

Cedar Falls Community Foundation

Financial Statements

December 31, 2020 and 2019



**Cedar Falls Community Foundation
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Independent Auditor's Report

Board of Directors
Cedar Falls Community Foundation

We have audited the accompanying financial statements of the Cedar Falls Community Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cedar Falls Community Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BergankDV, LTD.

Waterloo, Iowa
March 30, 2021

Cedar Falls Community Foundation
Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 397,046	\$ 322,120
Investments	8,541,180	7,842,436
Promises to give	33,363	34,400
Total assets	\$ 8,971,589	\$ 8,198,956
Liabilities and Net Assets		
Accrued expenses	\$ 880	\$ 728
Funds held for others	623,333	544,831
Grants payable	232,953	375,500
Total liabilities	857,166	921,059
Net assets		
Without donor restrictions		
Designated by Board for operating reserve	21,369	22,043
Designated by Board for endowment	869,172	815,156
Non-endowed permanent funds	130,871	125,861
Non-endowed non-permanent funds	493,660	445,118
Undesignated	258,873	152,891
Total unrestricted net assets	1,773,945	1,561,069
With donor restrictions	6,340,478	5,716,828
Total net assets	8,114,423	7,277,897
Total liabilities and net assets	\$ 8,971,589	\$ 8,198,956

Cedar Falls Community Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Net assets without donor restrictions		
Revenues, gains and other support		
Contributions	\$ 130,960	\$ 149,836
In-kind donations	11,195	12,966
Investment return, net	193,102	257,884
Service fee income	91,005	82,611
Net assets released from restrictions, net of forfeited grants and awards	(4,592)	214,458
Total revenues, gains and other support	421,670	717,755
 Expenses		
Program	49,064	260,340
Management and general	131,696	166,611
Fundraising	28,034	8,523
Total expenses	208,794	435,474
 Increase in net assets without donor restrictions	212,876	282,281
 Net assets with donor restrictions		
Contributions	11,106	4,383
Investment return, net	607,952	920,211
Previously approved forfeited grants and awards	80,000	-
Net assets released from restrictions	(75,408)	(214,458)
 Increase in net assets with donor restrictions	623,650	710,136
 Increase in net assets	836,526	992,417
 Net assets, beginning of year	7,277,897	6,285,480
 Net assets, end of year	\$ 8,114,423	\$ 7,277,897

Cedar Falls Community Foundation
Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$7,889	\$7,889	\$15,777	\$ 31,555
Payroll taxes	660	660	1,321	2,641
Employee benefits	237	237	473	947
Total salaries and related expenses	8,786	8,786	17,571	35,143
Grants and awards	30,390	-	-	30,390
Professional fees	-	20,695	-	20,695
Assessment fees	-	80,751	-	80,751
Software	-	10,043	2,511	12,554
Office expenses	6,622	3,867	2,409	12,898
Other expenses	3,266	7,554	5,543	16,363
Total expenses	\$ 49,064	\$ 131,696	\$ 28,034	\$ 208,794
	2019			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,409	\$ 21,568	\$ 7,659	\$ 30,636
Payroll taxes	117	1,784	634	2,535
Employee benefits	42	647	230	919
Total salaries and related expenses	1,568	23,999	8,523	34,090
Grants and awards	258,772	-	-	258,772
Professional fees	-	24,836	-	24,836
Assessment fees	-	74,930	-	74,930
Software	-	17,093	-	17,093
Office expenses	-	21,337	-	21,337
Other expenses	-	4,416	-	4,416
Total expenses	\$ 260,340	\$ 166,611	\$ 8,523	\$ 435,474

See notes to financial statements.

Cedar Falls Community Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows - Operating Activities		
Increase in net assets	\$ 836,526	\$ 992,417
Adjustments to reconcile increase in net assets to net cash flows - operating activities		
Net unrealized/realized gain on investments	(714,547)	(1,212,645)
Changes in operating assets and liabilities		
Promises to give	1,037	(34,400)
Accrued expenses	152	(195)
Funds held for others	78,502	(9,564)
Grants payable	(142,547)	(68,000)
Net cash flows - operating activities	59,123	(332,387)
 Cash Flows - Investing Activities		
Purchases of investments	(1,870,079)	(2,755,411)
Proceeds from sale of investments	1,885,882	3,129,401
Net cash flows - investing activities	15,803	373,990
 Net change in cash	74,926	41,603
 Cash		
Beginning of year	322,120	280,517
End of year	\$ 397,046	\$ 322,120

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Cedar Falls Community Foundation (the Foundation) was established for the purpose of receiving gifts and bequests to support projects and charitable organizations in Cedar Falls, Iowa that enhance the community's quality of life through cultural, scholarly, recreational, literary, and artistic endeavors.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Foundation maintains cash in bank accounts which, at times, exceed the federally insured limit.

Investments

The Foundation invests in various investment securities that are reported at fair value. See Note 3 for discussion of fair value measurements.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Funds Held for Others

The Foundation invests funds for other organizations that have sole discretion over the use of these assets and are the specified beneficiary. All financial activity including contributions, expenses and investment income related to these funds is recorded as adjustments to the funds held for others. Funds held for others have been reflected in investments as an asset and a liability on the statement of financial position.

Grants Payable

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

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Non-endowed funds are also designated, from net assets without donor restrictions, and represent contributions that were unrestricted and are subject to variance power. These funds can be permanent or non-permanent. Permanent non-endowed funds are invested as if they were subject to the terms of a true endowed fund. However, the Board of Directors has the discretion to spend all or part of the gift amount for the purpose designated by the donor. Non-permanent funds are generally held for a limited period of time and are generally used to support a specific project.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as revenue in the period received and are reported based on the existence or absence of donor-imposed restrictions. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under fund agreements the Foundation reserves the right to modify any restrictions or contributions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of directors, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the needs of the community or area served. These contributions are recorded as without donor restriction.

Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional contributions at December 31, 2020 and 2019.

**Cedar Falls Community Foundation
Notes to Financial Statements**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation generally pays for services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, fundraising, and various committee assignments.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, employee benefits, office expenses, and other which are allocated on the basis of estimates of time and effort.

Subsequent Events

Management has evaluated subsequent events through March 30, 2021, the date which the financial statements were available for issue.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2020 and 2019:

	2020	2019
Cash	\$ 397,046	\$ 322,120
Investments	8,541,180	7,842,436
Pledge receivables	33,363	34,400
Total financial assets available	8,971,589	8,198,956
Plus: endowment spending-rate distributions	32,738	32,064
Less: funds held for others	623,333	544,831
Less: grants payable	232,953	375,500
Less: donor-imposed restrictions	6,340,478	5,716,828
Less: board restricted endowment	869,172	815,156
Financial assets available within one year	\$ 938,391	\$ 778,705

Endowment funds consist of donor-restricted endowments and quasi-endowments. In addition to asset-based service fee revenue, portions of the quasi-endowments are available for general operations. As discussed in Note 4, the Foundation's policy is to distribute up to 4% of the rolling three-year average market value of the funds.

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of Foundation's liquidity management plan, the Board of Directors designates a portion of any operating surplus to its operating reserve. The operating reserve may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the Foundation's routine course of business.

NOTE 3 – FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3: Inputs are unobservable inputs based on the Foundation's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Cash equivalents and mutual funds are valued at the net asset value, based on quoted market prices, of shares held by the Foundation at year end.

The following tables set forth by level within the fair value hierarchy of the Foundation's financial assets measured at fair value on a recurring basis as of December 31, 2020 and 2019, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such value.

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements at Reporting Date Using:		
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 623,129	\$ -	\$ -
Mutual funds - equity			
US equity	4,071,672	-	-
Developed foreign	1,003,530	-	-
Emerging foreign	371,148	-	-
Mutual funds - fixed income			
Taxable US	1,977,107	-	-
Taxable high yield	295,301	-	-
Taxable hedged fixed	953	-	-
Mutual funds - real estate	198,340	-	-
	<u>\$ 8,541,180</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 8,541,180</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 290,952	\$ -	\$ -
Mutual funds - equity			
US equity	3,191,266	-	-
Developed foreign	1,155,224	-	-
Emerging foreign	252,932	-	-
Mutual funds - fixed income			
Taxable US	1,945,009	-	-
Taxable high yield	297,403	-	-
Taxable hedged fixed	266,581	-	-
Mutual funds - other			
Commodities	225,353	-	-
Real estate	217,716	-	-
	<u>\$ 7,842,436</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 7,842,436</u>	<u>\$ -</u>	<u>\$ -</u>

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 4 – ENDOWMENT FUNDS

Board-Designated Endowments

The Board of Directors has designated an unrestricted trust as a general endowment fund to be used primarily to support capital projects submitted by 501(c)(3) organizations. In addition, the Board of Directors has designated an unrestricted fund to be used primarily to support community needs. Distributions will be based on the Organization's spending policy, which is 4% of the rolling three-year average market value of the funds. Undistributed income is accumulated for future distributions.

Donor-Restricted Endowments

The Foundation's endowments consist of three donor-restricted funds established by testamentary gifts to support the Cedar Falls Library, Cedar Bend Humane Society, and study abroad scholarships, and to function as endowments.

The Board of Directors has interpreted the Iowa Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gift amounts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation or depreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

In accordance with the donor-restricted gifts, distributions from the endowment funds will be limited to the annual income or balance of the endowment funds. The Foundation has adopted investment policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes money market funds, and equity, fixed, and other mutual funds. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Cedar Falls Community Foundation
Notes to Financial Statements

NOTE 4 – ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2020 and 2019, follows:

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 1,442,273	\$ 1,442,273
Board designated	869,172	-	869,172
	<u>\$ 869,172</u>	<u>\$ 1,442,273</u>	<u>\$ 2,311,445</u>
<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 1,319,122	\$ 1,319,122
Board designated	815,156	-	815,156
	<u>\$ 815,156</u>	<u>\$ 1,319,122</u>	<u>\$ 2,134,278</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2019	\$ 691,141	\$ 1,200,511	\$ 1,891,652
Investment return, net	126,338	214,870	341,208
Contributions	2,677	-	2,677
Amounts appropriated for expenditure	(5,000)	(96,259)	(101,259)
Endowment net assets, December 31, 2019	815,156	1,319,122	2,134,278
Investment return, net	78,073	145,702	223,775
Contributions	3,443	48	3,491
Amounts appropriated for expenditure	(27,500)	(22,599)	(50,099)
Endowment net assets, December 31, 2020	<u>\$ 869,172</u>	<u>\$ 1,442,273</u>	<u>\$ 2,311,445</u>

**Cedar Falls Community Foundation
Notes to Financial Statements**

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specific purposes		
Cedar Falls Library	\$ 3,543,524	\$ 3,165,836
Cedar Falls Recreation Center	343,060	311,624
Hearst Center for the Arts	976,982	888,338
Scholarships	260,287	142,476
Veterans Memorial Park	41,662	36,006
Other Designated Funds	36,031	33,524
Total purpose restrictions	5,201,546	4,577,804
Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Cedar Bend Humane Society	\$ 67,618	\$ 62,311
Cedar Falls Library	63,856	63,824
Study Abroad Scholarships	1,310,799	1,192,987
Total endowment restrictions	1,442,273	1,319,122
Less amounts subject to expenditure for specific purposes	303,341	180,098
Total purpose restrictions	1,138,932	1,139,024
 Total net assets with donor restrictions	 \$ 6,340,478	 \$ 5,716,828

NOTE 6 – RISKS AND UNCERTAINTIES

The outbreak of COVID-19 (the coronavirus) has caused operational disruptions around the world. The extent of the impact may be both direct and indirect and will vary based on the duration of the outbreak and other factors. An estimate of the effect the outbreak may have on the Foundation's financial statements cannot be determined at this time.