

Community Foundation of Greater Des Moines

Consolidated Financial Statements
December 31, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-16



RSM US LLP

Independent Auditor's Report

Board of Directors
Community Foundation of Greater Des Moines

Opinion

We have audited the consolidated financial statements the Community Foundation of Greater Des Moines (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2021 and 2020, and the changes in their net assets and their 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.

RSM US LLP

Des Moines, Iowa
September 14, 2022

Community Foundation of Greater Des Moines

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 10,412,800	\$ 5,605,696
Investments:		
Money market funds	53,392,696	46,185,336
Debt securities	131,679,555	103,322,917
Equity securities	412,853,248	358,843,955
Promissory notes	6,979,390	7,434,390
Other investments	125,183,196	104,185,867
Total investments	730,088,085	619,972,465
Pledges and other receivables, net	3,055,811	1,411,850
Prepaid and other assets	11,043,740	9,594,957
Property and equipment:		
Land and land improvements	1,156,445	826,445
Buildings	999,150	1,329,150
Furniture and fixtures	331,511	334,013
Construction in process	204,665	7,432
	2,691,771	2,497,040
Less accumulated depreciation	534,554	450,768
	2,157,217	2,046,272
Total assets	\$ 756,757,653	\$ 638,631,240
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 439,025	\$ 702,750
Grants payable	506,546	156,547
Annuity payable	289,944	301,971
Agency funds	215,646,222	178,709,972
Total liabilities	216,881,737	179,871,240
Net assets:		
Net assets without donor restrictions	532,294,958	453,208,750
Net assets with donor restrictions	7,580,958	5,551,250
Total net assets	539,875,916	458,760,000
Total liabilities and net assets	\$ 756,757,653	\$ 638,631,240

See notes to consolidated financial statements.

Community Foundation of Greater Des Moines

**Consolidated Statement of Activities
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 70,262,938	\$ 3,072,132	\$ 73,335,070
Investment income	9,603,330	-	9,603,330
Net realized gain on investments	25,361,414	-	25,361,414
Net unrealized gain on investments	24,308,858	-	24,308,858
Miscellaneous income	1,376,288	-	1,376,288
Net assets released from restriction	1,042,424	(1,042,424)	-
Total support and revenue	131,955,252	2,029,708	133,984,960
Expenses:			
Grants and program expenses	52,443,178	-	52,443,178
Management and general	410,201	-	410,201
Fundraising	15,665	-	15,665
Total expenses	52,869,044	-	52,869,044
Increase in net assets	79,086,208	2,029,708	81,115,916
Net assets at beginning of year	453,208,750	5,551,250	458,760,000
Net assets at end of year	\$ 532,294,958	\$ 7,580,958	\$ 539,875,916

See notes to consolidated financial statements.

Community Foundation of Greater Des Moines

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

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 69,495,468	\$ 5,182,643	\$ 74,678,111
Investment income	8,179,093	-	8,179,093
Net realized gain on investments	5,912,868	-	5,912,868
Net unrealized gain on investments	26,869,166	-	26,869,166
Miscellaneous income	1,519,529	-	1,519,529
Net assets released from restriction	746,973	(746,973)	-
Total support and revenue	112,723,097	4,435,670	117,158,767
Expenses:			
Grants and program expenses	59,672,499	-	59,672,499
Management and general	340,848	-	340,848
Fundraising	15,774	-	15,774
Total expenses	60,029,121	-	60,029,121
Increase in net assets	52,693,976	4,435,670	57,129,646
Net assets at beginning of year	400,514,774	1,115,580	401,630,354
Net assets at end of year	<u>\$ 453,208,750</u>	<u>\$ 5,551,250</u>	<u>\$ 458,760,000</u>

See notes to consolidated financial statements.

Community Foundation of Greater Des Moines

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 81,115,916	\$ 57,129,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	(25,236,445)	(32,263,601)
Donated property	(2,629,370)	(1,861,175)
Net unrealized and realized gain on investments	(49,670,272)	(32,782,034)
Depreciation	97,563	86,582
Changes in assets and liabilities:		
Pledges receivable	(1,643,961)	907,387
Prepaid and other assets	194,019	33,235
Accounts payable, accrued expenses and grants payable	386,274	(149,981)
Annuity payable	(12,027)	(37,832)
Agency funds	36,936,250	13,215,912
Net cash provided by operating activities	39,537,947	4,278,139
Cash flows from investing activities:		
Purchases of investments	(184,772,817)	(129,938,630)
Proceeds from sale and maturity of investments	149,949,308	126,048,510
Proceeds from sale of property held for sale	601,175	80,000
Purchases of property and equipment	(208,509)	(1,337,319)
Net cash used in investing activities	(34,430,843)	(5,147,439)
Cash flows from financing activities:		
Payments on line of credit	(300,000)	-
Proceeds from line of credit	-	300,000
Net cash provided by (used in) financing activities	(300,000)	300,000
Net increase (decrease) in cash and cash equivalents	4,807,104	(569,300)
Cash and cash equivalents:		
Beginning	5,605,696	6,174,996
Ending	\$ 10,412,800	\$ 5,605,696
Supplemental disclosures of cash flow information:		
Cash paid (received) for income taxes, net	\$ (52,479)	\$ 94,492

See notes to consolidated financial statements.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Operations: Community Foundation of Greater Des Moines (the Foundation) was organized to receive gifts and bequests from private and public organizations and to make contributions to projects and organizations benefiting the Greater Des Moines community.

In 2005, the Foundation established a supporting organization, GDMCF Charitable Trust (the Trust), to help enhance fulfilling of the mission of the Foundation. The trustee is elected by, and serves at the pleasure of, the Foundation's board of directors.

In 2005, the Foundation established a wholly owned subsidiary, GDMCF Properties, LLC (Properties) to accommodate gifts of real estate. The entity was funded in 2008. Properties is a disregarded entity for tax purposes.

In 2014, the Foundation established and funded a wholly owned subsidiary, Keep Iowa Growing, LLC (Keep Iowa Growing) to accommodate gifts of farmland. Keep Iowa Growing is a disregarded entity for tax purposes.

In 2017, the Foundation established and funded a wholly owned subsidiary, GDMCF Investments, L.L.C. (Investments) to accommodate gifts of illiquid investments. Investments is a disregarded entity for tax purposes.

Significant accounting policies:

Principles of consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of the Foundation, the Trust, Properties, Keep Iowa Growing and Investments. All material intercompany balances and transactions are eliminated in consolidation.

Basis of presentation: The financial statements of the Foundation have been prepared on the accrual basis and follow the accounting guidance of nonprofit organizations. Under these standards, the Foundation is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Unconditional contributions received or pledged are reported as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as net assets without donor restriction. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under the gifting agreements the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of directors, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the charitable needs of the community.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

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

Revenue recognition: The Foundation recognizes revenue by following the five-step model under Financial Accounting Standards Board Accounting Standards Codification (ASC) 606 to achieve the core principle that the Foundation recognizes revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The five-step model requires that the Foundation (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (4) allocate the transaction price to the respective performance obligations in the contract and (5) recognize revenue as the performance obligation is satisfied. The Foundation's main revenue streams consisting of contributions and investment income including realized and unrealized gain (loss) on investments are scoped out of ASC 606.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on date of contribution based primarily on publicly available information. Contributions received with donor-imposed restrictions (including those for acquisition of long-lived assets) that are met within the same year as received are reported as revenues in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation or by law. Expenses are reported as decreases in net assets without donor restrictions.

Use of 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 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.

Cash and cash equivalents: The Foundation considers all unrestricted cash and all highly liquid investments with an original maturity date of 90 days or less, other than money market funds, to be cash and cash equivalents.

Concentration of risk: The Foundation maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts.

Pledges receivable: Pledges receivable due after one year are discounted at a risk-free rate and are presented as net assets with donor restrictions in the financial statements. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All pledges are expected to be collected, and as a result the Foundation had no allowance at both December 31, 2021 and 2020.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

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

Unconditional promises to give as of December 31, 2021 and 2020, are summarized as follows:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,830,226	\$ 501,850
One to five years	1,266,754	957,916
	<u>3,096,980</u>	<u>1,459,766</u>
Less unamortized discount (interest rates 0.17% to 2.46%) on pledges receivable	41,169	47,916
Net pledges receivable	<u>\$ 3,055,811</u>	<u>\$ 1,411,850</u>

Investments: Investment income, realized gains and losses and unrealized gain or loss on investments is reported as increases or decreases in net assets. Investments include the following:

- Money market funds, debt securities and equity securities are investments in publicly traded securities and are recorded at fair value based on quoted market prices at the reporting date.
- Promissory notes receivable are carried at the amount of unpaid principal, which approximates fair value. The notes receivable bear interest at rates between 3.08% and 7.00% and are due between December 2024 and December 2029. Approximately \$114,000 will be received quarterly with the remaining interest and principal being paid upon the maturity date.
- Other investments consist of fund of funds, hedge funds, investments in private equities and other nonreadily marketable investments. The Foundation establishes their value primarily using the practical expedient, based on information gathered from the investees, including audited financial statements and other reports provided by the investees. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors, to be used to determine fair value, under certain conditions. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Funds' ability to redeem out of the fund at report date.
- Investments in other entities consist of investments in entities in which notes receivable represent a majority of the underlying assets of the entities. The investments are carried at cost which approximates fair value.

Property and equipment: The Foundation capitalizes assets with estimated useful lives greater than one year at the cost to acquire that asset. Depreciation of building, furniture and fixtures is provided over the estimated useful lives of the assets on the straight-line basis (building—39 years, and furniture and fixtures—three to 10 years).

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

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

Split interest agreements: A split-interest agreement is one in which a donor makes an initial gift to a trust or directly to the Foundation, in which the Foundation has the beneficial interest, but the donor retains a portion of the benefits of the assets or names a third party as a recipient of a portion of the benefits. The Foundation has a beneficial interest in a charitable lead annuity trust agreement, for which the accounting policy is as follows:

A *charitable lead annuity agreement* is an arrangement in which a donor establishes and funds a trust with specific distributions to be made to the Foundation over a specified period. Beneficial interest in the trust is recorded at fair value and included in other assets.

Agency funds: The Foundation acts as a fiscal agent for other nonprofit organizations that wish to establish an investment fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. These funds are included in the investments in the statement of financial position. The Foundation refers to such funds as agency funds and accounts for the transfer of such assets as a liability. For financial reporting purposes, distributions from agency funds in the amount of \$7,361,424 and \$14,209,300 and contributions to agency funds in the amount of \$22,343,967 and \$20,396,335 are not included in the reported grants and contributions of the Foundation for the year ended December 31, 2021 and 2020, respectively.

Income taxes: The Foundation is a nonprofit corporation as described in section 501(c)(3) of the Internal Revenue Code, and is generally exempt for federal income tax purposes on related income pursuant to section 501(a) of the Internal Revenue Code. Certain investments of the Foundation are subject to the unrelated business income tax regulations, and occasionally will require the Foundation to pay tax on this unrelated business income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (as it relates to the assets generating unrelated business income). Deferred tax assets and liabilities if any, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets, if any, consists of net operating loss carryforward related to unrelated business income generated from alternative investments.

The Foundation follows the accounting guidance for *Accounting for Uncertainty in Income Taxes*. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation has not been notified of any impending examination and no examinations are currently in process.

Fair value measurements: The Foundation estimates fair value using the guidance established by *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market the most advantageous market for the investment or liability. The Foundation accounts for its investments at fair value. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

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

These levels are:

- Level 1:** Valuation is based upon quoted prices for identical instruments traded in active markets that the Foundation has the ability to access as of the measurement date.
- Level 2:** Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable, or can be corroborated by, observable market data.
- Level 3:** Valuation is based upon 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.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those affects could be significant.

Reclassification: Certain items on the balance sheet and statement of activities as of and during the year ended December 31, 2020, have been reclassified, with no effect on the change in net assets, to be consistent with the presentation used as of December 31, 2021.

Subsequent events: Subsequent events have been evaluated through September 14, 2022, the date the consolidated financial statements were available for issuance.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 2. Investments

The following is a summary of the Foundation's investments under the hierarchy set by fair value guidance as of December 31, 2021 and 2020, for assets measured at fair value on a recurring basis:

	2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Money market funds	\$ 53,392,696	\$ -	\$ -	\$ 53,392,696
Debt and equity securities:				
U.S. equity	305,537,052	1,293,841	-	306,830,893
International equity	66,435,306	-	5,552,022	71,987,328
Fixed income	131,577,806	101,749	-	131,679,555
Natural resources	34,035,027	-	-	34,035,027
	<u>\$ 590,977,887</u>	<u>\$ 1,395,590</u>	<u>\$ 5,552,022</u>	<u>597,925,499</u>
Other investments:				
Alternative investments, at net asset value				118,966,595
Promissory notes, at unpaid principal				6,979,390
Investment in other entities, at cost				6,216,601
				<u>132,162,586</u>
Total investments				<u>\$ 730,088,085</u>

	2020			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Money market funds	\$ 46,185,336	\$ -	\$ -	\$ 46,185,336
Debt and equity securities:				
U.S. equity	269,615,628	1,235,499	-	270,851,127
International equity	61,505,184	-	3,519,727	65,024,911
Fixed income	92,728,210	10,594,707	-	103,322,917
Natural resources	22,967,917	-	-	22,967,917
	<u>\$ 493,002,275</u>	<u>\$ 11,830,206</u>	<u>\$ 3,519,727</u>	<u>508,352,208</u>
Other investments:				
Alternative investments, at net asset value				97,785,996
Promissory notes, at unpaid principal				7,434,390
Investment in other entities, at cost				6,399,871
				<u>111,620,257</u>
Total investments				<u>\$ 619,972,465</u>

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 2. Investments (Continued)

The Foundation has one international equity that is valued based on significant unobservable inputs. The investment was gifted to the Foundation during the year ended December 31, 2018. The investment value is \$5,552,022 and \$3,519,727 for the years ended December 31, 2021 and 2020, respectively. The value is determined based on the estimated cash flow to be received at the liquidation of the investment, based off of comparable sales approach at December 31, 2021 and 2020. There were no purchases or sales of the investment during both the years ended December 31, 2021 and 2020.

Alternative investments are redeemable with the fund at NAV under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class, which are calculated using a NAV per share using the practical expedient or its equivalent, as of December 31:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (if available)	Redemption Notice Period
2021:				
Real estate funds (A)	\$ 65,290	\$ -	See (A) below	See (A) below
International equity (B)	45,582,496	-	See (B) below	See (B) below
Fund of funds (C)	56,514,051	10,592,458	See (C) below	See (C) below
Fixed income funds (D)	16,582,599	-	See (D) below	See (D) below
Other (E)	222,159	33,912	See (E) below	See (E) below
	<u>\$ 118,966,595</u>	<u>\$ 10,626,370</u>		
2020:				
Real estate funds (A)	\$ 143,913	\$ -	See (A) below	See (A) below
International equity (B)	45,002,917	-	See (B) below	See (B) below
Fund of funds (C)	39,698,944	16,858,054	See (C) below	See (C) below
Fixed income funds (D)	12,703,593	-	See (D) below	See (D) below
Other (E)	236,629	283,912	See (E) below	See (E) below
	<u>\$ 97,785,996</u>	<u>\$ 17,141,966</u>		

(A) Includes funds invested in debt and equity securities and other investments related to real estate, with a focus on residential, commercial, industrial and retail investments and properties with no particular geographic concentration. Redemptions for the portfolio are generally not allowed and are subject to approval of the fund administrator.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 2. Investments (Continued)

- (B) Funds represent primarily globally diversified portfolios in debt and equity securities, including those issued or guaranteed by the United States and foreign governments and related agencies. Included in this portfolio is a fund of approximately \$13,200,000 invested in small cap stocks of foreign entities (2020, \$12,700,000). Investments in foreign entities will incur exposure to risks from economic instability, unfavorable political developments and currency fluctuations. The portfolio allows monthly redemptions with prior notice required ranging from six to 30 days.
- (C) Includes globally diversified feeder funds and funds of funds totaling approximately \$19,400,000 invested in illiquid investments of closed-end funds (2020, \$15,200,000) with the remainder in debt and equity securities and futures and options. Redemptions in many cases are subject to the provisions of the underlying fund agreement, with some funds within the fund of funds currently suspending redemptions. Of the total net asset class \$18,100,000 allows quarterly redemptions with a 100-day notice (2020, \$13,200,000) and \$19,400,000 allows annual redemptions with a 100-day notice (2020, \$15,200,000). Redemptions are not allowed on \$19,100,000 (2020, \$11,300,000). The remaining funds have suspended redemptions.
- (D) These represent funds invested in primarily fixed income funds. Approximately \$13,200,000 requires general partner approval to withdraw amounts if it would reduce the Foundation's balance under \$1,000,000 (2020, \$12,700,000). There are no redemption restrictions on the remainder of the fixed income funds.
- (E) These represent funds with no particular industry or geographic focus with the remainder in debt and equity securities and futures and options. Redemptions for the portfolio are generally not allowed.

Note 3. Note Payable

The Foundation does not typically use debt to finance operating activities. There are times, however, as fiscal agent for project funds when project expenses need to be paid prior to pledges receivable being collected. To facilitate timely completion of projects, the Foundation will from time to time enter into a debt agreement related to those specific projects. There were no notes payable at December 31, 2021 or 2020.

The Foundation has an unsecured \$4,000,000 line of credit with a bank that matures on December 5, 2023. The borrowings under the agreement bear interest at the greater of the Daily Simple Secured Overnight Financing Rate (SOFR) plus 2% (2.05% at December 31, 2021). At December 31, 2021 and 2020, \$0 and \$300,000, respectively, were outstanding on the line of credit and included in accounts payable, accrued expenses and other liabilities on the statement of financial positions.

Note 4. Endow Iowa Program

The Foundation participates in the Endow Iowa Program (the Program), which is administered by the Iowa Economic Development Authority through qualified community foundations. The Program's purpose is to create sustainable, philanthropic opportunities for charitable impact in Iowa communities. The legislation governing the Program requires that contributions received be accumulated in a fund, referred to as a 'permanent endowment', for purposes of calculating annual spending, which may not exceed 5% of the prior year ending fair market value of the Program funds. At December 31, 2021 and 2020, net assets without donor restrictions and agency fund liabilities includes a total of \$270,383,516 and \$229,354,625, respectively, related to the Program.

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 5. Natural and Functional Expenses

The following reflects the classification of the Foundation's expenses, by both the underlying nature of the expense and function. An individual expense is allocated to the underlying activity through which it was incurred. Certain expenses are allocated on a reasonable basis which has been consistently applied based on actual usage or project purposes.

	Grants and Program	2021 Supporting Services		Total
		Management and General	Fundraising	
Grants	\$ 47,375,973	\$ 5,000	\$ -	\$ 47,380,973
Administration and office operations	391,731	28,782	-	420,513
Marketing and outreach	257,117	9,869	347	267,333
Occupancy	193,110	147,914	-	341,024
Personnel	2,735,000	192,880	15,318	2,943,198
Professional services	1,116,613	25,756	-	1,142,369
Program support services	373,634	-	-	373,634
	<u>\$ 52,443,178</u>	<u>\$ 410,201</u>	<u>\$ 15,665</u>	<u>\$ 52,869,044</u>

	Grants and Program	2020 Supporting Services		Total
		Management and General	Fundraising	
Grants	\$ 51,977,827	\$ 5,000	\$ -	\$ 51,982,827
Administration and office operations	363,700	27,651	-	391,351
Marketing and outreach	192,994	7,033	373	200,400
Occupancy	171,261	76,535	-	247,796
Personnel	2,618,234	213,065	15,401	2,846,700
Professional services	3,797,916	10,064	-	3,807,980
Program support services	550,567	1,500	-	552,067
	<u>\$ 59,672,499</u>	<u>\$ 340,848</u>	<u>\$ 15,774</u>	<u>\$ 60,029,121</u>

Community Foundation of Greater Des Moines

Notes to Consolidated Financial Statements

Note 6. Liquidity

The Community Foundation of Greater Des Moines maintains operating reserves and liquidity to assure stakeholders, donors, employees and the community of the Board of Director's diligent focus on its fiduciary responsibility. The Community Foundation regularly monitors liquidity required to meet its annual operating needs while striving to maximize the return on investment. Use of the reserves and endowment assets will be strategic in nature so that their expenditure furthers the Community Foundation's ability to achieve its mission. As of December 31, 2021 and 2020, the following financial assets are available to meet operating needs:

	2021	2020
Cash and cash equivalents	\$ 5,525,495	\$ 1,656,170
Receivables, net	263,449	51,921
Investment payout	123,764	450,521
	<u>\$ 5,912,708</u>	<u>\$ 2,158,612</u>

Note 7. Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	2021	2020
Charitable lead annuity trust	\$ 4,255,857	\$ 4,641,250
Capital project—C3 Center	2,184,848	-
Pledge receivable, long term	1,140,253	910,000
Total net assets with donor restrictions	<u>\$ 7,580,958</u>	<u>\$ 5,551,250</u>