

# **Quad Cities Community Foundation and Subsidiary**

Consolidated Financial Report  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Quad Cities Community Foundation and Subsidiary

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Quad Cities Community Foundation and Subsidiary which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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).

### 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 of 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 reasonable 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 Quad Cities Community Foundation and Subsidiary 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.

**Other Matter**

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 consolidating and other supplementary 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 13, 2021

**Quad Cities Community Foundation and Subsidiary**

**Consolidated Statements of Financial Position  
December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash	\$ 4,557,279	\$ 1,940,307
Prepaid expenses and other assets	70,367	38,993
Contributions receivable, due within one year	20,356	521,652
Investments	163,169,306	155,212,107
Loans receivable, net of allowance for uncollectible loans of approximately \$5,000 in 2020 and 2019	74,203	81,666
Contributions receivable from charitable remainder unitrusts	2,914,160	2,778,481
Furniture, equipment and leasehold improvements, net of accumulated depreciation 2020 \$388,683; 2019 \$355,540	92,356	122,822
	<b>\$ 170,898,027</b>	<b>\$ 160,696,028</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Funds held for organizations	\$ 9,800,610	\$ 8,725,353
Accounts payable and accrued expenses	133,788	178,316
Deferred compensation	127,748	121,725
Grants payable	271,197	462,500
Scholarships payable	17,236	86,250
Refundable advances	173,147	-
Amounts due under annuity and trust agreements	1,871,767	1,890,385
	<b>12,395,493</b>	<b>11,464,529</b>
Commitments (Notes 6 and 13)		
Net assets:		
Without donor restrictions	152,774,335	143,810,356
With donor restrictions	5,728,199	5,421,143
	<b>158,502,534</b>	<b>149,231,499</b>
	<b>\$ 170,898,027</b>	<b>\$ 160,696,028</b>

See notes to consolidated financial statements.

**Quad Cities Community Foundation and Subsidiary**

**Consolidated Statements of Activities  
Years Ended December 31, 2020 and 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 9,084,163	\$ -	\$ 9,084,163
Investment income, net of investment expenses 2020 \$356,968; 2019 \$527,566	2,744,204	(6,261)	2,737,943
Gain on investments, realized and unrealized	12,571,579	57,270	12,628,849
Other income	319,057	-	319,057
Change in value of split-interest agreements	(29,918)	303,187	273,269
	<u>24,689,085</u>	<u>354,196</u>	<u>25,043,281</u>
Net assets released from restrictions	47,140	(47,140)	-
<b>Total support and revenue</b>	<u>24,736,225</u>	<u>307,056</u>	<u>25,043,281</u>
Grants and expenses:			
Grants	13,969,803	-	13,969,803
Management and development	1,802,443	-	1,802,443
<b>Total grants and expenses</b>	<u>15,772,246</u>	<u>-</u>	<u>15,772,246</u>
<b>Increase in net assets</b>	<b>8,963,979</b>	<b>307,056</b>	<b>9,271,035</b>
Net assets:			
Beginning	<u>143,810,356</u>	<u>5,421,143</u>	<u>149,231,499</u>
Ending	<u>\$ 152,774,335</u>	<u>\$ 5,728,199</u>	<u>\$ 158,502,534</u>

See notes to consolidated financial statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 16,167,155	\$ -	\$ 16,167,155
3,599,659	138,773	3,738,432
18,247,084	522,117	18,769,201
310,791	-	310,791
(24,464)	144,710	120,246
38,300,225	805,600	39,105,825
47,956	(47,956)	-
38,348,181	757,644	39,105,825
10,145,454	-	10,145,454
1,773,798	-	1,773,798
11,919,252	-	11,919,252
26,428,929	757,644	27,186,573
117,381,427	4,663,499	122,044,926
<u>\$ 143,810,356</u>	<u>\$ 5,421,143</u>	<u>\$ 149,231,499</u>

**Quad Cities Community Foundation and Subsidiary**

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

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 9,271,035	\$ 27,186,573
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	35,418	34,534
Gain on investments, realized and unrealized	(12,628,849)	(18,769,201)
Change in value of split-interest agreements	(273,269)	(120,246)
Investment and real estate donations received	(1,924,586)	(7,275,749)
Proceeds from the sale of investment donations	1,905,756	7,211,629
(Increase) decrease in prepaid expenses and other assets	(31,374)	224,619
Decrease in contributions receivable	501,296	2,379,039
Increase in annuity and trust agreement liabilities	7,710	5,682
Increase (decrease) in accounts payable and accrued expenses	(44,528)	7,356
Increase in deferred compensation	6,023	7,991
Increase in refundable advances	173,147	-
Decrease in grants payable	(191,303)	(111,177)
Decrease in scholarships payable	(69,014)	(109,550)
<b>Net cash (used in) provided by operating activities</b>	<b>(3,262,538)</b>	<b>10,671,500</b>
Cash flows from investing activities:		
Purchases of investments	(38,098,291)	(105,981,724)
Proceeds from sales and maturities of investments	43,760,290	96,834,411
Payments received on loans receivable	10,421	13,764
Disbursements of loans receivable	(2,958)	(16,145)
Purchase of furniture and equipment	(4,952)	-
<b>Net cash provided by (used in) investing activities</b>	<b>5,664,510</b>	<b>(9,149,694)</b>
Cash flows from financing activities:		
Payment on annuity and trust agreements	(199,838)	(191,460)
Increase (decrease) in amounts held for other organizations	414,838	(612,299)
<b>Net cash provided by (used in) financing activities</b>	<b>215,000</b>	<b>(803,759)</b>
<b>Net increase in cash</b>	<b>2,616,972</b>	<b>718,047</b>
Cash:		
Beginning	1,940,307	1,222,260
Ending	<b>\$ 4,557,279</b>	<b>\$ 1,940,307</b>
Supplemental disclosure of noncash financing activities, gain on investments, realized and unrealized on funds held for other organizations	<b>\$ (660,419)</b>	<b>\$ (1,271,080)</b>

See notes to consolidated financial statements.



## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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#### 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, 2020 and 2019.

**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

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#### 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 Non-Endowed 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 Non-Endowed Donor Advised Fund contributions are also classified as unrestricted.

**Cash:** Cash includes all cash, except for money market accounts held by investment managers. The Foundation has deposits of approximately \$3,884,000 and \$1,585,000 in major financial institutions in excess of the federal depository insurance limits as of December 31, 2020 and 2019, respectively. Management believes the credit risk related to these assets is minimal.

**Donated services:** The value of donated services is not reflected in the 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 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 and common collective trust funds 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 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 provided by operating activities.

**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.

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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

**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 \$500. 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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 224,907	\$ 222,230
Leasehold improvements	256,132	256,132
Total	<u>481,039</u>	<u>478,362</u>
Less accumulated depreciation	388,683	355,540
Furniture, equipment and leasehold improvements, net	<u>\$ 92,356</u>	<u>\$ 122,822</u>

Depreciation expense was \$35,418 and \$34,534 for the years ended December 31, 2020 and 2019, 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. Grants expense includes approximately \$3,926,000 and \$5,372,000 for the years ended December 31, 2020 and 2019, respectively, for funds disaffiliated during the year.

**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, unrestricted funds, as a change in value of split-interest agreements.

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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

**Refundable advances:** 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. Funds received in excess of qualifying expenses that have not been incurred as of December 31, 2020 are treated as a conditional contribution account or as a refundable advance. The refundable advance is pursuant to the PPP created by Section 1102 of the Coronavirus Aid, Relief and Economic Security (CARES) Act. By participating in the PPP, the Foundation agrees that the advance shall be interpreted and considered to be consistent with the PPP requirements. Refundable advances as of December 31, 2020 are approximately \$173,000. The Foundation applied for forgiveness subsequent to year end and received notice that the full amount would be forgiven on February 11, 2021.

**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, 2020 and 2019. The net assets of the Foundation related to these affiliates totaled approximately \$7,964,000 and \$11,807,000 as of December 31, 2020 and 2019, respectively.

**Income tax matters:** The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation files 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, 2020 and 2019, there were no uncertain tax benefits identified and recorded as a liability. Forms 990 and 990-T filed by the Foundation are no longer subject to examination by the Internal Revenue Service for the fiscal years ended December 31, 2016 and prior.

**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 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. Early adoption is permitted. The Foundation is currently evaluating the impact of this new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with 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. The Foundation is in the process of evaluating the impact of this new guidance.

**Subsequent events:** Management has evaluated subsequent events through May 13, 2021, the date the consolidated financial statements were available to be issued.

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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#### 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 and common collective trust 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, 2020 or 2019.

## 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, 2020 and 2019, 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, 2020 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Contributions receivable from charitable remainder unitrusts	\$ 2,914,160	\$ -	\$ 2,914,160	\$ -
Investments:				
Money market funds and commercial paper	\$ 5,407,917	\$ 5,407,917	\$ -	\$ -
Fixed income	49,233,900	43,841,928	5,391,972	-
Equity investments	97,348,980	97,348,980	-	-
Real assets	6,125,744	6,125,744	-	-
Diversifying strategies	1,148,577	1,148,577	-	-
	159,265,118	\$ 153,873,146	\$ 5,391,972	\$ -
Other investments not at fair value:				
Cash surrender value of life insurance	339,935			
Land and real estate	2,273,464			
Private equity, at net asset value	1,290,789			
Total investments	<u>\$ 163,169,306</u>			

	Fair Value Measurements as of December 31, 2019 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Contributions receivable from charitable remainder unitrusts	\$ 2,778,481	\$ -	\$ 2,778,481	\$ -
Investments:				
Money market funds and commercial paper	\$ 6,963,933	\$ 6,963,933	\$ -	\$ -
Fixed income	40,360,739	34,882,422	5,478,317	-
Equity investments	96,370,957	94,800,384	-	1,570,573
Real assets	6,354,200	6,354,200	-	-
Diversifying strategies	475,007	475,007	-	-
Hedge funds	146,956	146,956	-	-
	150,671,792	\$ 143,622,902	\$ 5,478,317	\$ 1,570,573
Other investments not at fair value:				
Cash surrender value of life insurance	328,756			
Land and real estate	3,664,023			
Private equity, at net asset value	547,536			
Total investments	<u>\$ 155,212,107</u>			

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 2. Investments and Fair Value Measurements (Continued)

There were no transfers of assets between Levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2020 or 2019.

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, 2020 and 2019:

Investment	2020		2019		Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitment	Fair Value	Unfunded Commitment		
Private equity (A)	\$ 1,290,789	\$ 1,621,409	\$ 547,536	\$ 1,321,425	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 following table presents additional information about assets measured at fair value on a recurring basis for which the Foundation has utilized Level 3 inputs to determine fair value:

	Common Stock	
	2020	2019
Balance, beginning of year	\$ 1,570,573	\$ 1,262,497
Realized gains	18,886	54,200
Unrealized gains relating to instruments held at the reporting date	-	178,026
Purchases	-	1,473,250
Sales	(1,589,459)	(1,397,400)
Balance, end of year	\$ -	\$ 1,570,573

The Foundation is the trustee for one charitable remainder annuity trust, as of December 31, 2020 and 2019, 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:

	2020	2019
Money market funds	\$ 66,868	\$ 16,900
Fixed income	760,795	777,169
Equity investments	2,729,111	2,678,247
	\$ 3,556,774	\$ 3,472,316

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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#### 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, 2020 and 2019, is \$1,871,767 and \$1,890,385 using a discount rate of 0.6% to 2.0%, respectively, as provided in the Internal Revenue Service guidelines and actuarial tables.

#### 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.

	2020			
	Program Services		Foundation	Total
	Programs and	Development	Support	Expenses
	Grant Awards			
Salaries and benefits	\$ 213,487	\$ 233,303	\$ 578,306	\$ 1,025,096
Services, supplies and other	38,876	127,409	478,828	645,113
Rent and property expenses	-	-	132,234	132,234
Grants	13,969,803	-	-	13,969,803
Total expenses	<u>\$ 14,222,166</u>	<u>\$ 360,712</u>	<u>\$ 1,189,368</u>	<u>\$ 15,772,246</u>

  

	2019			
	Program Services		Foundation	Total
	Programs and	Development	Support	Expenses
	Grant Awards			
Salaries and benefits	\$ 195,253	\$ 256,036	\$ 552,169	\$ 1,003,458
Services, supplies and other	48,702	98,091	482,056	628,849
Rent and property expenses	-	-	141,491	141,491
Grants	10,145,454	-	-	10,145,454
Total expenses	<u>\$ 10,389,409</u>	<u>\$ 354,127</u>	<u>\$ 1,175,716</u>	<u>\$ 11,919,252</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

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#### 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 statements of cash flows which identifies the sources and uses of the Foundation's cash and shows positive cash generated by operations as of December 31, 2020 and 2019.

	2020	2019
Financial assets at year-end:		
Cash	\$ 4,557,279	\$ 1,940,307
Prepaid expenses and other assets	70,367	38,993
Contributions receivable, net, due in the next 12 months	20,356	521,652
Liquid investments	159,265,118	150,671,792
Total financial assets as of December 31	<u>163,913,120</u>	<u>153,172,744</u>
Less amounts not available to meet cash needs for general expenditures within one year:		
Funds held for organizations	9,800,610	8,725,353
Net assets with donor restrictions	5,728,199	5,421,143
Investments due under annuity and trust agreements	1,871,767	1,890,385
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 146,512,544</u>	<u>\$ 137,135,863</u>

#### Note 6. Lease Commitment and Rent Expense

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 through the remainder of the lease. Lease commitments are as follows:

Years ending December 31:	
2021	\$ 110,334
2022	110,334
2023	91,945
	<u>\$ 312,613</u>

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, 2020 and 2019, was \$92,334.

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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#### 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 \$120,958,000 and \$119,931,000 as of December 31, 2020 and 2019, respectively.

#### 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, 2020 and 2019 was \$29,003 and \$22,936, 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 \$13,000 and \$15,000 for the years ended December 31, 2020 and 2019, respectively.

#### Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019, consist of:

	2020	2019
Charitable remainder unitrusts and charitable remainder annuity trust	\$ 4,777,495	\$ 4,529,945
Nabstedt Educational Fund, student loans	950,704	891,198
	<u>\$ 5,728,199</u>	<u>\$ 5,421,143</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, 2020 and 2019 were \$47,140 and \$47,956, 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 \$2,940,681 and \$2,850,631 as of December 31, 2020 and 2019, 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, 2020 and 2019, include expenses of approximately \$61,000 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

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#### 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 unrestricted 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 unrestricted funds. All unrestricted funds 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 950,704	\$ 950,704
Time-restricted funds	-	4,777,495	4,777,495
Without donor restrictions	152,774,335	-	152,774,335
	<u>\$ 152,774,335</u>	<u>\$ 5,728,199</u>	<u>\$ 158,502,534</u>

Net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 891,198	\$ 891,198
Time-restricted funds	-	4,529,945	4,529,945
Without donor restrictions	143,810,356	-	143,810,356
	<u>\$ 143,810,356</u>	<u>\$ 5,421,143</u>	<u>\$ 149,231,499</u>

Changes in net assets for the years ended December 31, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, December 31, 2018	<u>\$ 117,381,427</u>	<u>\$ 4,663,499</u>	<u>\$ 122,044,926</u>
Investment return:			
Investment income	3,599,659	138,773	3,738,432
Gain on investments, realized and unrealized	18,247,084	522,117	18,769,201
Total investment return	21,846,743	660,890	22,507,633
Contributions	16,167,155	-	16,167,155
Appropriation of assets for expenditures	(11,871,296)	(47,956)	(11,919,252)
Other changes	286,327	144,710	431,037
Net assets, December 31, 2019	<u>143,810,356</u>	<u>5,421,143</u>	<u>149,231,499</u>
Investment return:			
Investment loss	2,744,204	(6,261)	2,737,943
Gain on investments, realized and unrealized	12,571,579	57,270	12,628,849
Total investment return	15,315,783	51,009	15,366,792
Contributions	9,084,163	-	9,084,163
Appropriation of assets for expenditures	(15,725,106)	(47,140)	(15,772,246)
Other changes	289,139	303,187	592,326
Net assets, December 31, 2020	<u>\$ 152,774,335</u>	<u>\$ 5,728,199</u>	<u>\$ 158,502,534</u>

## Quad Cities Community Foundation and Subsidiary

### Notes to Consolidated Financial Statements

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#### **Note 13. Risk and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the financial effect will be to the Foundation. Due to a significant portion of the Foundation’s assets being marketable securities, it is a reasonable possibility that the Foundation is vulnerable to the risk of a near-term severe impact. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including loss on investments.

**Quad Cities Community Foundation and Subsidiary**

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

	Without Donor Restrictions		
	Without Donor Restrictions	Non-Endowed Donor Advised Fund	Realty Holdings, Inc.
Support and revenue:			
Contributions	\$ 4,358,347	\$ 4,363,368	\$ -
Investment income, net of investment expenses	2,326,238	273,796	-
Gain on investments, realized and unrealized	9,857,367	842,135	1,357,912
Other income	3,097,098	799,787	65,495
Change in value of split-interest agreements	-	(23,463)	-
Interfund transfers	(1,341,270)	1,464,338	(31,805)
	<u>18,297,780</u>	<u>7,719,961</u>	<u>1,391,602</u>
Net assets released from restrictions	47,140	-	-
<b>Total support and revenue</b>	<u>18,344,920</u>	<u>7,719,961</u>	<u>1,391,602</u>
Grants and expenses:			
Grants	7,880,793	4,973,631	-
Management and development	2,700	1,766,879	25,865
<b>Total grants and expenses</b>	<u>7,883,493</u>	<u>6,740,510</u>	<u>25,865</u>
<b>Increase (decrease) in net assets</b>	10,461,427	979,451	1,365,737
Net assets:			
Beginning	<u>112,083,171</u>	<u>16,180,662</u>	<u>3,739,732</u>
Ending	<u>\$ 122,544,598</u>	<u>\$ 17,160,113</u>	<u>\$ 5,105,469</u>

Affiliates	Total Without Donor Restrictions	With Donor Restrictions	Total
\$ 362,448	\$ 9,084,163	\$ -	\$ 9,084,163
144,170	2,744,204	(6,261)	2,737,943
514,165	12,571,579	57,270	12,628,849
(3,643,323)	319,057	-	319,057
(6,455)	(29,918)	303,187	273,269
(91,263)	-	-	-
(2,720,258)	24,689,085	354,196	25,043,281
-	47,140	(47,140)	-
(2,720,258)	24,736,225	307,056	25,043,281
1,115,379	13,969,803	-	13,969,803
6,999	1,802,443	-	1,802,443
1,122,378	15,772,246	-	15,772,246
(3,842,636)	8,963,979	307,056	9,271,035
11,806,791	143,810,356	5,421,143	149,231,499
\$ 7,964,155	\$ 152,774,335	\$ 5,728,199	\$ 158,502,534

**Quad Cities Community Foundation and Subsidiary**

**Consolidating Statement of Activities Detail  
Year Ended December 31, 2019**

	Without Donor Restrictions		
	Without Donor Restrictions	Non-Endowed Donor Advised Fund	Realty Holdings, Inc.
Support and revenue:			
Contributions	\$ 9,354,613	\$ 6,392,146	\$ -
Investment income, net of investment expenses	2,819,069	550,774	-
Gain on investments, realized and unrealized	15,132,630	922,926	-
Other income	6,015,841	1,073,985	96,119
Change in value of split-interest agreements	-	(18,808)	-
Interfund transfers	(1,213,359)	1,434,173	(33,467)
	<u>32,108,794</u>	<u>10,355,196</u>	<u>62,652</u>
Net assets released from restrictions	47,956	-	-
<b>Total support and revenue</b>	<u>32,156,750</u>	<u>10,355,196</u>	<u>62,652</u>
Grants and expenses:			
Grants	4,025,821	1,640,717	-
Management and development	3,059	1,740,036	24,875
<b>Total grants and expenses</b>	<u>4,028,880</u>	<u>3,380,753</u>	<u>24,875</u>
<b>Increase (decrease) in net assets</b>	<u>28,127,870</u>	<u>6,974,443</u>	<u>37,777</u>
Net assets:			
Beginning	<u>83,955,301</u>	<u>9,206,219</u>	<u>3,701,955</u>
Ending	<u>\$ 112,083,171</u>	<u>\$ 16,180,662</u>	<u>\$ 3,739,732</u>



Affiliates	Total Without Donor Restrictions	With Donor Restrictions	Total
\$ 420,396	\$ 16,167,155	\$ -	\$ 16,167,155
229,816	3,599,659	138,773	3,738,432
2,191,528	18,247,084	522,117	18,769,201
(6,875,154)	310,791	-	310,791
(5,656)	(24,464)	144,710	120,246
(187,347)	-	-	-
(4,226,417)	38,300,225	805,600	39,105,825
-	47,956	(47,956)	-
(4,226,417)	38,348,181	757,644	39,105,825
4,478,916	10,145,454	-	10,145,454
5,828	1,773,798	-	1,773,798
4,484,744	11,919,252	-	11,919,252
(8,711,161)	26,428,929	757,644	27,186,573
20,517,952	117,381,427	4,663,499	122,044,926
\$ 11,806,791	\$ 143,810,356	\$ 5,421,143	\$ 149,231,499

## Quad Cities Community Foundation and Subsidiary

### Comparative Financial Statistics

	2020	2019	2018
Total assets	<b>\$ 170,898,000</b>	\$ 160,696,000	\$ 133,025,000
% increase (decrease)	<b>28%</b>	21%	(6%)
Net assets	<b>\$ 158,503,000</b>	\$ 149,231,000	\$ 122,045,000
Contributions	<b>9,084,000</b>	16,167,000	8,635,000
Total investments	<b>163,169,000</b>	155,212,000	125,960,000
Rate of return, endowment pool	<b>9%</b>	18%	(7%)
Grants	<b>\$ 13,970,000</b>	\$ 10,145,000	\$ 6,591,000
Management and development expenses	<b>1,802,000</b>	1,774,000	1,585,000
% of management and development expenses to total beginning assets	<b>1.35%</b>	1.33%	1.12%

2017	2016	2015	2014	2013
<u>\$ 141,449,000</u>	<u>\$ 119,284,000</u>	<u>\$ 116,339,000</u>	<u>\$ 118,426,000</u>	<u>\$ 105,245,000</u>
19%	3%	(2%)	13%	13%
\$ 129,628,000	\$ 107,375,000	\$ 104,057,000	\$ 106,020,000	\$ 93,156,000
15,535,000	7,323,000	9,243,000	18,280,000	9,065,000
131,046,000	113,996,000	110,318,000	112,976,000	98,938,000
14%	8%	(5%)	2%	10%
\$ 6,921,000	\$ 10,323,000	\$ 5,889,000	\$ 6,172,000	\$ 5,053,000
1,382,000	1,375,000	1,339,000	1,446,000	1,134,000
1.16%	1.18%	1.13%	1.37%	1.21%