

**Keokuk Area Community Foundation
and Affiliate**

Combined Financial Statements

December 31, 2024



Keokuk Area Community Foundation

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December 31, 2024

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Independent Accountants' Review Report

Board of Directors
Keokuk Area Community Foundation

We have reviewed the accompanying combined financial statements of Keokuk Area Community Foundation (a nonprofit organization) and affiliate (the Foundation), which comprise the statement of financial position as at December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the combined financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Keokuk Area Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gray Hunter Stenn LLP

Gray Hunter Stenn LLP

Dated at Quincy, Illinois
July 17, 2025

Keokuk Area Community Foundation

Statement of Financial Position

December 31, 2024

Assets	
Cash and cash equivalents	\$ 88,397
Investments	23,369,027
Bequests receivable	9,214,028
Pledges receivable	67,301
Land	<u>179,100</u>
Total Assets	<u><u>32,917,853</u></u>
Liabilities	
Accrued expenses	28,968
Agency liabilities	<u>6,280,948</u>
Total Liabilities	<u>6,309,916</u>
Net Assets	
Without donor restrictions	<u>26,607,937</u>
Total Liabilities and Net Assets	<u><u>\$ 32,917,853</u></u>

Keokuk Area Community Foundation

Statement of Activities

Years Ended December 31, 2024

Without Donor Restrictions

Revenues and Other Support

Contributions	\$ 9,949,355
Gifts-in-kind	180,300
Investment return, net of investment advisory expense of \$81,118	1,913,981
Administrative fees	<u>256,117</u>

Total Revenues and Other Support 12,299,753

Expenses

Program services	1,293,654
Supporting activities	463,567
Fundraising activities	<u>22,472</u>

Total Expenses 1,779,693

Change in Net Assets 10,520,060

Net Assets, Beginning of Year, as Restated 16,087,877

Net Assets, End of Year \$ 26,607,937

Keokuk Area Community Foundation

Statement of Functional Expenses

Years Ended December 31, 2024

	<u>Program Services</u>	<u>Supporting Activities</u>	<u>Fundraising Activities</u>	<u>Total</u>
Grants and scholarships awarded	\$ 1,202,592	\$ -	\$ -	\$ 1,202,592
External administrative fees	-	227,911	-	227,911
Insurance	-	14,393	-	14,393
Office expense	16,311	40,062	6,063	62,436
Payroll taxes	5,055	5,231	929	11,215
Professional fees	-	99,746	-	99,746
Promotion expense	2,260	4,421	1,188	7,869
Wages	66,123	68,421	12,151	146,695
Travel	-	3,302	827	4,129
Miscellaneous	<u>1,313</u>	<u>80</u>	<u>1,314</u>	<u>2,707</u>
Total	\$ <u>1,293,654</u>	\$ <u>463,567</u>	\$ <u>22,472</u>	\$ <u>1,779,693</u>

Keokuk Area Community Foundation

Statement of Cash Flows

Years Ended December 31, 2024

Cash Flows from Operating Activities	
Change in net assets	\$ 10,520,060
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Donated securities and land	(1,247,220)
Realized (gain) loss on investment	(672,739)
Unrealized (gain) loss on investment	(937,646)
(Increase) decrease in:	
Pledges receivable	3,677
Bequests receivable	(9,214,028)
Accrued expenses	(9,578)
Agency liabilities	<u>1,187,981</u>
Net Cash from Operating Activities	<u>(369,493)</u>
Cash Flows from Investing Activities	
Purchase of investments	(21,047,164)
Proceeds from the sale of investments	<u>21,450,407</u>
Net Cash from Investing Activities	<u>403,243</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,750
Cash and Cash Equivalents at Beginning of Year	<u>54,647</u>
Cash and Cash Equivalents at End of Year	<u>\$ <u>88,397</u></u>

**Keokuk Area Community Foundation
and Affiliate
Notes to Financial Statements**

1. Nature of Activities

Keokuk Area Community Foundation (KACF), an Iowa nonprofit corporation, was created in October 2004 as a community foundation for the purpose of receiving gifts and bequests to provide support for charitable enterprises in Iowa, Missouri, and Illinois. It provides grants to various organizations in the tri-state Area to help foster and promote public, charitable, scientific, literary, and educational activities.

Keokuk Area Community Foundation has affiliation agreements with the Community Foundation of Des Moines County (CFDMC) and the North Lee Community Foundation (NLCF). These agreements provide for the affiliates to transfer endowment funds to KACF to be invested, managed, and granted in consultation with the affiliate. KACF provides administrative services under the agreements. The agreements allow for the transfer of affiliate funds to another community foundation and termination of the agreement at the request of the affiliate's board. NLCF and KACF are under common management and as such their financial results are combined. Funds held on behalf of CFDMC are accounted for as agency funds as there is not common control between the entities and they are not financially interrelated.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Combination

As described above, the combined financial statements include the accounts of Keokuk Area Community Foundation and North Lee Community Foundation (collectively, the Foundation), which are under common management. Significant intercompany transactions and balances have been eliminated in the combination.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates which are particularly susceptible to change in a short period of time relate to the valuation of level 3 fair value investments and estimated realizable amounts of bequests receivable.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. See Note 4 for discussion of fair value measurement. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment return includes the Foundation's gains and losses on investments bought and sold as well as those held during the year.

2. **Summary of Significant Accounting Policies** (Continued)

The Foundation invests in various securities that are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions and available for use in general operations and fulfilling the purpose of donor established funds subject to agreements that grant variance power to the Foundation. Furthermore, the governing board has designated resources from these net assets establishing a board-designated (quasi) endowment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are recorded as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. No such assets are maintained by the Foundation.

Investment Pools

The Foundation maintains investment accounts for its endowment funds. Pooling endowment funds for investment purposes has many benefits including, but not limited to, spreading the total risk for each endowment fund and making the risk equal for all funds invested in the investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. The investment return from securities in the investment accounts is allocated annually to individual endowments based on the relationship of the fair value of each endowment to the total fair value of the investment accounts.

Conditional Promises to Give

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of the assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. The Foundation has received notice of donors' intention to gift through estates totaling \$450,000 as of December 31, 2024.

Unconditional Promises to Give

Unconditional promises to give, including bequests, are recognized as revenue in the period received. The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

2. **Summary of Significant Accounting Policies** (Continued)

Funds Held for Others

The Foundation acts as an agent for certain charitable organizations. In addition to the assets held on behalf of CFDMC discussed previously, various charitable organizations have established funds at the Foundation and specified themselves as beneficiary. These funds are accounted for as agency liabilities by the Foundation, and do not have an impact on the Statement of Activities. As of December 31, 2024, the Foundation held \$3,680,910 of investments on behalf of CFDMC and \$2,600,038 on behalf of other charitable organizations.

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Code of Iowa. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Foundation has open tax years for the three years prior to December 31, 2024.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a 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.

The Foundation's operating fund charges a management fee to each donor fund to support the cost of its administrative operating budget. These fees are recognized as the services are provided.

Expense Allocation

Directly identifiable expenses are charged to program services and supporting activities. Expenses related to more than one function are charged to program services and activities services based on management's estimated allocation. Supporting activities expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Salaries, payroll taxes, and benefits are allocated based on time and effort and office, travel, and promotional expenses are allocated based on usage.

Concentration of Credit Risk

The Foundation sometimes maintains deposits in excess of federally insured limits and in uninsured money market accounts. These amounts vary daily.

In the current year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors, or contributions might be lost in the near term.

Subsequent Events

The Foundation performed an evaluation of subsequent events through July 17, 2025, which is the date the financial statements were available to be issued.

3. Pledges and Bequests Receivable

The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. As December 31, 2024, management determined no allowance was necessary. Unconditional promises collectible in greater than one year are discounted to their present value using a discount rate of 7.65% at December 31, 2024, and as of that date unconditional pledges receivable consist of amounts due as follows:

2025	\$	12,020
2026		11,000
2027		10,000
2028		10,000
2029		10,000
Thereafter		<u>30,000</u>
Total Promises to Give		83,020
Less discount to present value		<u>(15,719)</u>
Total	\$	<u><u>67,301</u></u>

As of December 31, 2024, the Foundation has recorded bequests receivable of \$9,214,028, representing unconditional promises to receive financial assets from two estates. The funds are expected to be collected within one to two years and have not been discounted for present value. The funds have been allocated to the following endowment fund types:

Grants	\$	214,028
NLCF grants		<u>9,000,000</u>
Total	\$	<u><u>9,214,028</u></u>

4. Investments

The Foundation carries investments in marketable securities with readily determinable fair value and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

The following schedule summarizes the investment return for the year ended December 31, 2024:

Dividends and interest	\$	384,714
Realized gains (losses)		672,739
Unrealized gains (losses)		937,646
Investment advisory expenses		<u>(81,118)</u>
Total	\$	<u><u>1,913,981</u></u>

Financial Accounting Standards Board's Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

4. Investments (Continued)

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 941,235	\$ -	\$ -	\$ 941,235
Certificates of deposit	402,559	-	-	402,559
Corporate bonds	-	467,106	-	467,106
Mutual funds	7,245,518	-	-	7,245,518
Equities	13,359,809	-	-	13,359,809
Structured investments	<u>-</u>	<u>-</u>	<u>952,800</u>	<u>952,800</u>
Total Investments	\$ <u>21,949,121</u>	\$ <u>467,106</u>	\$ <u>952,800</u>	\$ <u>23,369,027</u>

Structured investments are an illiquid fund of securities whose return is tied to the S&P 1000 market index. The value is based on the value, volatility and dividend yield, as applicable, of the underlying index and the securities comprising the underlying index, interest and yield rates, time remaining to maturity, geopolitical conditions and economic, financial, political and regulatory or judicial events and the issuer's internal credit ratings or credit spreads. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents a reconciliation for structured investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Balance, December 31, 2023	\$ 869,600
Sales of securities	-
Purchases of securities	-
Unrealized gains (losses)	<u>83,200</u>
Balance, December 31, 2024	\$ <u>952,800</u>

5. Liquidity and Availability

The Foundation is substantially supported by donor contributions. Although the Foundation has variance power over most contributions, it intends to maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Financial assets available for general expenditure and grantmaking, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024 are as follows:

Cash and cash equivalents	\$ 88,397
Investments	23,369,027
Pledges receivable	67,301
Bequests receivable	<u>9,214,028</u>
Total Financial Assets as of Year End	<u>32,738,753</u>
Less those unavailable for general expenditures within one year:	
Assets held for others (agency)	(6,280,948)
Endowment, net of estimated spendable	(24,505,434)
Nonendowed donor advised funds	<u>(797,982)</u>
Financial Assets Available for General Expenditures and Grants Within One Year	\$ <u>1,154,389</u>

6. Funds Held for Others

The Foundation maintains legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments which could possibly be made to the charitable organizations under certain conditions. Agency activity comprised of the following for the year ended December 31, 2024.

Balance, December 31, 2023	\$ 4,483,632
Contributions	1,390,275
Investment income	705,710
Grants	(214,029)
Operating and administrative fees	<u>(84,640)</u>
Balance, December 31, 2024	\$ <u>6,280,948</u>

7. Net Assets without Donor Restrictions

Net assets without donor restrictions are comprised of the following fund types at December 31, 2024:

Unrestricted	\$	264,870
NLCF scholarships		4,357,186
Designated		1,093,508
NLCF designated		3,786,609
Donor-advised		3,095,387
NLCF donor-advised		1,368,446
Other named funds		1,728,545
Grants		1,362,844
NLCF grants		<u>9,550,542</u>
Total Net Assets without Donor Restrictions	\$	<u>26,607,937</u>

8. Endowment

The Foundation's endowment consists of various funds established for a variety of grants and includes both funds established by donors and funds designated by the Boards of Directors to function as endowments. The Foundation's agreements with donors include a variance provision, giving the Boards of Directors the power to vary the use of endowed funds if the purpose becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served by the Foundation. Based on these provisions, most contributions, received by the Foundation are reported as support without donor restrictions. Any gift instrument received that is not established in accordance with the aforementioned that limits the Boards' authority to accumulate or appropriate for expenditures, explicitly, is classified as net assets with donor restrictions pursuant to the provisions of the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Interpretation of Relevant Law

The Board of Directors has adopted UPMIFA as policy governing the accumulation and appropriation of endowment gifts. UPMIFA provides organizations the ability to distribute corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) duration and preservation of the various funds (2) purposes of the donor-restricted endowment funds (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 organization, and (7) the Foundation's investment policies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding to grants supported by its endowment funds while also maintaining the purchasing power of endowment assets. Accordingly, the investment process seeks to achieve a total rate of return of 7%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation or depreciation (realized and unrealized) and current yield (interest and dividends). The Foundation has developed a diversified asset allocation to achieve its long-term objectives with prudent risk parameters.

8. Endowment (Continued)

Spending Policy

The endowment spending rate is calculated as a percentage of the average endowment investment market value from the previous eight quarters. For the year ended December 31, 2024, the Board of Directors approved an endowment spending policy of 4.5%. The Board reviews and modifies the spending policy annually based on economic conditions.

For the year ended December 31, 2024, changes in the endowment net assets are as follows:

Endowment Net Assets, Beginning of Year	\$	15,281,399
Contributions		9,454,565
Investment returns, net		1,862,317
Appropriation of endowment assets for expenditure		(1,031,333)
Interfund grants and expenses		<u>(30,181)</u>
Endowment Net Assets, End of Year	\$	<u>25,536,767</u>

As of December 31, 2024, the endowment net asset composition by type of fund is as follows:

NLCF scholarships	\$	4,357,186
Designated		1,085,808
NLCF designated		3,786,609
Donor-advised		2,413,788
NLCF donor-advised		1,252,063
Other named funds		1,728,545
Grants		1,362,226
NLCF grants		<u>9,550,542</u>
Total	\$	<u>25,536,767</u>

The Foundation's net assets without donor restrictions include amounts that have been designated by the Board of Directors as endowment funds. These endowments totaling \$445,067 at December 31, 2024, are available for disbursement at the discretion of the Board and are subject to the Foundation's spending policy. Disbursements generally made are philanthropic grants and support the key objects of the Foundation's mission.

10. Gifts-in-kind

During 2024, the Foundation was gifted a parcel of land located in Keokuk, Iowa valued at \$179,100. The Foundation plans to donate or lease the land to a nonprofit. If it cannot be utilized for that purpose, the Foundation plans to hold it for investment or sell it at fair market value.

11. Contingencies

On July 29, 2024, NLCF filed a petition in the Iowa District Court for Lee County against a community foundation with which it was previously affiliated related to a dispute over funds donated to NLCF and held by the defendant under their affiliation agreement. NLCF has demanded the return of approximately \$10 million of donated funds and related administrative fees as well as damages, attorney fees, and interest. A trial is scheduled for January 27, 2026. Because of the uncertainty of the outcome of this matter, no amounts have been recorded in the financial statements as of December 31, 2024.