Community Foundation of Greater Muscatine

GOVERNANCE LETTER

December 31, 2018
January 25, 2020

To the Board of Trustees
Community Foundation of Greater Muscatine:

We have audited the financial statements of Community Foundation of Greater Muscatine for the six months ended December 31, 2018, and have issued our report thereon dated January 25, 2020.

Professional standards require that we provide you with information regarding our responsibilities under U.S. generally accepted auditing standards and certain information related to the planned scope and timing of the audit. We have communicated this information in our engagement letter dated February 8, 2019. Professional standards also require that we communicate the following information relating to our audit.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing presented in our engagement letter.

The engagement letter also provided information regarding the general audit approach and related procedures we utilized in completing our audit of the Foundation’s financial statements.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Community Foundation of Greater Muscatine are described in note 1 of the financial statements. The Foundation adopted the provisions of ASU 2016-14 – “Not-For-Profit Entities – Presentation of Financial Statements” as described in note 1. No other new accounting policies were adopted and the application of existing policies was not changed during the period.

We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those
expected. We did not identify any particularly sensitive accounting estimates used by management in preparing the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. There are no particularly sensitive disclosures included in the financial statements.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were several misstatements identified during our audit which resulted in adjusting entries. The attached schedule summarizes the corrected misstatements identified during our audit. There were no significant uncorrected misstatements identified in the audit.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor’s report. No such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 25, 2020. The primary matters addressed in the representation letter include:

- management’s acknowledgement of their responsibilities for the preparation of the Foundation’s financial statements in accordance with U.S. generally accepted accounting principles;

- management’s representations regarding significant matters that are important to the auditor’s opinion; and

- management’s acknowledgement and support of the validity of results of other audit procedures.
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of accounting and auditing related matters with management during the audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to retention.

This information is intended solely for the use of the Board of Trustees and management of Community Foundation of Greater Muscatine and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Lower, Whitlow, P.C.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Financial Statements

December 31, 2018

(With Independent Auditor's Report Thereon)
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Independent Auditor's Report

To the Board of Directors
Community Foundation of Greater Muscatine:

We have audited the accompanying financial statements of Community Foundation of Greater Muscatine which comprises the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the six months 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 Community Foundation of Greater Muscatine as of December 31, 2018, and the results of its operations, its cash flows and its functional expenses for the six months then ended in accordance with U.S. generally accepted accounting principles.

Bettendorf, Iowa
January 25, 2020

Anderson, Lower, Whitlow, P.C.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statement of Financial Position

December 31, 2018

Assets

Investments (notes 2 and 3):
  Cash and cash equivalents $ 944,339
  Equity securities 11,800,419
  Fixed income securities 10,125,957
  Total investments 22,870,715

Equipment:
  Furniture and fixtures 1,130
  Office equipment 9,818
  Less accumulated depreciation 10,948
  Net equipment -

Other assets:
  Real estate held for sale (note 5) 1,741,999
  Building (note 6) 2,129,781
  Cash value of life insurance 21,482
  Total other assets 3,893,262

Total assets $26,763,977

Liabilities and Net Assets

Liabilities:
  Accounts payable and accrued expenses 11,329
  Deferred revenue 15,750
  Total liabilities 27,079

Net assets:
  Without donor restrictions (note 7) 3,829,835
  With donor restrictions (note 8) 22,907,063
  Total net assets 26,736,898

Total liabilities and net assets $26,763,977

See accompanying notes to financial statements.
## COMMUNITY FOUNDATION OF GREATER MUSCATINE

### Statement of Activities

**Six Months Ended December 31, 2018**

<table>
<thead>
<tr>
<th>Operating support and revenue:</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 70,292</td>
<td>1,454,654</td>
<td>1,524,946</td>
</tr>
<tr>
<td>Grants</td>
<td>20,070</td>
<td>275,472</td>
<td>295,542</td>
</tr>
<tr>
<td>Net investment loss (note 2)</td>
<td>(258,503)</td>
<td>(509,790)</td>
<td>(768,293)</td>
</tr>
<tr>
<td>Rent income</td>
<td>-</td>
<td>94,500</td>
<td>94,500</td>
</tr>
<tr>
<td>Other</td>
<td>31,450</td>
<td>-</td>
<td>31,450</td>
</tr>
<tr>
<td>Reclassifications - net assets released from restrictions</td>
<td>908,391</td>
<td>(908,391)</td>
<td>-</td>
</tr>
<tr>
<td>Transfers - administrative fees</td>
<td>106,187</td>
<td>(106,187)</td>
<td>-</td>
</tr>
<tr>
<td>Total operating support and revenue</td>
<td>877,887</td>
<td>300,258</td>
<td>1,178,145</td>
</tr>
</tbody>
</table>

| Operating expenses:          |                           |                         |       |
| Program expenses             | 961,543                   | -                       | 961,543 |
| General and administrative   | 142,405                   | -                       | 142,405 |
| Total operating expenses     | 1,103,948                 | -                       | 1,103,948 |

| Increase (decrease) in net assets |                           |                         | 74,197 |
| Net assets, beginning of period | 4,055,896                 | 22,606,805              | 26,662,701 |
| Net assets, end of period      | $3,829,835                 | 22,907,063              | 26,736,898 |

See accompanying notes to financial statements.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statement of Cash Flows

Six Months Ended December 31, 2018

Cash flows from operating activities:
  Increase in net assets $  74,197
  Adjustments to reconcile increase in net assets to net cash provided by operating activities:
    Realized and unrealized losses on investments 985,767
    Decrease in accounts payable and accrued expenses ( 4,527)
    Increase in deferred revenue  15,750
    Net cash provided by operating activities $1,071,187

Cash flows from investing activities:
  Purchase of investments (2,209,859)
  Proceeds from sales and maturities of investments 1,560,461
  Net cash used in investing activities  (649,398)

Cash flows from financing activities
  Net cash provided by financing activities

Net increase in cash 421,789

Cash and cash equivalents at beginning of period  522,550

Cash and cash equivalents at end of period $ 944,339

Supplemental disclosure of noncash investing activities:
  Net change in unrealized appreciation of investments $(1,113,148)

See accompanying notes to financial statements.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Statement of Functional Expenses

Six Months Ended December 31, 2018

Program services:
  Grants $ 306,314
  Scholarships and other fund specific expenses 655,229
  Total program services 961,543

General and administrative expenses:
  Salaries and wages 88,530
  Payroll taxes and benefits 18,422
  Retirement plan contributions (note 4) 6,552
  Memberships/publications/subscriptions 667
  Insurance 2,295
  Office expenses 13,349
  Rent 4,936
  Professional services 500
  Meals and entertainment 232
  Professional development 2,432
  Advertising and marketing 4,490
  Total general and administrative expenses 142,495

Total expenses $1,103,948

See accompanying notes to financial statements.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

December 31, 2018

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The mission of Community Foundation of Greater Muscatine (the Foundation) is to actively work to improve the quality of life in Muscatine County through philanthropy.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Foundation has evaluated subsequent events through January 25, 2020, which is the date the financial statements were available to be issued.

(b) Basis of Presentation

Resources are classified for accounting and reporting purposes into two categories of net assets – without donor restrictions and with donor restrictions – according to externally (donor) imposed restrictions.

Net Assets Without Donor Restrictions: Net assets without donor restrictions include all resources that are not subject to donor-imposed restrictions. Revenues received and expenses incurred in conducting the programs and services of the Foundation are presented in the financial statements as unrestricted operating funds that increase or decrease net assets without donor restrictions. By action of the Board of Directors (the Board), certain net assets without donor restrictions have been designated for long-term investment or other special purposes.

Net Assets With Donor Restrictions: Net assets whose use is 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 perpetually. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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.

(c) Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Foundation considers only uninvested funds as cash.

The Foundation maintains cash account balances in financial institutions which are fully insured by the FDIC or by the financial institution.

(d) Equipment

Equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Depreciation expense for the six months ended December 31, 2018 amounted to $0.0.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(f) Investments

Investments in equity securities and fixed income securities are stated at fair market value as determined by quoted market prices with related unrealized gains and losses on investments included in the statement of activities. Gains and losses on sales of investments are determined by the specific-identification method. Realized and unrealized gains and losses on investments, interest and dividends (net of related investment expenses) are reported as increases or decreases in net assets without donor restrictions unless the income is restricted by donor or law.

(g) Support and Expenses

Contributions received are recognized as revenue in the period the contributions are received. The Foundation reports gifts of cash or other assets as restricted support if the contribution is received with donor restrictions that limit the use of the donated assets or if they are designed as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction or event occurs, 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.

Contributions of assets other than cash are recorded at their fair values at the date of the gift, except that contributions of works of art, historical treasures and similar assets held as part of the collections are not recognized or capitalized.

Grants and scholarships are recorded when paid at which time all applicable conditions have been met by the grantee. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues, support and expenses are allocated directly to the programs to which they relate.

(h) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Certain costs have been allocated between program and supporting services classifications on the basis of time records, actual expenses and/or estimates made by the Foundation's management.

(i) Grant Spending Policy

The Foundation maintains a total return policy for payout of the grants from the unrestricted fund. In accordance with the policy, 5% of the average balance in the investment portfolio for the previous four quarters is available for grant payouts. The Board of Directors meets annually to review the policy and determine the amount to be paid out.

(j) Deferred Revenue

Deferred revenue is recognized for uncompleted portions of exchange transactions.
(1) **Nature of Organization and Summary of Significant Accounting Policies, continued**

**Summary of Significant Accounting Policies, continued**

(k) **Income Tax Status**

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and the corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. The Foundation evaluates the tax benefits of a tax position using the "more likely than not" threshold. As of December 31, 2018, management is not aware of any uncertain tax positions and related tax benefits which would be material to the Foundation's financial statements. The Foundation files a U.S. Federal informational return which for fiscal years subsequent to 2014 are subject to examination by taxing authorities.

(l) **Reclassifications**

The Foundation adopted the provisions of ASU 2016-14 "Not-For-Profit Entities - Presentation of Financial Statements of Not-For-Profit Entities" in 2018. In accordance with the pronouncement, net assets have been classified as without donor restrictions and with donor restrictions. The pronouncement also requires additional disclosures relating to liquidity, financial performance and cash flows.

(2) **Investments**

Investments consist of the following at December 31, 2018:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized (Losses)</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents – money market funds</td>
<td>$ 944,340</td>
<td>-</td>
<td>944,340</td>
</tr>
<tr>
<td>Equity securities</td>
<td>9,968,839</td>
<td>1,831,580</td>
<td>11,800,419</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>10,160,313</td>
<td>(34,356)</td>
<td>10,125,957</td>
</tr>
<tr>
<td>Total investments</td>
<td>$21,073,492</td>
<td>1,831,580</td>
<td>22,870,716</td>
</tr>
</tbody>
</table>

Net unrealized gains on investments amounted to $1,797,224 at December 31, 2018.

Investment income (loss) reported in the statement of activities for the six months ended December 31, 2018 is summarized as follows:

- Interest and dividends: $ 217,474
- Net realized gains on sale of investments: $127,381
- Change in net unrealized gains and losses on investments: $(1,113,148)
- Net investment loss: $(768,293)

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 financial statements.
COMMITTEE FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(3) **Fair Value Measurements**

The fair value of investments and other assets consists of the following as of December 31, 2018:

<table>
<thead>
<tr>
<th>Fair Value Measurements Using:</th>
<th>Quoted Market Prices (Level 1)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 944,339</td>
<td>944,339</td>
</tr>
<tr>
<td>Equity securities</td>
<td>11,800,419</td>
<td>11,800,419</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>10,125,957</td>
<td>10,125,957</td>
</tr>
<tr>
<td>Real estate held for sale</td>
<td>2,129,781</td>
<td>2,129,781</td>
</tr>
<tr>
<td>Building</td>
<td>1,741,999</td>
<td>1,741,999</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,742,495</strong></td>
<td><strong>22,870,715</strong></td>
</tr>
</tbody>
</table>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices in active markets of similar assets for assets in non-active markets and Level 3 inputs consist of other valuation techniques which have the lowest priority. The Foundation uses appropriate valuation techniques based on the availability inputs to measure the fair value of its investments.

**Level 1 Inputs**

The fair value of investments in cash and cash equivalents, equity securities and fixed income securities are based on quoted market prices in active markets.

**Level 3 Inputs**

The fair value of the real estate held for sales and the building is based on the appraised value of the property at the date of donation to the Foundation. There was no change in the fair value of these assets during the six months ended December 31, 2018.

(4) **Liquidity and Availability of Financial Assets**

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the board designated funds that could be drawn upon if the governing board approves that action.

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 944,339</td>
</tr>
<tr>
<td>Investments – equity and fixed securities</td>
<td>21,926,376</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>22,870,715</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Contractual or donor-imposed restrictions</td>
<td>(19,013,801)</td>
</tr>
<tr>
<td>Board designated funds</td>
<td>(1,717,776)</td>
</tr>
<tr>
<td>Financial assets available to meet cash needs for general expenditures within one year</td>
<td>$ 2,139,138</td>
</tr>
</tbody>
</table>
(5) **Real Estate Held for Resale**

The Foundation owns the West Liberty Business Park in West Liberty, Iowa, which was created as a charitable venture to promote and encourage businesses to locate in the West Liberty, Iowa community to provide expanded employment opportunities. The project was made possible through an anonymous donation of real estate made in 2001 and developed through the West Liberty Fund, LLC, an entity created by the Foundation which appoints an operational board. The sale of lots increases the West Liberty Park Endowment Fund from which earnings may be used for the benefit of West Liberty. The carrying amount of the real estate is the fair value of the land at the date of donation plus the direct costs of improvements. During the six months ended December 31, 2018, there were no lots sold. Management of the Foundation believes the carrying value of the lots approximates fair value as of December 31, 2018.

(6) **Building**

In 2018, the Foundation received a building as a donation from an unrelated donor. Management determined the fair value of the building at the date of the donation was $2,129,781. The Foundation leases the building to unrelated parties under an operating lease arrangement through December, 2023. Rent income from the lease arrangement amounted to $94,500 for the six months ended December 31, 2018.

(7) **Limitations on Net Assets Without Donor Restrictions**

Net assets without donor restrictions as of December 31, 2018 consist of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>$2,112,059</td>
</tr>
<tr>
<td>Board designated:</td>
<td></td>
</tr>
<tr>
<td>Cares &amp; Shares Endowment Fund</td>
<td>1,586,948</td>
</tr>
<tr>
<td>Other programs</td>
<td>130,828</td>
</tr>
<tr>
<td>Total board designated</td>
<td>1,717,776</td>
</tr>
<tr>
<td>Total net assets without donor restrictions</td>
<td>$3,829,835</td>
</tr>
</tbody>
</table>

(8) **Net Assets With Donor Restrictions**

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated purpose as specified by the donor. Included in this category are contributions received by the Foundation from donors which have been segregated into one hundred twenty separate funds whose use is restricted by the donor for charitable distributions, scholarships or other specified purposes.

Net assets with donor restrictions consist of the following as of December 31, 2018:

Restricted subject to timing or expenditure for specific purpose:

- Employment                                      | $ 2,662,224 |
- Health                                          | 5,275,927   |
- Education                                       | 1,727,534   |
- Education                                       | 1,217,129   |
- Real estate                                      | 1,756,691   |
- Other temporarily restricted funds               | 4,400,991   |

| Total restricted subject to timing or expenditure for specific purpose | 17,040,496 |

Restricted in perpetuity:

- Community development                           | 860,462     |
- Housing                                         | 621,732     |
- Arts and culture                                 | 1,340,836   |
- Other permanently restricted funds               | 3,043,537   |

| Total restricted in perpetuity                   | 5,586,567   |

| Total net assets with donor restrictions         | $22,907,063 |

Donor advised funds included in net assets with donor restrictions amounted to $466,421 at December 31, 2018.
COMMUNITY FOUNDATION OF GREATER MUSCATINE

Notes to Financial Statements

(9) Endowments

The Foundation's endowments consist of funds established to support program activities and includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The net assets associated with the endowment funds, including Board-designated endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions. A summary of endowment activity for the six months ended December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total Endowments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of period</td>
<td>$7,564,600</td>
<td>1,739,684</td>
<td>9,304,284</td>
</tr>
<tr>
<td>Changes in endowment funds during the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions during the year</td>
<td>304,047</td>
<td>655</td>
<td>304,702</td>
</tr>
<tr>
<td>Net investment income (loss)</td>
<td>(385,552)</td>
<td>(84,192)</td>
<td>(469,744)</td>
</tr>
<tr>
<td>Amounts appropriated for expenditures</td>
<td>(93,634)</td>
<td>(8,774)</td>
<td>(1,024,018)</td>
</tr>
<tr>
<td>Transfers released from restrictions</td>
<td>(39,034)</td>
<td>-</td>
<td>(39,034)</td>
</tr>
<tr>
<td>Net assets, end of period</td>
<td>$7,350,427</td>
<td>1,647,373</td>
<td>8,997,800</td>
</tr>
</tbody>
</table>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment policy establishes long-term rate of return objectives of 7-10% through the diversification of investment categories. The Board of Directors has approved a spending policy from the endowment income to support specific programs which includes a spending rate of 5% of the four quarter rolling average market value of investments measured as of December 31. The Foundation's endowment funds are invested in various types of investments, all of which are publicly traded and are subject to their investment policy. The Foundation's investments are at a moderate level of risk with a diversification of assets within the parameters of its investment policy.

(10) Facility Lease

The Foundation leases office space under a monthly operating lease. The total rental expense (including related common area maintenance expenses) for the six months ended December 31, 2018 amounted to $3,935.

(11) Affiliation with Community Foundation of Louisa County

The Foundation entered into a formal affiliation agreement with the Community Foundation of Louisa County of September 20, 2016. As the host foundation, Community Foundation of Greater Muscatine provides policy governance, along with financial, investment and administrative management to its affiliate, including tax deductibility for donors.

(12) Commitments

The Board has approved grants and scholarships amounting to approximately $465,000 which will be paid in future years as the conditions of the grant or scholarship have been satisfied by the grantor.
(13) **Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 "Leases". The pronouncement requires recognition of lease assets and lease liabilities by lessees for leases generally with a term of 12 months or more. ASU 2016-02 will become effective for the Foundation’s 2021 financial statements.

In January 2014, the Financial Accounting Standards Board issued ASU 2014-09 "Revenue from Contracts with Customers". The pronouncement provides guidance regarding the recognition of revenue in connection with customer contracts. ASU 2014-09 will become effective for the Foundation’s 2020 financial statements.

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08 "Not-for-Profit Entities". The pronouncement provides clarification and guidance regarding the accounting for contributions received and contributions made. ASU 2018-08 will become effective for the Foundation’s 2020 financial statements.

Management is currently analyzing the pronouncements to determine their impact to the Foundation.