

Eau Claire Community Foundation

Consolidated Financial Statements Together with Independent Auditors' Report

December 31, 2021

EAU CLAIRE COMMUNITY FOUNDATION

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-19

INDEPENDENT AUDITORS' REPORT

Board of Directors
Eau Claire Community Foundation
Eau Claire, Wisconsin

Opinion

We have audited the accompanying consolidated financial statements of Eau Claire Community Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Eau Claire Community Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eau Claire Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eau Claire 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 Eau Claire 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 Eau Claire 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.

Prior Period Financial Statements

The consolidated financial statements of Eau Claire Community Foundation, as of December 31, 2020, were audited by other auditors whose report dated April 29, 2021, expressed an unmodified opinion on those statements.

Olsen Thielen + Co., Ltd.

Roseville, Minnesota
April 28, 2022

EAU CLAIRE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS:		
Cash and Cash Equivalents	\$ 3,362,838	\$ 4,279,973
Pledges Receivable	375,542	400,447
Investments	32,646,411	27,908,108
Cash Surrender Value of Life Insurance	20,521	21,569
Prepaid Expenses	-	4,168
Furnishings and Equipment	1,334	2,018
Total Assets	36,406,646	32,616,283
TOTAL ASSETS	\$ 36,406,646	\$ 32,616,283
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants Payable	\$ 15,000	\$ 19,163
Accounts Payable	-	4,501
Accrued Expenses	9,760	22,781
Agency Endowment and Flow-Through Funds	4,386,943	5,116,108
Total Liabilities	4,411,703	5,162,553
NET ASSETS:		
Net Assets Without Donor Restrictions	17,453,947	14,947,654
Net Assets with Donor Restrictions	14,540,996	12,506,076
Total Net Assets	31,994,943	27,453,730
TOTAL LIABILITIES AND NET ASSETS	\$ 36,406,646	\$ 32,616,283

The accompanying notes are an integral part of the consolidated financial statements.

EAU CLAIRE COMMUNITY FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 1,767,429	\$ 2,648,979	\$ 4,416,408	\$ 951,775	\$ 1,745,752	\$ 2,697,527
Investment Income	1,734,936	1,144,091	2,879,027	1,441,844	1,221,513	2,663,357
Donated Services	11,796	–	11,796	14,108	–	14,108
Administrative Fee Revenue	53,160	–	53,160	48,806	–	48,806
Change in Cash Value of Life Insurance	(1,048)	–	(1,048)	(841)	–	(841)
Total Support	<u>3,566,273</u>	<u>3,793,070</u>	<u>7,359,343</u>	<u>2,455,692</u>	<u>2,967,265</u>	<u>5,422,957</u>
Net Assets Released from Restrictions	<u>1,758,150</u>	<u>(1,758,150)</u>	<u>–</u>	<u>1,443,006</u>	<u>(1,443,006)</u>	<u>–</u>
Total Support and Revenue	<u>5,324,423</u>	<u>2,034,920</u>	<u>7,359,343</u>	<u>3,898,698</u>	<u>1,524,259</u>	<u>5,422,957</u>
EXPENSES:						
Programs and Grants	2,485,723	–	2,485,723	2,230,979	–	2,230,979
Management and General	124,111	–	124,111	94,092	–	94,092
Fundraising	208,296	–	208,296	131,526	–	131,526
Total Expenses	<u>2,818,130</u>	<u>–</u>	<u>2,818,130</u>	<u>2,456,597</u>	<u>–</u>	<u>2,456,597</u>
CHANGE IN NET ASSETS	<u>2,506,293</u>	<u>2,034,920</u>	<u>4,541,213</u>	<u>1,442,101</u>	<u>1,524,259</u>	<u>2,966,360</u>
NET ASSETS at Beginning of Year	<u>14,947,654</u>	<u>12,506,076</u>	<u>27,453,730</u>	<u>13,505,553</u>	<u>10,981,817</u>	<u>24,487,370</u>
NET ASSETS at End of Year	<u>\$ 17,453,947</u>	<u>\$ 14,540,996</u>	<u>\$ 31,994,943</u>	<u>\$ 14,947,654</u>	<u>\$ 12,506,076</u>	<u>\$ 27,453,730</u>

The accompanying notes are an integral part of the consolidated financial statements.

EAU CLAIRE COMMUNITY FOUNDATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Program and Grants	Management and General	Fundraising	Total	Program and Grants	Management and General	Fundraising	Total
Grants	\$ 2,341,985	\$ –	\$ –	\$ 2,341,985	\$ 2,044,497	\$ –	\$ –	\$ 2,044,497
Payroll & Benefits	81,296	80,716	128,332	290,344	119,499	64,282	93,391	277,172
Equipment	14,045	13,944	22,170	50,159	15,938	8,574	12,459	36,971
Professional Fees	10,523	10,448	16,610	37,581	5,949	3,200	4,651	13,800
Printing and Publications	18,490	–	–	18,490	10,125	–	–	10,125
Fund Event Expense	–	–	14,940	14,940	–	–	7,277	7,277
Rent	3,811	3,784	6,015	13,610	5,867	3,156	4,587	13,610
Supplies	1,651	1,639	2,606	5,896	2,416	1,300	1,888	5,604
Community Events	2,887	–	2,887	5,774	2,216	–	2,740	4,956
Insurance	1,586	1,574	2,503	5,663	3,055	1,643	2,389	7,087
Dues to Other Organization	–	3,123	–	3,123	–	3,918	–	3,918
Telephone	855	849	1,351	3,055	1,448	779	1,133	3,360
Postage	478	474	754	1,706	956	514	747	2,217
Awareness	1,700	–	–	1,700	8,400	–	–	8,400
Conferences	–	1,190	–	1,190	–	6,544	–	6,544
Depreciation	192	190	302	684	338	182	264	784
Other Expenses	6,224	6,180	9,826	22,230	10,275	–	–	10,275
Total	<u>\$ 2,485,723</u>	<u>\$ 124,111</u>	<u>\$ 208,296</u>	<u>\$ 2,818,130</u>	<u>\$ 2,230,979</u>	<u>\$ 94,092</u>	<u>\$ 131,526</u>	<u>\$ 2,456,597</u>

The accompanying notes are an integral part of the consolidated financial statements.

EAU CLAIRE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,541,213	\$ 2,966,360
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Net Realized and Unrealized Gains on Investments	(2,499,036)	(2,387,183)
Contributions for Funds Held in Perpetuity	(63,424)	(47,488)
Depreciation	684	784
Change in Cash Value of Life Insurance	1,048	841
(Increase) Decrease in Operating Assets:		
Pledges Receivable	24,905	279,165
Prepaid Expenses	4,168	(1,455)
Increase (Decrease) in Operating Liabilities:		
Grants Payable	(4,163)	13,372
Accounts Payable	(4,501)	-
Accrued Expenses	(13,021)	4,777
Agency Endowment Funds	(729,165)	952,777
Net Cash Flows From Operating Activities	1,258,708	1,781,950
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	-	(1,420)
Proceeds from Sale of Investments	7,322,148	31,228,074
Purchase of Investments	(9,561,415)	(30,932,390)
Net Cash Flows From Investing Activities	(2,239,267)	294,264
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions for Funds Held in Perpetuity	63,424	47,488
NET CHANGE IN CASH AND CASH EQUIVALENTS	(917,135)	2,123,702
CASH AND CASH EQUIVALENTS at Beginning of Year	4,279,973	2,156,271
CASH AND CASH EQUIVALENTS at End of Year	\$ 3,362,838	\$ 4,279,973

The accompanying notes are an integral part of the consolidated financial statements.

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Eau Claire Community Foundation (the Foundation) is a nonprofit community foundation that is supported by public contributions, which are used to enhance and support the quality of life in the Eau Claire area.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and related changes are classified and reported as follows:

Net Assets without Donor Restrictions - Resources over which the Board of Directors has discretionary control.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in perpetuity in accordance with the donor's instructions.

Consolidation

The accompanying consolidated financial statements of the Foundation are prepared including the financial activity of the Eau Claire Public Schools Foundation, Inc. (ECPSF) and ECCF Realty LLC. The Foundation has an economic relationship with these entities. The Foundation established an agreement to manage the finances of ECPSF in exchange for an administration fee effective December 1, 2011. The ECPSF is a supporting organization of the Foundation. If the ECPSF dissolves, the Foundation would maintain those funds. ECCF Realty, LLC is a single member LLC, wholly owned by the Foundation, and was set up to accept real estate gifts and sell those gifts with the funds being given to the Foundation.

The ECPSF's mission is to serve as a catalyst in creating long-term impact in promoting education.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated for recognition or disclosure the events or transactions that occurred through April 28, 2022, the date the financial statements were available to be issued.

Cash Equivalents

The Foundation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Pledges Receivable and Allowance for Pledge Receivable Losses

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue.

Pledges receivable are assessed individually for collectability based on the surrounding facts and circumstances and past history.

The Foundation monitors the credit quality of its pledges receivable balance. Pledges are reviewed periodically, and collectability of pledge balances is assessed. Losses in prior years have been insignificant. The Foundation has recorded an allowance for uncollectible pledges of \$13,000 and \$100,000 at December 31, 2021 and 2020.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

Property and Equipment

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in the statement of activities. Property and equipment over \$5,000 is capitalized. Repairs and maintenance costs are charged to expense as incurred.

Depreciation is computed using the straight-line method at lives between three to ten years.

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Donated Services

Donated services are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased if not provided by donation. Contributed services, including promises to give, that do not meet these criteria are not recognized. Donated services were \$11,796 and \$14,108 for 2021 and 2020.

Functional Allocation of Expense

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- 1) Salaries and wages, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- 2) Occupancy, telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

Income Taxes

The Foundation and ECPSF are exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code therefore, the financial statements do not include a provision for income taxes however, the Organizations are subject to income tax on net unrelated business income.

The Foundation and ECPSF reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Foundation and ECPSF recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Foundation has identified no income tax uncertainties. The Foundation and ECPSF files information returns as a tax-exempt Organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Foundation had a credit risk concentration as a result of depositing \$990,783 of funds in excess of insurance limits in a single bank.

Fair Value Measurements

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Foundation uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Foundation holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Foundation's investment securities were determined based on inputs as presented in Note 3.

Endowments

The Foundation follows the provisions of the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered donor restricted net assets.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Foundation is currently evaluating this guidance to determine the impact it may have on its financial statements.

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Foundation's operations and the financial statements.

Reclassifications

Certain amounts in the 2020 financial statements and notes have been reclassified to conform with the 2021 presentation. These reclassifications had no effect on net assets for either period.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Pledge Receivable - Short-Term	\$ 159,167	\$ 142,200
Pledge Receivable - Long-Term	231,176	363,019
Less Uncollectible Allowance	(13,000)	(100,000)
Less .33% and .42% Discount to Present Value	<u>(1,801)</u>	<u>(4,772)</u>
Total Pledges Receivable	<u>\$ 375,542</u>	<u>\$ 400,447</u>

Pledges receivable are due as follows for the years ended December 31:

2022	\$ 159,167
2023	127,468
2024	89,308
2025	8,700
2026	3,500
Later Years	<u>2,200</u>
	<u>\$ 390,343</u>

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2021		
	Fair Value	Original Value	Unrealized Gain (Loss)
Mutual Funds - Equities	\$ 2,355,522	\$ 1,914,929	\$ 440,593
Mutual Funds - Fixed Income	6,231,426	6,071,374	160,052
Corporate Bonds	1,968,777	1,971,969	(3,192)
Government Bonds	2,027,229	2,077,049	(49,820)
Stocks	19,459,703	15,114,400	4,345,303
Other Assets	603,754	541,773	61,981
Total	<u>\$ 32,646,411</u>	<u>\$ 27,691,494</u>	<u>\$ 4,954,917</u>

	2020		
	Fair Value	Original Value	Unrealized Gain (Loss)
Mutual Funds - Equities	\$ 5,975,571	\$ 5,408,199	\$ 567,372
Mutual Funds - Fixed Income	5,709,386	5,615,060	94,326
Corporate Bonds	1,870,825	1,801,814	69,011
Government Bonds	1,441,047	1,445,299	(4,252)
Stocks	12,838,305	11,128,682	1,709,623
Other Assets	72,974	65,220	7,754
Total	<u>\$ 27,908,108</u>	<u>\$ 25,464,274</u>	<u>\$ 2,443,834</u>

Investment income consists of the following:

	2021	2020
Interest and Dividend Income	\$ 545,587	\$ 393,672
Unrealized Gains	1,420,171	2,387,469
Realized Gains (Losses)	1,078,865	(286)
Investment Fees	(165,596)	(117,498)
Investment Income	<u>\$ 2,879,027</u>	<u>\$ 2,663,357</u>

The following tables, as of December 31, 2021 and 2020, provide information by level for assets that are measured at fair value, on a recurring basis:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 2,355,522	\$ -	\$ -	\$ 2,355,522
Mutual Funds - Fixed Income	6,231,426	-	-	6,231,426
Corporate Bonds	-	1,968,777	-	1,968,777
Government Bonds	2,027,229	-	-	2,027,229
Stocks	19,459,703	-	-	19,459,703
Other Assets	603,754	-	-	603,754
Total	<u>\$ 30,677,634</u>	<u>\$ 1,968,777</u>	<u>\$ -</u>	<u>\$ 32,646,411</u>

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Continued)

	2020			Total
	Level 1	Level 2	Level 3	
Mutual Funds - Equities	\$ 5,975,571	\$ –	\$ –	\$ 5,975,571
Mutual Funds - Fixed Income	5,709,386	–	–	5,709,386
Corporate Bonds	–	1,870,825	–	1,870,825
Government Bonds	1,441,047	–	–	1,441,047
Stocks	12,838,305	–	–	12,838,305
Other Assets	72,974	–	–	72,974
Total	<u>\$ 26,037,283</u>	<u>\$ 1,870,825</u>	<u>\$ –</u>	<u>\$ 27,908,108</u>

The fair value of the Foundation's mutual funds, stocks, government bond fund and other assets are determined by reference to quoted market prices and other relevant information generated by market transactions. These investments are classified within Level 1 of the valuation hierarchy.

The fair value of the Foundation's corporate bonds were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs including probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

The Foundation holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions, which along with investment income without donor restrictions and appropriated earnings from gifts with donor restrictions, funds annual program needs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- 1) Operating within a prudent range of financial soundness and stability,
- 2) Maintaining adequate liquid assets, and
- 3) Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) and Women's Giving Circle Grant team meet annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for grant commitments approved by the Committee. The Foundation limits maximum distribution to 4% of the fund balance annually and administrative fees of approximately 1% to 2% of the annual fund balance and transferred to the Foundation's general operating funds. The annual distribution rate is established by the Board of Trustees.

The table below presents liquid financial assets available for general expenditure, excluding grants, within one year at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 3,362,838	\$ 4,279,973
Pledges Receivable	375,542	400,447
Investments	32,646,411	27,908,108
Cash Value of Life Insurance	20,521	21,569
Total Financial Assets	<u>36,405,312</u>	<u>32,610,097</u>
Less Financial Assets Unavailable for General Expenditure		
Within One Year, Due to Donor-Imposed		
Time or Purpose Restrictions and Board Designations	<u>(34,955,633)</u>	<u>(30,895,828)</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 1,449,679</u>	<u>\$ 1,714,269</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Furnishings and Equipment	\$ 50,343	\$ 50,343
Leasehold Improvements	4,147	4,147
Total Property and Equipment	<u>54,490</u>	<u>54,490</u>
Less Accumulated Depreciation	<u>(53,156)</u>	<u>(52,472)</u>
Net Property and Equipment	<u>\$ 1,334</u>	<u>\$ 2,018</u>

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - AGENCY ENDOWMENT AND PASS-THROUGH FUNDS

The Foundation, when accepting cash or other financial assets from a nonprofit organization, recognizes the fair value of those assets as a liability to the specified beneficiary (generally the same nonprofit organization) concurrent with recognition of the assets received from the nonprofit organization if the Foundation agrees to any of the following (1) use those assets on behalf of the nonprofit organization, (2) transfer those assets to the nonprofit organization, (3) use the return on those assets to benefit the nonprofit organization, (4) apply any of the above to an unaffiliated specified beneficiary determined by the nonprofit organization.

When a third-party donor explicitly grants the Foundation variance power over contributions to an agency or flow through funds, the Foundation will continue to recognize the fair value of any assets it receives as a contribution on the consolidated statements of activities.

Agency endowment funds are valued at carrying value, which approximates fair value, based on the percentage of the agencies' contributions compared to the total pool of investments held at the Foundation. The Foundation withholds management fees of 1.5% annually. Contributions held for others as of December 31, 2021 and 2020, are summarized as follows:

	2021	2020
Young Men's Christian Association of Eau Claire	\$ 1,159,007	\$ 1,182,643
Endowment for the American Birkebeiner	960,263	821,976
Landmark Conservancy Fund	672,839	659,491
Boy Scouts of America - Chippewa Valley Council	304,549	289,292
Friends of Paul Bunyan Logging Camp	148,263	132,955
Richard Pierce & Sandy Lampman Trail Support Legacy	142,871	80,023
Family Promise of the Chippewa Valley, Inc.	137,459	124,992
Friends of United Cerebral Palsy of West Central Wisconsin, Inc.	136,759	124,354
Friends of Beaver Creek Reserve, Inc.	124,637	99,372
Flying Eagles Ski Club	118,951	108,161
Literacy Chippewa Valley	99,122	90,129
Bidwell Engebretson Tusen Takk Volunteer Support Fund	68,798	64,137
Feed My People, Inc.	67,867	60,783
Bolton Refuge House, Inc.	59,336	53,039
L.E. Phillips Senior Center, Inc.	31,161	26,302
Jim Schwiebert Butterfly House Fund	29,578	22,368
L.E. Phillips Memorial Public Library	29,375	32,871
Goodwill Industries of North Central Wisconsin, Inc.	25,603	23,281
Eau Claire Children's Theatre	15,873	14,433
Hope Gospel Mission, Inc.	15,109	13,739
Mega Charities	14,431	13,343
Hayward Library Foundation Fund	-	149,592
Hayward Library Foundation Fund Long Term Fund	-	27,787
L.E. Phillips Memorial Public Library - Story Builder (1)	(30,164)	852,388
Other Agency Funds	55,256	48,657
	\$ 4,386,943	\$ 5,116,108

- (1) Subsequent to year-end, cash of \$113,562 was received in January 2022, for the Story Builder fund.

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - NET ASSETS

Net assets with donor restrictions at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Purpose:		
Field of Interest	\$ 4,794,576	\$ 4,393,082
Eau Claire Public Schools Foundation	3,576,958	2,791,811
Scholarship Named	2,030,957	1,791,498
Donor Designated (Local Charities, Churches, Schools)	1,205,131	903,176
Donor Advised Community Support	1,135,783	574,764
Designated Pass Through Funds	678,909	946,023
Other (Acorn)	132,309	182,773
Total Purpose and Time Donor Restrictions	<u>13,554,623</u>	<u>11,583,127</u>
Subject to Endowment Spending Policy and Appropriation:		
Women's Giving Circle Endowment	\$ 453,535	\$ 388,269
L.E Phillips Memorial Public Library	352,668	354,943
Eau Claire Public School Foundation Endowment	180,170	179,737
Total Restricted Perpetual Endowments	<u>986,373</u>	<u>922,949</u>
Total Donor Restricted Net Assets	<u>\$ 14,540,996</u>	<u>\$ 12,506,076</u>

Net assets with donor restrictions of \$1,758,150 and \$1,443,006 were released from restriction in 2021 and 2020 due to satisfaction of program and time restrictions.

NOTE 8 - DONOR ADVISED FUNDS

The Foundation accepts funds from donors wishing to reserve the right to make recommendations about the charitable use of the funds. In agreement with the donors, such recommendations are advisory only and will not be binding on the Foundation, which will retain final responsibility for all distributions made from the Foundation. These funds are classified as net assets without donor restrictions since the Foundation retains the final decision about the charitable use of the funds.

NOTE 9 - ENDOWMENTS

The Foundation has several donor restricted endowment funds established for the purposes of providing income to support various programs. As required by accounting principles generally accepted in the United States of America (GAAP), net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of the Foundation has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets restricted for perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation considers all earnings on endowment funds to be restricted for operations of the specified programs.

EAU CLAIRE COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - ENDOWMENTS (Continued)

The Foundation's endowment is invested in accordance with the investment policy of the Foundation, which includes investments in marketable debt and equity securities.

The Foundation considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment policies of the Foundation.

Investment Objectives and Strategies

The Foundation has adopted an investment policy to provide guidelines for investing endowment assets. The primary objective of the investment policy is to preserve purchasing power of the investment portfolio through asset growth at least equal to the Distribution Policy plus the rate of inflation. Under this policy, as approved by the Investment Committee of the board of trustees, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the Foundation follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds.

The Board defines risk as the inability to achieve distribution goals due to below average investment returns over longer periods of time (defined as rolling 5 year periods) due to under performance of investment of investment returns vs. the benchmark. To measure risk for the management of the investment portfolio, a variety of risk measurements will be considered and evaluated.

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - ENDOWMENTS (Continued)

Distribution Policy

The Foundation has a policy of appropriating endowment earnings for distribution each year. The goals of the distribution policy are to protect the endowed funds to last in perpetuity, to grow the endowed funds over time, and to give the Foundation's grantees the benefit of a reasonably stable, consistent, and predictable flow of funds. The Foundation bases annual grant distributions on the average market value of a fully funded fund over the prior twenty quarters' trailing average. For fully funded funds less than five years old, the market value will be the average of all quarterly market values-to-date. A fund may begin granting in the calendar year after the required minimum funding level is reached. The amount available for annual distribution is calculated based on the distribution rate and the quarter-end balances as of December 31 of the prior year. The distribution rate is established by the Board of Trustees in the last quarter of the prior year. The distribution rate may be changed from year to year, adjusted to reflect special funding needs and financial market conditions.

To meet the annual distribution, the Foundation may utilize interest, dividends, and capital appreciation. This distribution strategy reflects the total return approach to investing and disbursing funds to reach the goals listed above. Where prudent and consistent with the Foundation's bylaws, trust documents, and fund agreements, the Foundation may use a portion of the principal (historic value) of certain funds as part of the annual distribution or to fund special projects as determined by the Board or as designated by the donor of such funds.

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>With Donor Restrictions (Earnings)</u>	<u>With Donor Restrictions (Perpetual)</u>	<u>Total</u>
Endowment Net Assets December 31, 2019	\$ 329,152	\$ 875,461	\$ 1,204,613
Contributions	—	47,488	47,488
Distributions	(52,984)	—	(52,984)
Return on Investments	<u>127,770</u>	<u>—</u>	<u>127,770</u>
Endowment Net Assets December 31, 2020	403,938	922,949	1,326,887
Contributions	—	63,424	63,424
Distributions	(64,475)	—	(64,475)
Return on Investments	<u>173,895</u>	<u>—</u>	<u>173,895</u>
Endowment Net Assets December 31, 2021	<u>\$ 513,358</u>	<u>\$ 986,373</u>	<u>\$ 1,499,731</u>

EAU CLAIRE COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - PPP LOANS AND FORGIVENESS

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2020, the Organization received a PPP loan for \$36,600 and used it for the designated purposes. In December 2020, the Foundation received a forgiveness letter from the SBA for \$36,600. The loan forgiveness was recorded as a contribution in the Statement of Activities in the year ended December 31, 2020.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was signed into law. Part of the Act allows organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2021, the Foundation received a \$36,610 loan from the PPP program and used it for the designated purposes. In July 2021, the Foundation received a forgiveness letter from the SBA for \$36,610. The loan forgiveness was recorded as a contribution in the Statement of Activities in the current period.

NOTE 11 - LEASE COMMITMENTS

The Foundation leases its office in Eau Claire, Wisconsin. This lease agreement will expire on December 31, 2026.

Lease expense and future minimum commitments for these leases are as follows:

Expense:	
2021	\$ 13,610
2020	13,610
Commitments:	
2022	\$ 14,810
2023	14,810
2024	14,810
2025	14,810
2026	<u>14,810</u>
Total Commitments	<u>\$ 74,050</u>

NOTE 12- RETIREMENT PLAN

The Foundation established a SIMPLE IRA plan for all employees who are at least 21 years of age and have completed two months of service. Eligible employees who elect to participate in the Foundation's SIMPLE IRA plan can contribute up to the maximum allowed by the Internal Revenue Code. The Foundation matches contributions up to 3% of salary. Retirement plan expense for the years ended December 31, 2021 and 2020 was \$5,356 and \$5,634, respectively.