

THE MOLINE FOUNDATION
Financial Statements
September 30, 2022 and 2021
(With Independent Auditor's
Report Thereon)

THE MOLINE FOUNDATION

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Independent Auditor's Report

To the Board of Directors
The Moline Foundation:

Opinion

We have audited the accompanying financial statements of The Moline Foundation which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moline Foundation as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Moline Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 U.S. generally accepted accounting principles 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 Moline Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit for 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 high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Moline 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 Moline 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.

Anderson, Lower, Whitlow P.C.

Bettendorf, Iowa
March 22, 2023

THE MOLINE FOUNDATION
Statements of Financial Position
September 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Investments (note 2):		
Cash and cash equivalents	\$ 400,516	349,807
Equity securities	11,560,499	15,832,782
Fixed income funds	4,154,120	5,531,006
Total investments	<u>16,115,135</u>	<u>21,713,595</u>
Receivables – accrued investment income	11,821	8,525
Prepaid expenses and other assets	28,278	28,278
Property and equipment:		
Furniture, fixtures and equipment	12,447	12,447
Leasehold improvements	7,478	7,416
Software	27,730	27,730
	<u>47,655</u>	<u>47,593</u>
Less accumulated depreciation	45,648	43,998
Net property and equipment	<u>2,007</u>	<u>3,595</u>
 Total assets	 <u>\$ 16,157,241</u>	 <u>21,753,993</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	32,972	33,813
Funds held for other agencies (note 4)	1,356,727	1,632,089
Grants and scholarships payable	80,000	168,186
Total liabilities	<u>1,469,699</u>	<u>1,834,088</u>
Net assets:		
Without donor restrictions (note 5)	9,883,413	12,986,369
With donor restrictions (note 6)	4,804,129	6,933,536
Total net assets	<u>14,687,542</u>	<u>19,919,905</u>
 Total liabilities and net assets	 <u>\$ 16,157,241</u>	 <u>21,753,993</u>

See accompanying notes to financial statements.

THE MOLINE FOUNDATION

Statements of Activities

Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:						
Contributions	\$ -	843,069	843,069	-	1,540,291	1,540,291
Net investment income (note 2)	(2,355,158)	(1,203,681)	(3,558,839)	1,397,629	1,787,008	3,184,637
Other	1,150	-	1,150	4,136	-	4,136
Net assets released from purpose restrictions	1,328,444	(1,328,444)	-	5,747,793	(5,747,793)	-
Transfers – administrative fees	440,351	(440,351)	-	379,096	(379,096)	-
Total operating support and revenue	(585,213)	(2,129,407)	(2,714,620)	7,528,654	(2,799,590)	4,729,064
Expenses:						
Program expenses	2,018,851	-	2,018,851	3,546,309	-	3,546,309
General and administrative	498,892	-	498,892	420,054	-	420,054
Total operating expenses	2,517,743	-	2,517,743	3,966,363	-	3,966,363
Increase (decrease) in net assets	(3,102,956)	(2,129,407)	(5,232,363)	3,562,291	(2,799,590)	762,701
Net assets, beginning of year	12,986,369	6,933,536	19,919,905	9,424,078	9,733,126	19,157,204
Net assets, end of year	\$ 9,883,413	4,804,129	14,687,542	12,986,369	6,933,536	19,919,905

See accompanying notes to financial statements.

THE MOLINE FOUNDATION

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (5,232,363)	762,701
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	2,191	2,351
Realized and unrealized (gains) losses on investments	3,874,707	(2,948,984)
Loss on disposal of equipment	-	170
Increase in prepaid expenses and other assets	-	(20,555)
(Increase) decrease in accrued investment income	(3,296)	3,146
Decrease in accounts payable and accrued expenses	(841)	(7,322)
Increase (decrease) in grants and scholarships payable	(88,186)	106,286
Net cash used in operating activities	(1,447,788)	(2,102,207)
Cash flows from investing activities:		
Purchases of investments	(6,752,945)	(19,151,596)
Proceeds from sales and maturities of investments	8,139,804	21,092,234
Purchase of equipment	(603)	(1,040)
Net cash provided by investing activities	1,386,256	1,939,598
Cash flows from financing activities:		
Increase in funds held for other agencies	112,241	105,783
Net cash provided by financing activities	112,241	105,783
Net increase (decrease) in cash and cash equivalents	50,709	(58,826)
Cash and cash equivalents at beginning of year	349,807	406,633
Cash and cash equivalents at end of year	\$ 400,516	349,807
Supplemental disclosure of noncash investing activities:		
Net change in unrealized appreciation of investments including \$(387,603) in 2022 and \$145,455 in 2021 related to funds held for other agencies	\$ (4,684,480)	1,718,871

See accompanying notes to financial statements.

THE MOLINE FOUNDATION

Statements of Functional Expenses

Years Ended September 30, 2022 and 2021

	2022	2021
Program services:		
Grants	\$ 572,379	896,305
Special grant allocations and endowment payments	1,315,959	2,220,222
Scholarships	56,450	120,550
Other program services	74,063	309,232
Total program services	2,018,851	3,546,309
 General and administrative expenses:		
Salaries and wages	290,585	259,080
Payroll taxes	23,066	20,040
Health Savings Account contributions	10,800	10,800
Health insurance	38,589	34,622
Gift annuity payments	240	428
Membership/publications/subscriptions	2,857	2,968
Insurance	1,541	1,445
Office supplies and telephone	6,481	9,218
Printing and postage	4,188	4,170
Professional services	41,186	22,091
Meals and entertainment	1,267	587
Meetings and conferences	7,983	1,950
Advertising	16,592	1,488
Miscellaneous	83	111
Depreciation	2,191	2,351
Occupancy costs (note 7)	51,243	48,705
Total general and administrative expenses	498,892	420,054
 Total expenses	\$ 2,517,743	3,966,363

See accompanying notes to financial statements.

THE MOLINE FOUNDATION
Notes to Financial Statements
September 30, 2022 and 2021

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

Nature of Organization

The Moline Foundation (the Foundation) is a nonprofit, tax-exempt organization whose objectives are to receive charitable gifts and provide grants to other organizations to support civic, educational, health and human services and cultural activities for the citizens of Eastern Iowa and Western Illinois.

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 March 22, 2023, 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.

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 The Moline Foundation (the Board), certain net assets without donor restrictions have been designated for long-term investment or other special purposes (see note 5).

With Donor Restrictions: Net assets with donor restrictions carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Net assets with donor restrictions may expire either because of the passage of time or because the Foundation has fulfilled the purpose 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 at a financial institution which is 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 years ended September 30, 2022 and 2021 amounted to \$2,191 and \$2,351, respectively.

(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.

THE MOLINE FOUNDATION
Notes to Financial Statements

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

Summary of Significant Accounting Policies, continued

(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.

Grants and scholarships are recorded when approved by the Board and 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) **Grant Spending Policy**

The Foundation maintains a total return policy for payout of the grants from the unrestricted fund. In accordance with the policy, The Foundation allocates 4.25% of the average balance in the investment portfolio for the previous sixteen quarters for grant payouts. The Board of Directors meets annually to review the policy and determine the amounts to be paid out.

(i) **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 September 30, 2022, 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 U.S. Federal and State of Illinois informational returns which for fiscal years subsequent to 2018 are subject to examination by taxing authorities.

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Notes to Financial Statements

(2) Investments

Investments consist of the following at September 30, 2022 and 2021:

	2022			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Market Value</u>
Cash and cash equivalents – money market funds	\$ 400,516	-	-	400,516
Equity securities	10,960,018	1,892,992	(1,292,511)	11,560,499
Fixed income funds	4,781,310	-	(627,190)	4,154,120
Total investments	\$ 16,141,844	1,892,992	(1,919,701)	16,115,135

	2021			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Market Value</u>
Cash and cash equivalents – money market funds	\$ 349,807	-	-	349,807
Equity securities	11,231,654	4,698,388	(97,260)	15,832,782
Fixed income funds	5,474,363	64,882	(8,239)	5,531,006
Total investments	\$ 17,055,824	4,763,270	(105,499)	21,713,595

Net unrealized gains (losses) on investments amounted to \$(26,709) and \$4,657,771 at September 30, 2022 and 2021, respectively.

Net investment income reported in the statement of activities for the years ended September 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 377,327	305,285
Net realized gains on sale of investments	422,170	1,375,568
Change in net unrealized gains and losses on investments	(4,296,877)	1,573,416
Total investment income	(3,497,380)	3,254,269
Less investment expenses	61,459	69,632
Net investment income	\$ (3,558,839)	3,184,637

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.

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 of inputs to measure the fair value of its investments. The Foundation measured the fair value of all investments using Level 1 inputs which consists of quoted market prices in active markets. There were no investments which required the use of Level 2 or Level 3 inputs in 2022 and 2021 and there were no changes in the methods used to measure fair value at September 30, 2022 and 2021.

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Notes to Financial Statements

(3) Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of September 30, 2022 and 2021, reduced by related financial liabilities. Financial assets not included consist of investments which related to funds held by other agencies, donor restricted and board-designated funds and investments not intended to be available for short-term liquidity needs.

	2022	2021
Cash	\$ 400,516	349,807
Receivables	11,821	8,525
Total financial assets	412,337	358,332
Less – grants and scholarships payable	(80,000)	(168,186)
Financial assets available to meet cash needs for general expenditures within one year	\$ 332,337	190,146

(4) Funds Held for Other Organizations

The Foundation has entered into an agency agreement with other organizations in the Quad Cities area. Under the agreement, funds held by the Foundation for these organizations are refundable to the agencies at their discretion. A summary of the agencies and the amount held for them as of September 30, 2022 and 2021 is as follows:

	2022	2021
Blackhawk College Foundation Community Endowment Challenge Fund	\$ 78,928	102,773
Youth Hope Endowment Fund	68,449	89,315
United Way of the Quad Cities Endowment Fund	18,774	23,509
Skip-A-Long Day Care Endowment Fund	474,715	594,432
Figge Art Museum Endowment Fund	105,416	73,685
Two Rivers YMCA Endowment Fund	61,177	64,138
Niabi Zoo Endowment Fund	508,484	636,717
Quad City Music Guild Endowment Fund	40,784	47,520
Total	\$ 1,356,727	1,632,089

(5) Limitations on Net Assets Without Donor Restrictions

Net assets without donor restrictions as of September 30, 2022 and 2021 consist of:

	2022	2021
Undesignated	\$ 9,667,564	12,659,496
Board designated:		
Riverside Cemetery Fund	139,738	178,130
Constance M Hilton Fund	97,500	127,617
Moline Foundation Fee Fund	(21,389)	21,126
Total Board designated	215,849	326,873
Total net assets without donor restrictions	\$ 9,883,413	12,986,369

THE MOLINE FOUNDATION

Notes to Financial Statements

(6) **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 eighty-nine separate funds whose use is restricted by the donor for charitable distributions, scholarships or other specified purposes.

(7) **Facility Lease**

The Foundation leases its Moline, Illinois center under a 60-month lease effective August 1, 2017. The lease expired in July 2022 and was extended through July 31, 2025. The total rental expense (including related common area maintenance expenses) for the years ended September 30, 2022 and 2021 amounted to \$50,288 and \$46,543, respectively. Annual base rentals (excluding common area maintenance expense) under this operating lease for the fiscal years subsequent to September 30, 2022 are: \$14,060, 2023; \$14,060, 2024; and \$11,720, 2025.

(8) **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 2023 financial statements. Management is currently analyzing the pronouncement to determine its impact to the Foundation.

(9) **Economic Impacts**

The COVID-19 virus and other national and worldwide factors have led to significant volatility in financial markets and have affected, and may continue to affect, the market value of the Foundation's investments. The potential future economic impact of these conditions is difficult to predict. Management is not able to estimate the full impact of these conditions on the Foundation's financial statements.