

THE MOLINE FOUNDATION
Financial Statements
September 30, 2019 and 2018
(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:

We have audited the accompanying financial statements of The Moline Foundation which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 The Moline Foundation as of September 30, 2019 and 2018, and the changes in its net assets, its cash flows and its functional expenses for the years then ended in accordance with U.S. generally accepted accounting principles.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
March 13, 2020

THE MOLINE FOUNDATION
Statements of Financial Position
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Investments (note 2):		
Cash and cash equivalents	\$ 496,203	756,494
Equity securities	13,549,641	12,530,300
Fixed income funds	<u>5,687,613</u>	<u>5,746,325</u>
Total investments	<u>19,733,457</u>	<u>19,033,119</u>
Receivables – accrued investment income	<u>13,164</u>	<u>16,463</u>
Deposits and prepaid expenses	<u>7,723</u>	<u>7,557</u>
Equipment:		
Furniture and fixtures	12,447	12,447
Office equipment	8,098	7,149
	<u>27,730</u>	<u>27,730</u>
	48,275	47,326
Less accumulated depreciation	<u>41,462</u>	<u>39,237</u>
Net equipment	<u>6,813</u>	<u>8,089</u>
Total assets	<u>\$19,761,157</u>	<u>19,065,228</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	61,360	33,085
Funds held for other agencies (note 4)	1,305,441	1,281,575
Grants payable	<u>125,000</u>	<u>131,500</u>
Total liabilities	<u>1,491,801</u>	<u>1,446,160</u>
Net assets:		
Without donor restrictions (note 6)	9,252,248	9,840,065
With donor restrictions (note 7)	<u>9,017,108</u>	<u>7,779,003</u>
Total net assets	<u>18,269,356</u>	<u>17,619,068</u>
Total liabilities and net assets	<u>\$19,761,157</u>	<u>19,065,228</u>

See accompanying notes to financial statements.

THE MOLINE FOUNDATION

Statements of Activities

Years Ended September 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Contributions	-	1,566,238	1,566,238
Net investment income (note 2)	247,196	375,559	622,755
Other	291	-	291
Reclassifications - net assets released from restrictions	320,161	(320,161)	-
Transfers - administrative fees	<u>383,531</u>	<u>(383,531)</u>	<u>-</u>
Total operating support and revenue	<u>951,179</u>	<u>1,238,105</u>	<u>2,189,284</u>
Operating expenses:			
Program expenses	1,089,680	-	1,089,680
General and administrative	<u>449,316</u>	<u>-</u>	<u>449,316</u>
Total operating expenses	<u>1,538,996</u>	<u>-</u>	<u>1,538,996</u>
Increase (decrease) in net assets	(587,817)	1,238,105	650,288
Net assets, beginning of year	<u>9,840,065</u>	<u>7,779,003</u>	<u>17,619,068</u>
Net assets, end of year	<u>\$9,252,248</u>	<u>9,017,108</u>	<u>18,269,356</u>

See accompanying notes to financial statements.

2018

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
200	959,279	959,479
583,597	448,801	1,032,398
136	-	136
170,559	(170,559)	-
<u>344,957</u>	<u>(344,957)</u>	<u>-</u>
<u>1,099,449</u>	<u>892,564</u>	<u>1,992,013</u>
1,029,838	-	1,029,838
<u>402,368</u>	<u>-</u>	<u>402,368</u>
<u>1,432,206</u>	<u>-</u>	<u>1,432,206</u>
(332,757)	892,564	559,807
<u>10,172,822</u>	<u>6,886,439</u>	<u>17,059,261</u>
<u>9,840,065</u>	<u>7,779,003</u>	<u>17,619,068</u>

THE MOLINE FOUNDATION

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 650,288	559,807
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,226	2,400
Realized and unrealized gains on investments	(234,492)	(686,948)
(Increase) decrease in deposits and prepaid expenses	(166)	4,248
(Increase) decrease in accrued investment income	3,299	(4,932)
Increase (decrease) in accounts payable and accrued expenses	28,275	(4,198)
Increase (decrease) in grants payable	(6,500)	81,500
Net cash provided by (used in) operating activities	<u>442,930</u>	<u>(48,123)</u>
Cash flows from investing activities:		
Purchase of investments	(7,469,019)	(8,633,717)
Proceeds from sales and maturities of investments	6,747,916	8,512,345
Purchase of equipment	(950)	(1,100)
Net cash used in investing activities	<u>(722,053)</u>	<u>(122,472)</u>
Cash flows from financing activities:		
Increase in funds held for other agencies	<u>18,832</u>	<u>644,703</u>
Net cash provided by financing activities	<u>18,832</u>	<u>644,703</u>
 Net increase (decrease) in cash and cash equivalents	 (260,291)	 474,108
 Cash and cash equivalents at beginning of year	 <u>756,494</u>	 <u>282,386</u>
 Cash and cash equivalents at end of year	 <u>\$ 496,203</u>	 <u>756,494</u>
 Supplemental disclosure of noncash investing activities:		
Net change in unrealized appreciation (depreciation) of investments including \$5,034 in 2019 and \$16,835 in 2018 related to funds held for other agencies	 <u>\$(8,879)</u>	 <u>356,526</u>

See accompanying notes to financial statements.

THE MOLINE FOUNDATION

Statements of Functional Expenses

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Program services:		
Grants	\$ 640,145	570,295
Scholarships	53,638	46,250
Other program expenses	<u>395,897</u>	<u>413,293</u>
Total program services	<u>1,089,680</u>	<u>1,029,838</u>
General and administrative expenses:		
Salaries and wages	309,401	280,080
Payroll taxes	23,468	21,477
Retirement plan contributions (note 5)	7,428	7,757
Health Savings Account contributions	5,203	-
Gift annuity payments	503	503
Memberships/publications/subscriptions	4,786	3,812
Insurance	7,807	1,613
Office supplies and telephone	11,884	10,509
Printing and postage	3,466	3,331
Professional services	17,210	10,833
Meals and entertainment	1,309	2,133
Meetings and conferences	5,861	6,424
Advertising	200	3,562
Miscellaneous	90	182
Depreciation expense	2,226	2,400
Occupancy costs	<u>48,474</u>	<u>47,752</u>
Total general and administrative expenses	<u>449,316</u>	<u>402,368</u>
Total expenses	<u>\$1,538,996</u>	<u>1,432,206</u>

See accompanying notes to financial statements.

THE MOLINE FOUNDATION
Notes to Financial Statements
September 30, 2019 and 2018

(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 13, 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.

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.

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, 2019 and 2018 amounted to \$2,226 and \$2,400, 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, except that contributions of works of art, historical treasures and similar assets held as part of the collections are not recognized or capitalized.

Grants 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) **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, 4.25% of the average balance in the investment portfolio for the previous sixteen quarters is allocated for grant payouts. The Board of Directors meets annually to review the policy and determine the amount to be paid out.

(j) **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, 2019, 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 2015 are subject to examination by taxing authorities.

THE MOLINE FOUNDATION
Notes to Financial Statements

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

Summary of Significant Accounting Policies, continued

(k) **Reclassifications**

The Foundation adopted the provisions of ASU 2016-14 “Not-For-Profit Entities - Presentation of Financial Statements of Not-For-Profit Entities” in 2019. 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 September 30, 2019 and 2018:

	2019			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Market Value</u>
Cash and cash equivalents – money market funds	\$ 496,203	-	-	496,203
Equity securities	11,901,754	1,740,930	(93,043)	13,549,641
Fixed income funds	<u>5,477,029</u>	<u>217,860</u>	<u>(7,276)</u>	<u>5,687,613</u>
Total investments	<u>\$17,874,986</u>	<u>1,958,790</u>	<u>(100,319)</u>	<u>19,733,457</u>
	2018			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Market Value</u>
Cash and cash equivalents – money market funds	\$ 756,494	-	-	756,494
Equity securities	10,631,717	1,942,693	(44,110)	12,530,300
Fixed income funds	<u>5,777,558</u>	<u>8,757</u>	<u>(39,990)</u>	<u>5,746,325</u>
Total investments	<u>\$17,165,769</u>	<u>1,951,450</u>	<u>(84,100)</u>	<u>19,033,119</u>

Net unrealized gains on investments amounted to \$1,858,471 and \$1,867,350 at September 30, 2019 and 2018, respectively.

Net investment income reported in the statement of activities for the years ended September 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 441,408	397,873
Net realized gains on sale of investments	248,405	347,257
Change in net unrealized gains and losses on investments	<u>(13,913)</u>	<u>339,691</u>
Total investment income	675,900	1,084,821
Less investment expenses	<u>53,145</u>	<u>52,423</u>
Net investment income	<u>\$ 622,755</u>	<u>1,032,398</u>

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 consolidated financial statements.

THE MOLINE FOUNDATION

Notes to Financial Statements

(2) Investments, 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.

(3) Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of September 30, 2019 and 2018, 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.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$496,203	756,494
Receivables	<u>13,164</u>	<u>16,463</u>
Total financial assets	<u>509,367</u>	<u>772,957</u>
Less: financial liabilities – grants payable	<u>(125,000)</u>	<u>(131,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$384,367</u>	<u>641,457</u>

(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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Blackhawk College Foundation Community Endowment Challenge Fund	\$ 89,562	90,331
Youth Hope Endowment Fund	77,283	77,881
United Way of the Quad Cities Endowment Fund	18,891	18,474
Skip-A-Long Day Care Endowment Fund	477,678	467,108
Figue Art Museum Endowment Fund	59,212	57,902
Two Rivers YMCA Endowment Fund	32,970	32,240
Niabi Zoo Endowment Fund	511,658	500,297
Quad City Music Guild Endowment Fund	<u>38,187</u>	<u>37,342</u>
Total	<u>\$1,305,441</u>	<u>1,281,575</u>

(5) Employee Benefits

The Foundation contributes to a Simplified Employee Pension Plan, which covers the eligible Foundation employees. The Foundation's contribution for the years ended September 30, 2019 and 2018 amounted to \$7,428 and \$7,757, respectively.

THE MOLINE FOUNDATION
Notes to Financial Statements

(6) Limitations on Net Assets Without Donor Restrictions

Net assets without donor restrictions as of September 30, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$8,973,970</u>	<u>9,462,648</u>
Board designated:		
Riverside Cemetery Fund	18,696	147,389
Constance M. Hilton Fund	148,167	113,844
Moline Foundation Fee Fund	<u>111,415</u>	<u>116,184</u>
Total board designated	<u>278,278</u>	<u>377,417</u>
Total net assets without donor restrictions	<u>\$9,252,248</u>	<u>9,840,065</u>

(7) 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-two separate funds whose use is restricted by the donor for charitable distributions, scholarships or other specified purposes.

(8) Facility Lease

The Foundation leases its Moline, Illinois center (through 2022) under a 60-month lease effective August 1, 2017. The total rental expense (including related common area maintenance expenses) for the years ended September 30, 2019 and 2018 amounted to \$47,070 and \$45,072, respectively. Annual base rentals (excluding common area maintenance expense) under this operating lease for the fiscal years subsequent to September 30, 2019 are \$13,638, 2020; \$13,638, 2021; and \$11,360, 2022.

(9) Recent Accounting Pronouncements

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.

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 2020 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.

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