

MOLINE REGIONAL COMMUNITY FOUNDATION

Financial Statements

September 30, 2023 and 2022

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

MOLINE REGIONAL COMMUNITY FOUNDATION

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Independent Auditor's Report

To the Board of Directors
Moline Regional Community Foundation:

Opinion

We have audited the accompanying financial statements of Moline Regional Community Foundation which comprise the statements of financial position as of September 30, 2023 and 2022, 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 Moline Regional Community Foundation as of September 30, 2023 and 2022, 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 Moline Regional Community 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 Moline Regional Community 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 Moline Regional Community 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 Moline Regional Community 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
January 25, 2024

MOLINE REGIONAL COMMUNITY FOUNDATION

Statements of Financial Position

September 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Investments (note 2):		
Cash and cash equivalents	\$ 819,919	400,516
Equity securities	12,734,277	11,560,499
Fixed income funds	4,548,471	4,154,120
Total investments	<u>18,102,667</u>	<u>16,115,135</u>
Receivables – accrued investment income	17,645	11,821
Prepaid expenses and other assets	41,850	28,278
Property and equipment:		
Furniture, fixtures and equipment	12,447	12,447
Leasehold improvements	7,438	7,478
Software	27,730	27,730
	<u>47,615</u>	<u>47,655</u>
Less accumulated depreciation	45,451	45,648
Net property and equipment	<u>2,164</u>	<u>2,007</u>
Total assets	<u>\$ 18,164,326</u>	<u>16,157,241</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	41,602	32,972
Funds held for other agencies (note 4)	1,525,966	1,356,727
Grants and scholarships payable	106,500	80,000
Total liabilities	<u>1,674,068</u>	<u>1,469,699</u>
Net assets:		
Without donor restrictions (note 5)	10,395,488	9,883,413
With donor restrictions (note 6)	6,094,770	4,804,129
Total net assets	<u>16,490,258</u>	<u>14,687,542</u>
Total liabilities and net assets	<u>\$ 18,164,326</u>	<u>16,157,241</u>

See accompanying notes to financial statements.

MOLINE REGIONAL COMMUNITY FOUNDATION

Statements of Activities

Years Ended September 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:						
Contributions	\$ -	1,358,842	1,358,842	-	843,069	843,069
Net investment income (loss) (note 2)	1,289,665	724,012	2,013,677	(2,355,158)	(1,203,681)	(3,558,839)
Other	7,108	-	7,108	1,150	-	1,150
Net assets released from purpose restrictions	498,236	(498,236)	-	1,328,444	(1,328,444)	-
Transfers – administrative fees	293,977	(293,977)	-	440,351	(440,351)	-
Total operating support and revenue	<u>2,088,986</u>	<u>1,290,641</u>	<u>3,379,627</u>	<u>(585,213)</u>	<u>(2,129,407)</u>	<u>(2,714,620)</u>
Expenses:						
Program expenses	1,098,688	-	1,098,688	2,018,851	-	2,018,851
General and administrative	478,223	-	478,223	498,892	-	498,892
Total operating expenses	<u>1,576,911</u>	<u>-</u>	<u>1,576,911</u>	<u>2,517,743</u>	<u>-</u>	<u>2,517,743</u>
Increase (decrease) in net assets	512,075	1,290,641	1,802,716	(3,102,956)	(2,129,407)	(5,232,363)
Net assets, beginning of year	<u>9,883,413</u>	<u>4,804,129</u>	<u>14,687,542</u>	<u>12,986,369</u>	<u>6,933,536</u>	<u>19,919,905</u>
Net assets, end of year	<u>\$ 10,395,488</u>	<u>6,094,770</u>	<u>16,490,258</u>	<u>9,883,413</u>	<u>4,804,129</u>	<u>14,687,542</u>

See accompanying notes to financial statements.

MOLINE REGIONAL COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,802,716	(5,232,363)
Adjustments to reconcile increase in net assets to net cash provided by (used) in operating activities:		
Depreciation	793	2,191
Realized and unrealized (gains) losses on investments	(1,613,550)	3,874,707
Increase in prepaid expenses and other assets	(13,572)	-
Increase in accrued investment income	(5,824)	(3,296)
(Increase) decrease in accounts payable and accrued expenses	8,630	(841)
Increase (decrease) in grants and scholarships payable	26,500	(88,186)
Net cash provided by (used in) operating activities	205,693	(1,447,788)
Cash flows from investing activities:		
Purchase of investments	(7,942,561)	(6,752,945)
Proceeds from sales and maturities of investments	8,139,804	8,139,804
Purchase of equipment	(950)	(603)
Net cash provided by investing activities	196,293	1,386,256
Cash flows from financing activities:		
Increase in funds held for other agencies	17,417	112,241
Net cash provided by financing activities	17,417	112,241
Net increase in cash and cash equivalents	419,403	50,709
Cash and cash equivalents at beginning of year	400,516	349,807
Cash and cash equivalents at end of year	\$ 819,919	400,516
Supplemental disclosure of noncash investing activities:		
Net change in unrealized appreciation of investments including \$151,822 in 2023 and \$(387,603) in 2022 related to funds held for other agencies	\$ 1,527,346	(4,684,480)

See accompanying notes to financial statements.

MOLINE REGIONAL COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended September 30, 2023 and 2022

	2023	2022
Program services:		
Grants	\$ 750,401	572,379
Special grant allocations and endowment payments	100,315	1,315,959
Scholarships	57,925	56,450
Other program services	190,047	74,063
Total program services	1,098,688	2,018,851
 General and administrative expenses:		
Salaries and wages	264,174	290,585
Payroll taxes	21,937	23,066
Health Savings Account contributions	8,400	10,800
Health insurance	32,842	38,589
Gift annuity payments	240	240
Membership/publications/subscriptions	2,664	2,857
Insurance	1,559	1,541
Office supplies and telephone	8,856	6,481
Printing and postage	3,441	4,188
Professional services	45,197	41,186
Meals and entertainment	617	1,267
Meetings and conferences	7,278	7,983
Advertising	24,867	16,592
Miscellaneous	(350)	83
Depreciation	793	2,191
Occupancy costs (note 7)	55,708	51,243
Total general and administrative expenses	478,223	498,892
 Total expenses	\$ 1,576,911	2,517,743

See accompanying notes to financial statements.

MOLINE REGIONAL COMMUNITY FOUNDATION

Notes to Financial Statements

September 30, 2023 and 2022

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

Nature of Organization and Name Change

Moline Regional Community 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.

In 2023, the Foundation began operating under the name Moline Regional Community Foundation.

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, 2024, 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 Moline Regional Community 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, 2023 and 2022 amounted to \$793 and \$2,191, respectively.

MOLINE REGIONAL COMMUNITY FOUNDATION

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 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, 2023, 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 2019 are subject to examination by taxing authorities.

MOLINE REGIONAL COMMUNITY FOUNDATION

Notes to Financial Statements

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

Summary of Significant Accounting Policies, continued

(j) Leases

Payments related to short-term operating leases with terms of twelve months or less are recognized as rent expense as incurred. Management has determined that operating leases with terms greater than twelve months which should be recognized as right-of-use assets and corresponding lease liability are not material to the Foundation's financial statements.

(2) Investments and Fair Value Measurements

Investments consist of the following at September 30, 2023 and 2022:

	2023			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Market Value
Cash and cash equivalents – money market funds	\$ 819,919	-	-	819,919
Equity securities	10,832,915	2,689,634	(788,272)	12,734,277
Fixed income funds	4,949,196	-	(400,725)	4,548,471
Total investments	\$ 16,602,030	2,689,634	(1,188,997)	18,102,667
	2022			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Market Value
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

Net unrealized gains (losses) on investments amounted to \$1,527,346 and \$(26,709) at September 30, 2023 and 2022, respectively.

Net investment income (loss) reported in the statement of activities for the years ended September 30, 2023 and 2022 is summarized as follows:

	2023	2022
Interest and dividends	\$ 447,504	377,327
Net realized gains on sale of investments	238,025	422,170
Change in net unrealized gains and losses on investments	1,375,525	(4,296,877)
Total investment income	2,061,054	(3,497,380)
Less investment expenses	47,377	61,459
Net investment income (loss)	\$ 2,013,677	(3,558,839)

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.

MOLINE REGIONAL COMMUNITY FOUNDATION

Notes to Financial Statements

(2) Investments and Fair Value Measurements, continued

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 2023 and 2022 and there were no changes in the methods used to measure fair value at September 30, 2023 and 2022.

(3) Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of September 30, 2023 and 2022, 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.

	2023	2022
Cash	\$ 819,919	400,516
Receivables	17,645	11,821
Total financial assets	837,564	412,337
Less:		
Donor restricted cash funds	(329,992)	-
Grants and scholarships payable	(106,500)	(80,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 401,072	332,337

(4) Funds Held for Other Organizations

The Foundation has entered into agency agreements with other organizations in the Quad Cities area. Under the agreements, 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, 2023 and 2022 is as follows:

	2023	2022
Blackhawk College Foundation Community		
Endowment Challenge Fund	\$ 85,058	78,928
Youth Hope Endowment Fund	73,754	68,449
United Way of the Quad Cities Endowment Fund	21,155	18,774
Skip-A-Long Day Care Endowment Fund	534,926	474,715
Figge Art Museum Endowment Fund	115,598	105,416
Two Rivers YMCA Endowment Fund	66,991	61,177
Niabi Zoo Endowment Fund	572,977	508,484
Quad City Music Guild Endowment Fund	45,957	40,784
Youth Service Bureau Endowment Fund	9,550	-
Total	\$ 1,525,966	1,356,727

MOLINE REGIONAL COMMUNITY FOUNDATION

Notes to Financial Statements

(5) Net Assets Without Donor Restrictions

Net assets without donor restrictions as of September 30, 2023 and 2022 consist of:

	2023	2022
Undesignated	\$ 10,252,954	9,667,564
Board designated:		
Riverside Cemetery Fund	155,686	139,738
Constance M Hilton Fund	105,038	97,500
Moline Foundation Fee Fund	(118,190)	(21,389)
Total Board designated	142,534	215,849
Total net assets without donor restrictions	\$ 10,395,488	9,883,413

(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 five year lease which 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, 2023 and 2022 amounted to \$54,808 and \$50,288, respectively. Annual base rentals (excluding common area maintenance expense) under this operating lease for the fiscal years subsequent to September 30, 2023 are: \$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 greater than 12 months. ASU 2016-02 became effective for the Foundation's 2023 financial statements. Management determined that the recognition of right-to-use assets and related lease liabilities for those leases with terms greater than 12 months were not material to the Foundation's financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses". The pronouncement requires organizations to measure all expected credit losses for trade receivables and other financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13 will become effective for the Foundation's 2024 financial statements. Management is currently analyzing the pronouncement to determine the impact on the Foundation.

(9) Economic Impacts

The impacts of measures to control inflation 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.