction if such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Funds received under various charitable remainder unitrust agreements, which require the Foundation to follow the provisions of the trust agreements until termination, are classified as net assets with donor restrictions. The NonEndowed Donor Advised Fund contributions are available for immediate distribution to donor recommended local, regional or national organizations qualified as tax-exempt charitable organizations subject to the approval of the Foundation. Since the Foundation has variance power, the NonEndowed Donor Advised Fund contributions are also classified as without donor restrictions. The Foundation is supported by contributions from the public and has a constantly changing donor base. During the years ended December 31, 2022 and 2021, respectively, two donors provided approximately \$4,084,000 and three donors provided approximately \$12,900,000 of contributions to the Foundation.

Cash: Cash includes all cash, except for money market accounts held by investment managers. The Foundation has deposits of approximately \$1,631,000 and \$552,000 in major financial institutions in excess of the federal depository insurance limits as of December 31, 2022 and 2021, respectively. Management believes the credit risk related to these assets is minimal.

Donated services: The value of donated services is not reflected in the consolidated financial statements, as no objective basis is available to measure the value of these services. A number of volunteers have donated their time and have incurred nonreimbursed expenses for the Foundation's program services.

Contributions receivable from charitable remainder unitrusts: The Foundation is the irrevocable beneficiary of charitable remainder trusts where the Foundation does not act as trustee. In these cases, the Foundation records as an asset the present value of the future benefits to be received from the trusts. The contribution receivable is adjusted annually to fair value and any gain or loss is reflected in the consolidated statements of activities, fund with donor restrictions, as a change in value of split-interest agreements.

Investments: All investments are carried at fair value, except for certain other investments. Cash surrender value of life insurance is carried at its estimated realizable value and land and real estate are carried at cost or fair value on date of donation. Real estate investments are evaluated for impairment annually. Private equity investments are valued using the net asset value (NAV) per share (or its equivalent) as a practical expedient.

The Foundation records donated investments at their fair value at the date of donation. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or fair value at the date of the financial statement. These gains and losses and other investment income are reflected in the consolidated statements of activities.

The Foundation's policy is to sell gifts received as investments unless an account containing a significant number of investments is received, such as from an estate or another organization. Therefore, proceeds from the sale of gifts received as investments are converted nearly immediately to cash and are classified in net cash (used in) provided by operating activities on the consolidated statements of cash flows..

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

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

Loans receivable: Loans receivable are stated at the amount of unpaid principal less an allowance for uncollectible loans. Management determines the allowance for uncollectible loans by identifying loans at risk. Loans are written off when deemed uncollectible. Recoveries of loans previously written off are recorded when received. These loans to students do not require repayment until the student graduates from, or is no longer enrolled in, an institution of higher education.

Furniture, equipment and leasehold improvements: These assets are stated at cost less accumulated depreciation. An asset is a single item of tangible personal property with an individual cost of at least \$5,000. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management believes that currently there is no impairment of the assets.

Depreciation is computed by the straight-line method over the following useful lives:

	<u>Years</u>
Furniture and equipment	5
Leasehold improvements	10

Furniture and equipment as of December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 209,514	\$ 213,363
Leasehold improvements	256,132	256,132
Total	<u>465,646</u>	<u>469,495</u>
Less accumulated depreciation	433,900	404,089
Furniture, equipment and leasehold improvements, net	<u>\$ 31,746</u>	<u>\$ 65,406</u>

Depreciation expense was \$33,660 and \$32,921 for the years ended December 31, 2022 and 2021, respectively.

Funds held for organizations: The Foundation invests funds for unrelated organizations that have sole discretion over the use of these assets. All financial activity related to these funds is recorded as adjustments to the liability for funds held for organizations and is not included in the consolidated statements of activities.

Grants and scholarships payable: Grants and scholarships are expensed when they are approved by the Foundation's Board of Directors.

Amounts due under annuity and trust agreements: A liability is recorded for the amount due to the income beneficiary of charitable gift annuities and charitable remainder trusts when the Foundation acts as trustee. The liability is based on the present value of the estimated future payments to be distributed during the beneficiary's expected life. Annual adjustments to the liability reflect revaluation of the present value of the estimated future payments to the beneficiary and are recognized in the consolidated statements of activities, funds without donor restriction, as a change in value of split-interest agreements.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

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

Paycheck Protection Program revenue: The Foundation elected to account for the Paycheck Protection Program (PPP) funds received under Accounting Standards Codification (ASC) 958-605, Not-for-Profit Entities-Revenue Recognition, which states contributions become unconditional and are recognized to the extent that qualifying expenses are incurred. Management determined The Foundation incurred expenses qualifying for forgiveness under the terms and conditions of the PPP that were in excess of the total loan received. The Foundation applied for forgiveness and received notice that the full amount would be forgiven on February 11, 2021, at which time approximately \$173,000 was recorded as income. The Foundation believes it has complied with all terms and conditions of the PPP.

Affiliates: The Foundation has affiliates which include volunteer advisory boards throughout Iowa and Illinois that are committees of the Foundation's Board of Directors. These advisory boards work to build endowment for continued support of their community by soliciting gifts from donors in their area, advising donors in achieving their charitable objectives, assisting other not-for-profits in their community and recommending grants to qualified entities. Administration and oversight of the affiliates are performed by the Foundation. The Foundation had six affiliates as of December 31, 2022 and 2021. The net assets of the Foundation related to these affiliates totaled approximately \$7,396,000 and \$9,016,000 as of December 31, 2022 and 2021, respectively.

Income tax matters: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation and Realty Holdings, Inc. may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation and Realty Holdings, Inc. file Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business taxable income (UBTI) is reported on the 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax-exempt status and various positions relative to potential sources of UBTI. As of December 31, 2022 and 2021, there were no uncertain tax benefits identified and recorded as a liability.

Recent accounting developments: The Financial Accounting Standards Board (FASB) recently issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This ASU was effective January 1, 2022.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the consolidated 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 consolidated financial statements, with certain practical expedients available. The adoption of this standard did not impact the Foundation.

Subsequent events: Management has evaluated subsequent events through May 16, 2023, the date the consolidated financial statements were available to be issued.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Investments and Fair Value Measurements

Accounting guidance defines fair value, establishes a framework for measuring fair value using a hierarchy system and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for significant assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Contributions receivable from charitable remainder unitrusts: The value of contributions receivable from charitable remainder unitrusts is derived by computing the present value of the future benefit based on the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Present value calculations are based on current IRS rates and life expectancies.

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, certain mutual funds and exchange traded equities.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flow and are classified as Level 2 of the valuation hierarchy. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities and certain corporate, asset backed and other securities.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and have not been categorized in the fair value hierarchy. Certain of the Foundation's private equities funds do not have readily determinable fair values. As these funds provide the Foundation with their NAV per share and that NAV has been calculated in accordance with the investment company's guide, the Foundation has valued these investments at their NAV per share plus or minus any adjustments for any NAVs not available as of year-end.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the years ended December 31, 2022 or 2021.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

Significant assets and liabilities recorded at fair value on a recurring basis: The following tables summarize significant assets measured at fair value on a recurring basis as of December 31, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements as of December 31, 2022 Using			
	Fair Value	Quoted Prices		
		in Active	Significant Other	Significant
		Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Contributions receivable from charitable remainder unitrusts	\$ 2,238,229	\$ -	\$ 2,238,229	\$ -
Investments:				
Money market funds and commercial paper	\$ 7,021,431	\$ 7,021,431	\$ -	\$ -
Fixed income	40,379,764	36,330,995	4,048,769	-
Equity investments	103,324,029	103,324,029	-	-
Real assets	4,652,365	4,652,365	-	-
Diversifying strategies	202,784	202,784	-	-
	155,580,373	\$ 151,531,604	\$ 4,048,769	\$ -
Other investments not at fair value:				
Cash surrender value of life insurance	363,802			
Land and real estate	5,017,439			
Private equity, at net asset value	2,001,012			
Total investments	\$ 162,962,626			

	Fair Value Measurements as of December 31, 2021 Using			
	Fair Value	Quoted Prices		
		in Active	Significant Other	Significant
		Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Contributions receivable from charitable remainder unitrusts	\$ 2,695,976	\$ -	\$ 2,695,976	\$ -
Investments:				
Money market funds and commercial paper	\$ 13,434,348	\$ 13,434,348	\$ -	\$ -
Fixed income	47,892,551	44,466,778	3,425,773	-
Equity investments	123,092,319	123,092,319	-	-
Real assets	6,001,068	6,001,068	-	-
Diversifying strategies	282,971	282,971	-	-
	190,703,257	\$ 187,277,484	\$ 3,425,773	\$ -
Other investments not at fair value:				
Cash surrender value of life insurance	351,619			
Land and real estate	2,279,757			
Private equity, at net asset value	1,855,500			
Total investments	\$ 195,190,133			

There were no transfers of assets between Levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2022 or 2021.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of December 31, 2022 and 2021:

Investment	2022		2021		Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitment	Fair Value	Unfunded Commitment		
Private equity (A)	\$ 2,001,012	\$ 792,207	\$ 1,855,500	\$ 1,051,095	Quarterly	60 Days

(A) These investments are private equity funds focused on distressed, special situations, deep-value or event-driven strategies. The funds are valued monthly.

The investments of the Foundation are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

The Foundation is the trustee for one charitable remainder annuity trust, as of December 31, 2022 and 2021, whereby the Foundation is required to pay certain amounts to the income beneficiary for their lifetime. At the termination of the agreement, the Foundation will receive the corpus of this fund. These investments are segregated from pooled investments of the Foundation and are included in the investment totals as follows:

	2022	2021
Money market funds	\$ 59,616	\$ 74,464
Fixed income	572,810	713,851
Equity investments	2,393,891	2,965,369
	<u>\$ 3,026,317</u>	<u>\$ 3,753,684</u>

Note 3. Amounts Due under Annuity and Trust Agreements

The Foundation has received funds and is trustee of assets under gift annuity and charitable remainder trust agreements. Under the terms of these agreements, the Foundation shall pay the annuitants and trust beneficiaries an amount each year for the terms of the agreement. The present value of these future payments as of December 31, 2022 and 2021, is \$1,285,962 and \$1,633,005 using a discount rate of 5.2% and 1.6%, respectively, as provided in the Internal Revenue Service guidelines and actuarial tables.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Functional Classification

In the below analysis, expenses have been allocated across all functional expense categories to reflect the full cost of those activities. Salaries and benefits are allocated based on time studies. Other expenses are recorded in the functional expense category to which the expense applied.

	2022			
	Program Services		Foundation	Total
	Programs and	Development	Support	Expenses
	Grant Awards			
Salaries and benefits	\$ 259,263	\$ 255,899	\$ 664,549	\$ 1,179,711
Services, supplies and other	25,083	180,209	449,621	654,913
Rent and property expenses	-	-	131,425	131,425
Grants	8,469,581	-	-	8,469,581
Total expenses	<u>\$ 8,753,927</u>	<u>\$ 436,108</u>	<u>\$ 1,245,595</u>	<u>\$ 10,435,630</u>

	2021			
	Program Services		Foundation	Total
	Programs and	Development	Support	Expenses
	Grant Awards			
Salaries and benefits	\$ 238,123	\$ 268,716	\$ 615,825	\$ 1,122,664
Services, supplies and other	29,924	133,764	498,418	662,106
Rent and property expenses	-	-	133,446	133,446
Grants	10,384,294	-	-	10,384,294
Total expenses	<u>\$ 10,652,341</u>	<u>\$ 402,480</u>	<u>\$ 1,247,689</u>	<u>\$ 12,302,510</u>

Note 5. Financial Assets Available and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments in various debt and equity securities.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Financial Assets Available and Liquidity (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Foundation's cash generated by operations as of December 31, 2022 and 2021.

	2022	2021
Financial assets at year-end:		
Cash	\$ 2,202,820	\$ 876,696
Prepaid expenses and other assets	117,095	62,845
Contributions receivable, net, due in the next 12 months	25,515	30,935
Liquid investments	155,580,373	190,703,257
Total financial assets as of December 31	157,925,803	191,673,733
Less amounts not available to meet cash needs for general expenditures within one year:		
Funds held for organizations	9,728,928	11,664,098
Net assets with donor restrictions	5,005,282	6,033,524
Investments due under annuity and trust agreements	1,285,962	1,633,005
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 141,905,631</u>	<u>\$ 172,343,106</u>

Note 6. Lease Commitment and Rent Expense

The Foundation has elected to apply the short-term lease recognition exemption for leases with terms of less than 12 months in duration. The Foundation has a lease for office space that commenced on April 1, 2007 and is through October 31, 2023, with an option to renew through October 31, 2028. Rent payments are \$9,194 monthly through the remainder of the lease. The lease commitment is \$91,945 for 2023.

During the year ended December 31, 2013, the Foundation agreed to make certain building improvements to this leased office space in exchange for a reduction in rent. The Foundation paid for improvements and in exchange the landlord agreed to abate monthly rent at \$2,516 per month up to \$180,000 in total. Rent abatement ceased in October 2019, however, the internal loan pay down on these improvements continues through October 2023.

Total rent expense for both years ended December 31, 2022 and 2021, was \$92,334.

Note 7. Intentions to Give

The Foundation has received indications of gifts in the form of bequests which are revocable during the donor's lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total gross expectancies amounted to approximately \$129,364,000 and \$112,742,000 as of December 31, 2022 and 2021, respectively.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Employee Benefits

The Foundation provides a Savings Incentive Match Plan for employees. This plan is available to all employees who are expected in the current year to receive, or have in prior calendar years received, \$5,000 in compensation. The plan provides a match by the Foundation of up to 4% of the employee's compensation. The Foundation's matching contribution for the years ended December 31, 2022 and 2021 was \$32,062 and \$34,964, respectively.

Note 9. Deferred Compensation Agreements

The Foundation has entered into deferred compensation agreements with officers of the Foundation, which provide benefits payable at age 59, or upon early retirement due to sickness or other disability, or upon early retirement with the consent of the Foundation. Under certain circumstances, benefits are payable to person or persons designated by the individual upon their death. The deferred compensation charged to expense totaled approximately \$0 and \$14,500 for the years ended December 31, 2022 and 2021, respectively.

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2022 and 2021, consist of:

	2022	2021
Charitable remainder unitrusts and charitable remainder annuity trust	\$ 4,109,637	\$ 4,980,391
Nabstedt Educational Fund, student loans	895,645	1,053,133
	<u>\$ 5,005,282</u>	<u>\$ 6,033,524</u>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the years ended December 31, 2022 and 2021, were \$32,584 and \$716,960, respectively.

The Foundation has received many field of interest and donor-advised funds for which the donor has expressed their preferred use for the fund. However, due to the variance power in the Foundation's bylaws, these funds are shown as without donor restrictions. Absent any unusual and unforeseen circumstances, the Board of Directors intends to use these funds for the purpose expressed by the donor. Included in these funds are field of interest funds with a value of \$2,512,474 and \$3,164,843 as of December 31, 2022 and 2021, respectively, which are intended for use in the state of Illinois.

Note 11. Activities Undertaken to Cultivate Potential Donors

The Foundation's primary focus is education on philanthropy; therefore, direct activities to cultivate potential donors are very limited. Management and development expenses on the consolidated statements of activities for the years ended December 31, 2022 and 2021, include expenses of approximately \$54,000 and \$56,000, respectively, for activities undertaken to cultivate potential donors to contribute money, services, other assets or time.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 12. Investment Funds

The Foundation's investment funds consist of over 1,000 individual funds established for a variety of purposes; however, most of these funds are considered without donor restriction as they were made subject to the Foundation's bylaws which give the Foundation's Board of Directors variance power over spending of the funds, which includes the ability to spend principal. The Foundation's portfolio includes donor-restricted funds, time-restricted funds in the form of charitable remainder trusts, and funds without donor restriction. All funds without restriction are considered quasi-endowment due to the mission of the Foundation. As required by accounting principles generally accepted in the United States of America, net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Although variance power applies to all Foundation assets, certain funds donated to the Foundation were given by donors who claimed the Endow Iowa Tax Credit for their donation. The law requires the principal of those funds be maintained in perpetuity at a qualified community foundation. The purpose of the fund must benefit the State of Iowa and the annual spend rate may not exceed 5%.

Investment policy: Investment related objectives for the Foundation are a moderate level of risk with diversification of assets within the parameters of the mix of assets defined in the Foundation's Investment Policy. Because the portfolio is expected to endure into perpetuity, and because inflation can have an impact on its performance objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio but is residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification and incremental return.

Spending policy objectives for endowment funds covered by the total return concept and asset allocation recommendations set forth in the investment objectives are:

- The primary objective is to provide a consistent flow of funds in support of Foundation expenditures including both grant-making and administrative activities.
- The next objective is to preserve the real value (inflation adjusted) of current assets and future gifts. The rate of growth on endowment funds as a result of investment performance should maintain or increase its purchasing power over time.

The spending policy will be monitored to gauge results against the objective that endowment funds maintain or increase the real value of the endowment principal over the long term.

The Foundation seeks to attain investment results over a full market cycle. It is anticipated that all investment objectives will be attained over the long term and recognizes that, over various time periods, investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns are measured over a three-year rolling average.

Policy for appropriation of assets for expenditure: The Foundation's spending policy for grants is based on a calculation of 4.5% of the average fair market value of the fund for the last 20 rolling quarters.

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted that the Foundation is not impacted by the State of Iowa's Uniform Prudent Management of Institutional Funds Act since the Foundation's bylaws provide for variance power including spending from principal. The Foundation has no net assets with donor-imposed stipulations that require they be maintained permanently.

Quad Cities Community Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 12. Investment Funds (Continued)

Net asset composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 895,645	\$ 895,645
Time-restricted funds	-	4,109,637	4,109,637
Without donor restrictions	151,017,373	-	151,017,373
	<u>\$ 151,017,373</u>	<u>\$ 5,005,282</u>	<u>\$ 156,022,655</u>

Net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 1,053,133	\$ 1,053,133
Time-restricted funds	-	4,980,391	4,980,391
Without donor restrictions	179,128,365	-	179,128,365
	<u>\$ 179,128,365</u>	<u>\$ 6,033,524</u>	<u>\$ 185,161,889</u>

Changes in net assets for the years ended December 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, December 31, 2020	<u>\$ 152,774,335</u>	<u>\$ 5,728,199</u>	<u>\$ 158,502,534</u>
Investment return:			
Investment income, net of investment expense	3,516,846	(9,265)	3,507,581
Gain on investments, realized and unrealized	16,040,238	101,044	16,141,282
Total investment return	19,557,084	91,779	19,648,863
Contributions, financial	18,167,524	-	18,167,524
Appropriation of assets for expenditures	(11,585,550)	(716,960)	(12,302,510)
Other changes	214,972	930,506	1,145,478
Net assets, December 31, 2021	<u>179,128,365</u>	<u>6,033,524</u>	<u>185,161,889</u>
Investment return:			
Investment income, net of investment expense	2,866,466	(7,567)	2,858,899
Loss on investments, realized and unrealized	(30,269,617)	(174,547)	(30,444,164)
Total investment return	(27,403,151)	(182,114)	(27,585,265)
Contributions, financial and nonfinancial	9,391,351	-	9,391,351
Appropriation of assets for expenditures	(10,403,046)	(32,584)	(10,435,630)
Other changes	303,854	(813,544)	(509,690)
Net assets, December 31, 2022	<u>\$ 151,017,373</u>	<u>\$ 5,005,282</u>	<u>\$ 156,022,655</u>

Quad Cities Community Foundation and Subsidiary

**Consolidating Statement of Activities Detail
Year Ended December 31, 2022**

	Without Donor Restrictions		
	Without Donor Restrictions	NonEndowed Donor Advised Fund	Realty Holdings, Inc.
Support and revenue:			
Contributions of cash and other financial assets	\$ 1,808,131	\$ 4,075,112	\$ -
Contributions of nonfinancial assets	-	-	2,981,639
Investment income, net of investment expenses	2,212,216	507,896	-
Loss on investments, realized and unrealized	(24,276,143)	(4,447,487)	-
Other income	98,334	138,420	39,584
Change in value of split-interest agreements	-	13,854	-
Interfund transfers	(1,590,563)	1,720,277	(28,521)
	(21,748,025)	2,008,072	2,992,702
Net assets released from restrictions	32,584	-	-
Total support and revenue	(21,715,441)	2,008,072	2,992,702
Grants and expenses:			
Grants	5,308,380	2,508,125	-
Management and development	2,700	1,943,292	13,230
Total grants and expenses	5,311,080	4,451,417	13,230
(Decrease) increase in net assets	(27,026,521)	(2,443,345)	2,979,472
Net assets:			
Beginning	138,559,545	29,221,855	2,330,663
Ending	\$ 111,533,024	\$ 26,778,510	\$ 5,310,135

Affiliates	Total Without Donor Restrictions	With Donor Restrictions	Total
\$ 526,469	\$ 6,409,712	\$ -	\$ 6,409,712
-	2,981,639	-	2,981,639
146,354	2,866,466	(7,567)	2,858,899
(1,545,987)	(30,269,617)	(174,547)	(30,444,164)
16,700	293,038	-	293,038
(3,038)	10,816	(813,544)	(802,728)
(101,193)	-	-	-
(960,695)	(17,707,946)	(995,658)	(18,703,604)
-	32,584	(32,584)	-
(960,695)	(17,675,362)	(1,028,242)	(18,703,604)
653,076	8,469,581	-	8,469,581
6,827	1,966,049	-	1,966,049
659,903	10,435,630	-	10,435,630
(1,620,598)	(28,110,992)	(1,028,242)	(29,139,234)
9,016,302	179,128,365	6,033,524	185,161,889
\$ 7,395,704	\$ 151,017,373	\$ 5,005,282	\$ 156,022,655

Quad Cities Community Foundation and Subsidiary

**Consolidating Statement of Activities Detail
Year Ended December 31, 2021**

	Without Donor Restrictions		
	Without Donor Restrictions	NonEndowed Donor Advised Fund	Realty Holdings, Inc.
Support and revenue:			
Contributions	\$ 4,733,985	\$ 12,875,874	\$ -
Investment income, net of investment expenses	2,917,374	435,658	-
Gain on investments, realized and unrealized	13,837,216	1,282,627	-
Other income	(149,765)	172,234	19,392
Paycheck Protection Program revenue	-	173,147	-
Change in value of split-interest agreements	237	(3,840)	-
Interfund transfers	(1,704,692)	1,859,966	(50,113)
	<u>19,634,355</u>	<u>16,795,666</u>	<u>(30,721)</u>
Net assets released from restrictions	716,960	-	-
Total support and revenue	<u>20,351,315</u>	<u>16,795,666</u>	<u>(30,721)</u>
Grants and expenses:			
Grants	4,319,093	2,851,332	2,731,567
Management and development	17,275	1,882,592	12,518
Total grants and expenses	<u>4,336,368</u>	<u>4,733,924</u>	<u>2,744,085</u>
Increase (decrease) in net assets	16,014,947	12,061,742	(2,774,806)
Net assets:			
Beginning	<u>122,544,598</u>	<u>17,160,113</u>	<u>5,105,469</u>
Ending	<u>\$ 138,559,545</u>	<u>\$ 29,221,855</u>	<u>\$ 2,330,663</u>

Affiliates	Total Without Donor Restrictions	With Donor Restrictions	Total
\$ 557,665	\$ 18,167,524	\$ -	\$ 18,167,524
163,814	3,516,846	(9,265)	3,507,581
920,395	16,040,238	101,044	16,141,282
7,880	49,741	-	49,741
-	173,147	-	173,147
(4,313)	(7,916)	930,506	922,590
(105,161)	-	-	-
1,540,280	37,939,580	1,022,285	38,961,865
-	716,960	(716,960)	-
1,540,280	38,656,540	305,325	38,961,865
482,302	10,384,294	-	10,384,294
5,831	1,918,216	-	1,918,216
488,133	12,302,510	-	12,302,510
1,052,147	26,354,030	305,325	26,659,355
7,964,155	152,774,335	5,728,199	158,502,534
\$ 9,016,302	\$ 179,128,365	\$ 6,033,524	\$ 185,161,889

Quad Cities Community Foundation and Subsidiary

Comparative Financial Statistics (Rounded)

	2022	2021	2020
Total assets	\$ 167,632,000	\$ 198,983,000	\$ 170,898,000
% increase (decrease)	(16%)	16%	6%
Net assets	\$ 156,023,000	\$ 185,162,000	\$ 158,503,000
Contributions, financial and nonfinancial	9,392,000	18,168,000	9,084,000
Total investments	162,963,000	195,190,000	163,169,000
Rate of return, endowment pool	(16%)	14%	9%
Grants	\$ 8,470,000	\$ 10,384,000	\$ 13,970,000
Management and development expenses	1,966,000	1,918,000	1,802,000
% of management and development expenses to total beginning assets	0.99%	1.19%	1.35%

	2019	2018	2017	2016
	\$ 160,696,000	\$ 133,025,000	\$ 141,449,000	\$ 119,284,000
	21%	(6%)	19%	3%
\$	149,231,000	\$ 122,045,000	\$ 129,628,000	\$ 107,375,000
	16,167,000	8,635,000	15,535,000	7,323,000
	155,212,000	125,960,000	131,046,000	113,996,000
	18%	(7%)	14%	8%
\$	10,145,000	\$ 6,591,000	\$ 6,921,000	\$ 10,323,000
	1,774,000	1,585,000	1,382,000	1,375,000
	1.33%	1.12%	1.16%	1.18%