

# Eau Claire Community Foundation

## Consolidated Financial Statements Together with Independent Auditors' Report

December 31, 2022

# EAU CLAIRE COMMUNITY FOUNDATION

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## 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 and affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the years 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 of Eau Claire Community Foundation and affiliates as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years 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.

Roseville, Minnesota  
April 19, 2023

*Olsen Thielens & Co., Ltd.*

**EAU CLAIRE COMMUNITY FOUNDATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

ASSETS		
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and Cash Equivalents	\$ 4,434,398	\$ 3,362,838
Pledges Receivable, net	257,227	375,542
Investments	26,901,826	32,646,411
Cash Surrender Value of Life Insurance	19,239	20,521
Operating Lease-Right-of-Use Asset, Net	57,680	—
Furnishings and Equipment, Net	809	1,334
Total Assets	<u>31,671,179</u>	<u>36,406,646</u>
 TOTAL ASSETS	 <u>\$ 31,671,179</u>	 <u>\$ 36,406,646</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants Payable	\$ 1,296	15,000
Accrued Expenses	11,391	9,760
Operating Lease Obligation	57,680	—
Agency Endowment and Flow-Through Funds	3,747,507	4,386,943
Total Liabilities	<u>3,817,874</u>	<u>4,411,703</u>
 NET ASSETS:		
Net Assets Without Donor Restrictions	14,926,699	17,453,947
Net Assets with Donor Restrictions	12,926,606	14,540,996
Total Net Assets	<u>27,853,305</u>	<u>31,994,943</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 31,671,179</u>	 <u>\$ 36,406,646</u>

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

# EAU CLAIRE COMMUNITY FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction
SUPPORT AND REVENUE:		Total		Total
Support:				
Contributions	\$ 1,033,385	\$ 3,540,639	\$ 1,767,429	\$ 4,416,408
Administrative Fee Revenue	48,405	48,405	53,160	53,160
Donated Services	8,283	8,283	11,796	11,796
Total Support	<u>1,090,073</u>	<u>3,597,327</u>	<u>1,832,385</u>	<u>4,481,364</u>
Net Assets Released from Restrictions	<u>1,916,580</u>	<u>-</u>	<u>1,758,150</u>	<u>-</u>
Total Support and Revenue	<u>3,006,653</u>	<u>3,597,327</u>	<u>3,590,535</u>	<u>4,481,364</u>
EXPENSES:				
Programs and Grants	2,259,930	2,259,930	2,485,723	2,485,723
Management and General	182,471	182,471	124,111	124,111
Fundraising	165,803	165,803	208,296	208,296
Total Expenses	<u>2,608,204</u>	<u>2,608,204</u>	<u>2,818,130</u>	<u>2,818,130</u>
OPERATING GAIN	<u>398,449</u>	<u>989,123</u>	<u>772,405</u>	<u>1,663,234</u>
NON-OPERATING ITEMS:				
Investment Income (Loss)	(2,924,415)	(5,129,479)	1,734,936	2,879,027
Change in Cash Value of Life Insurance	(1,282)	(1,282)	(1,048)	(1,048)
Total Non-Operating Items	<u>(2,925,697)</u>	<u>(5,130,761)</u>	<u>1,733,888</u>	<u>2,877,979</u>
CHANGE IN NET ASSETS	<u>(2,527,248)</u>	<u>(4,141,638)</u>	<u>2,506,293</u>	<u>4,541,213</u>
NET ASSETS at Beginning of Year	<u>17,453,947</u>	<u>31,994,943</u>	<u>14,947,654</u>	<u>27,453,730</u>
NET ASSETS at End of Year	<u>\$ 14,926,699</u>	<u>\$ 27,853,305</u>	<u>\$ 17,453,947</u>	<u>\$ 31,994,943</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, 2022 AND 2021

	2022				2021			
	Program and Grants	Management and General	Fundraising	Total	Program and Grants	Management and General	Fundraising	Total
Grants and Scholarships	\$ 2,037,684	\$ -	\$ -	\$ 2,037,684	\$ 2,341,985	\$ -	\$ -	\$ 2,341,985
Payroll & Benefits	145,801	125,919	59,646	331,366	81,296	80,716	128,332	290,344
Equipment	16,453	14,210	6,731	37,394	14,045	13,944	22,170	50,159
Professional Fees	20,519	17,721	8,394	46,634	10,523	10,448	16,610	37,581
Printing and Publications	9,749	-	-	9,749	18,490	-	-	18,490
Fund Event Expense	-	-	73,153	73,153	-	-	14,940	14,940
Rent	6,516	5,628	2,666	14,810	3,811	3,784	6,015	13,610
Supplies	2,266	1,957	926	5,149	1,651	1,639	2,606	5,896
Community Events	4,713	-	4,713	9,426	2,887	-	2,887	5,774
Insurance	3,110	2,686	1,273	7,069	1,586	1,574	2,503	5,663
Dues to Other Organization	-	4,050	-	4,050	-	3,123	-	3,123
Telephone	1,461	1,262	597	3,320	855	849	1,351	3,055
Postage	1,006	869	411	2,286	478	474	754	1,706
Awareness	2,571	-	-	2,571	1,700	-	-	1,700
Conferences	-	1,190	3,988	5,178	-	1,190	-	1,190
Depreciation	231	200	94	525	192	190	302	684
Other Expenses	7,850	6,779	3,211	17,840	6,224	6,180	9,826	22,230
Total	\$ 2,259,930	\$ 182,471	\$ 165,803	\$ 2,608,204	\$ 2,485,723	\$ 124,111	\$ 208,296	\$ 2,818,130

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (4,141,638)	\$ 4,541,213
Adjustments to Reconcile Change in Net Assets to		
Net Cash Flows From Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	5,683,976	(2,499,036)
Contributions for Funds Held in Perpetuity	(94,409)	(63,424)
Depreciation	525	684
Change in Cash Value of Life Insurance	1,282	1,048
Non Cash Lease Expense	14,810	—
Operating Lease Payments	(14,810)	—
(Increase) Decrease in Operating Assets:		
Pledges Receivable, net	118,315	24,905
Prepaid Expenses	—	4,168
Increase (Decrease) in Operating Liabilities:		
Grants Payable	(13,704)	(4,163)
Accounts Payable	—	(4,501)
Accrued Expenses	1,631	(13,021)
Agency Endowment Funds	(639,436)	(729,165)
Net Cash Flows From Operating Activities	<u>916,542</u>	<u>1,258,708</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	6,797,502	7,322,148
Purchase of Investments	(6,736,893)	(9,561,415)
Net Cash Flows From Investing Activities	<u>60,609</u>	<u>(2,239,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions for Funds Held in Perpetuity	<u>94,409</u>	<u>63,424</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,071,560	(917,135)
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>3,362,838</u>	<u>4,279,973</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 4,434,398</u>	<u>\$ 3,362,838</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Initial Right-of-Use Asset and Lease Obligation		
Upon Adoption of New Accounting Standard	\$ 71,613	\$ —

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



**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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**

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**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 19, 2023, the date the financial statements were available to be issued. Except as discussed in Note 13, there were no subsequent events that required recognition or disclosure in the financial statements.

**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 at December 31, 2022 and 2021.

**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**

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**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 valued at fair market value, were \$8,283 and \$11,796 for 2022 and 2021.

**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**

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**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 \$1,143,449 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.

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Change in Accounting Principle**

Effective January 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income.

The Foundation elected to adopt FASB ASC 842, *Leases* using the optional transition method that allows the Foundation to initially apply the new leases standard at the adoption date. As a result, the Foundation's reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

The Foundation elected certain practical expedients, including the package of transition practical expedients. The Foundation also made an accounting policy election to exempt short-term leases of 12 months or less from balance sheet recognition requirements associated with the new standard and fixed payments for short-term leases will be recognized as a straight-line expense over the lease term.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets and operating lease liabilities of \$71,613 as of January 1, 2022.

The new standard did not have a significant effect on previously reported net assets.

**NOTE 2 - PLEDGES RECEIVABLE**

Pledges receivable consisted of the following at December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Pledge Receivable - Short-Term	\$ 185,058	\$ 159,167
Pledge Receivable - Long-Term	89,889	231,176
Less Uncollectible Allowance	(13,000)	(13,000)
Less 4.55% and .33% Discount to Present Value	<u>(4,719)</u>	<u>(1,801)</u>
Total Pledges Receivable	<u>\$ 257,228</u>	<u>\$ 375,542</u>

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

2023	\$ 96,033
2024	77,700
2025	7,589
2026	2,400
2027	2,200
Past Due	<u>89,025</u>
	<u>\$ 274,947</u>

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS**

Investments consist of the following at December 31:

	<b>2022</b>		
	<b>Fair Value</b>	<b>Original Value</b>	<b>Unrealized Gain (Loss)</b>
Mutual Funds - Equities	\$ 1,944,447	\$ 1,999,408	\$ (54,961)
Mutual Funds - Fixed Income	6,204,197	6,441,303	(237,106)
Corporate Bonds	1,877,003	2,136,824	(259,821)
Government Bonds	1,938,061	2,109,561	(171,500)
Stocks	14,938,118	15,054,861	(116,743)
Total	<u>\$ 26,901,826</u>	<u>\$ 27,741,957</u>	<u>\$ (840,131)</u>

  

	<b>2021</b>		
	<b>Fair Value</b>	<b>Original Value</b>	<b>Unrealized Gain (Loss)</b>
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	20,063,457	15,656,173	4,407,284
Total	<u>\$ 32,646,411</u>	<u>\$ 27,691,494</u>	<u>\$ 4,954,917</u>

Investment income consists of the following:

	<b>2022</b>	<b>2021</b>
Interest and Dividend Income	\$ 711,708	\$ 545,587
Unrealized Gains (Losses)	(5,148,562)	1,420,171
Realized Gains (Losses)	(535,414)	1,078,865
Investment Fees	(157,211)	(165,596)
Investment Income (Loss)	<u>\$ (5,129,479)</u>	<u>\$ 2,879,027</u>

The following tables, as of December 31, 2022 and 2021, provide information by level for assets that are measured at fair value, on a recurring basis:

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual Funds - Equities	\$ 1,944,447	\$ —	\$ —	\$ 1,944,447
Mutual Funds - Fixed Income	6,204,197	—	—	6,204,197
Corporate Bonds	—	1,877,003	—	1,877,003
Government Bonds	1,938,061	—	—	1,938,061
Stocks	14,938,118	—	—	14,938,118
Total	<u>\$ 25,024,823</u>	<u>\$ 1,877,003</u>	<u>\$ —</u>	<u>\$ 26,901,826</u>

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS (Continued)**

	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	20,063,457	—	—	20,063,457
Total	<u>\$ 30,677,634</u>	<u>\$ 1,968,777</u>	<u>\$ —</u>	<u>\$ 32,646,411</u>

The fair value of the Foundation's mutual funds, stocks and government bonds 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 4,434,398	\$ 3,362,838
Pledges Receivable	257,227	375,542
Investments	26,901,826	32,646,411
Cash Value of Life Insurance	19,239	20,521
Total Financial Assets	<u>31,612,690</u>	<u>36,405,312</u>
Less Financial Assets Unavailable for General Expenditure		
Within One Year, Due to Donor-Imposed		
Purpose Restrictions and Board Designations	<u>(30,486,316)</u>	<u>(34,955,633)</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 1,126,374</u>	<u>\$ 1,449,679</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</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>(53,681)</u>	<u>(53,156)</u>
Net Property and Equipment	<u>\$ 809</u>	<u>\$ 1,334</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, 2022 and 2021, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Young Men's Christian Association of Eau Claire	\$ 942,062	\$ 1,159,007
Endowment for the American Birkebeiner	829,402	960,263
Landmark Conservancy Fund	538,245	672,839
Boy Scouts of America - Chippewa Valley Council	237,746	304,549
Friends of Paul Bunyan Logging Camp	123,377	148,263
Richard Pierce & Sandy Lampman Trail Support Legacy	120,566	142,871
Family Promise of the Chippewa Valley, Inc.	112,976	137,459
Friends of United Cerebral Palsy of West Central Wisconsin, Inc.	112,400	136,759
Friends of Beaver Creek Reserve, Inc.	102,437	124,637
Flying Eagles Ski Club	100,963	118,951
Literacy Chippewa Valley	81,467	99,122
Bidwell Engebretson Tusen Takk Volunteer Support Fund	56,809	68,798
Feed My People, Inc.	55,779	67,867
Bolton Refuge House, Inc.	48,768	59,336
L.E. Phillips Senior Center, Inc.	23,615	31,161
Jim Schwiebert Butterfly House Fund	24,310	29,578
L.E. Phillips Memorial Public Library	41,177	29,375
Goodwill Industries of North Central Wisconsin, Inc.	21,042	25,603
Eau Claire Children's Theatre	13,046	15,873
Hope Gospel Mission, Inc.	12,418	15,109
Mega Charities	11,209	14,431
L.E. Phillips Memorial Public Library - Story Builder	90,504	(30,164)
Other Agency Funds	47,189	55,256
Total	<u>\$ 3,747,507</u>	<u>\$ 4,386,943</u>

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - NET ASSETS**

Net assets with donor restrictions at December 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specific Purpose:		
Field of Interest	\$ 3,752,628	\$ 4,794,576
Eau Claire Public Schools Foundation	3,412,195	3,576,958
Scholarship Named	1,732,915	2,030,957
Donor Designated (Local Charities, Churches, Schools)	1,024,225	1,205,131
Donor Advised Community Support	628,268	1,135,783
Designated Pass Through Funds	1,110,332	678,909
Other (Acorn)	185,261	132,309
Total Purpose and Time Donor Restrictions	<u>11,845,824</u>	<u>13,554,623</u>
Subject to Endowment Spending Policy and Appropriation:		
Women's Giving Circle Endowment	539,390	453,535
L.E Phillips Memorial Public Library	359,054	352,668
Eau Claire Public School Foundation Endowment	182,338	180,170
Total Restricted Perpetual Endowments	<u>1,080,782</u>	<u>986,373</u>
Total Donor Restricted Net Assets	<u>\$ 12,926,606</u>	<u>\$ 14,540,996</u>

Net assets with donor restrictions of \$1,916,580 and \$1,758,150 were released from restriction in 2022 and 2021 due to satisfaction of program 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**

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**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, 2022 and 2021 are as follows:

	With Donor Restrictions (Earnings)	With Donor Restrictions (Perpetual)	Total
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	173,895	—	173,895
Endowment Net Assets December 31, 2021	513,358	986,373	1,499,731
Contributions	—	94,409	94,409
Distributions	(49,618)	—	(49,618)
Return on Investments	(247,315)	—	(247,315)
Endowment Net Assets December 31, 2022	<u>\$ 216,425</u>	<u>\$ 1,080,782</u>	<u>\$ 1,297,207</u>

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 10 - PPP LOANS AND FORGIVENESS**

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 2021.

**NOTE 11 - LEASE COMMITMENTS**

The Foundation leases its office in Eau Claire, Wisconsin. This lease agreement will expire on December 31, 2026. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of lease expense that are included in rent expense in the Statement of Activities for the year ended December 31, 2022 totaled \$14,810. Lease Expense for the year ended December 31, 2021, recognized under legacy ASC 840 requirements was \$13,610.

The maturities of operating lease liability as of December 31, 2022 are as follows:

	<u>Total</u>
Commitments:	
2023	\$ 14,810
2024	14,810
2025	14,810
2026	<u>14,810</u>
Total Lease Payments	59,240
Less Interest	<u>(1,560)</u>
Present Value of Lease Obligation	<u>\$ 57,680</u>
 Current Portion of Operating Lease Obligation	 \$ 14,125
Non-Current Portion of Operating Lease Obligation	<u>43,555</u>
Present Value of Lease Obligation	<u>\$ 57,680</u>

The weighted average remaining lease term related to the Foundation's operating lease liabilities as of December 31, 2022 is 4 years.

The discount rate related to the Foundation's operating lease liability as of December 31, 2022 was 1.37%. The discount rates are generally based on estimates of the Foundation's incremental borrowing rate, as the discount rates implicit in the Foundation's lease cannot be readily determined.

**EAU CLAIRE COMMUNITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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, 2022 and 2021 was \$5,740 and \$5,356, respectively.

**NOTE 13 - SUBSEQUENT EVENT**

Subsequent to year end, the Foundation acquired Rusk County Community Foundation. On January 23, 2023, the Foundation signed an operating agreement with Rusk County Community Foundation transferring assets to the Foundation with the requirement that the Foundation follows the donor intent and investment strategy of the donor agreements. Total Assets transferred on April 7, 2023, consisted of endowment and pass through funds of \$3,673,113.