

Rhineland Community Foundation, Inc.

# FINANCIAL STATEMENTS

*For the Year Ended  
December 31, 2021*

**RHINELANDER COMMUNITY FOUNDATION, INC.**

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**December 31, 2021**

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## Independent Accountants' Review Report

To the Board of Directors  
Rhineland Community Foundation, Inc.  
Rhineland, Wisconsin

We have reviewed the accompanying financial statements of Rhineland Community Foundation, Inc. (Foundation), which comprise the statement of financial position as of December 31, 2021, 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 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 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 American Institute of Certified Public Accountants. 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 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 Rhineland Community Foundation, Inc. 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 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
Shawano, Wisconsin  
December 12, 2022

## **FINANCIAL STATEMENTS**

**RHINELANDER COMMUNITY FOUNDATION, INC.**

Statement of Financial Position

As of December 31, 2021

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**CURRENT ASSETS**

Cash	\$	446,291
Accounts Receivable		19,980
Pledges Receivable		7,000
Prepaid Expenses		2,282
<b>Total Current Assets</b>		<u>475,553</u>

**OTHER ASSET**

Investments		<u>510,022</u>
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**TOTAL ASSETS**

\$ 985,575

**CURRENT LIABILITIES**

Accounts Payable	\$	<u>14,980</u>
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**NET ASSETS**

Without Donor Restrictions:

Undesignated		414,569
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Board Designated:

Donor Designated		<u>215,888</u>
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**Total Without Donor Restrictions**

630,457

With Donor Restrictions

340,138

**Total Net Assets**

970,595

**TOTAL LIABILITIES AND NET ASSETS**

\$ 985,575

**RHINELANDER COMMUNITY FOUNDATION, INC.**

## Statement of Activities

For the Year Ended December 31, 2021

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<b>Revenues and Other Support</b>			
Contributions	\$ 214,410	\$ 175,094	\$ 389,504
Interest Income	102	-	102
Investment Return	54,409	-	54,409
Net Assets Released from Restrictions	19,379	(19,379)	-
<b>Total Revenues and Other Support</b>	<u>288,300</u>	<u>155,715</u>	<u>444,015</u>
<b>Expenses</b>			
Program Services	80,638	-	80,638
Management and General	11,046	-	11,046
<b>Total Expenses</b>	<u>91,684</u>	<u>-</u>	<u>91,684</u>
<b>CHANGE IN NET ASSETS</b>	196,616	155,715	352,331
<b>NET ASSETS - BEGINNING</b>	<u>433,841</u>	<u>184,423</u>	<u>618,264</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 630,457</u>	<u>\$ 340,138</u>	<u>\$ 970,595</u>

**RHINELANDER COMMUNITY FOUNDATION, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2021

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	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>EXPENSES</b>			
Grant Expenses	\$ 80,638	\$ -	\$ 80,638
Marketing and Promotion	-	5,985	5,985
Professional Fees	-	3,706	3,706
Operating Expenses	-	1,355	1,355
<b>TOTAL EXPENSES</b>	<u>\$ 80,638</u>	<u>\$ 11,046</u>	<u>\$ 91,684</u>

**RHINELANDER COMMUNITY FOUNDATION, INC.**

Statement of Cash Flows

For the Year Ended December 31, 2021

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 352,331
Adjustments to Reconcile Change in Net Assets to Net	
Cash Flows From Operating Activities	
Net Investment Gains	(54,409)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(19,980)
Pledges Receivable	8,876
Prepaid Expenses	(2,282)
Increase in Operating Liabilities:	
Accounts Payable	14,980
Total Adjustments	<u>(52,815)</u>
<b>Net Cash Flows From Operating Activities</b>	<u>299,516</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(150,742)
Proceeds from Sale of Investments	13,766
<b>Net Cash Flows From Investing Activities</b>	<u>(136,976)</u>
<b>NET CHANGE IN CASH</b>	162,540
<b>CASH - BEGINNING</b>	<u>283,751</u>
<b>CASH - ENDING</b>	<u>\$ 446,291</u>



# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements  
December 31, 2021

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## **Note 1 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of Rhinelander Community Foundation, Inc. (Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### **Nature of Operations**

The Foundation is a nonprofit corporation whose purpose is to facilitate charitable giving and, together with its donors, enhance the quality of living in the Rhinelander community now and for future generations. The Foundation's primary funding source is donor contributions and investment earnings.

### **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.

### **Cash**

Cash deposits consist of demand deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

The Foundation maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has not experienced any loss in such accounts. As of December 31, 2021, the Foundation had uninsured cash of \$198,805.

### **Investments**

Investments consist of debt and equity securities held as of December 31, 2021. Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Donated investments are recorded at their estimated fair value at the date received. Realized gains and losses on the sale of investments are reported as gains or losses, based upon specific identification.

### **Pledges Receivable**

Unconditional pledges receivable are recorded as received. Unconditional pledges receivable due in the next year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. These pledges receivable are reflected on the statement of financial position depending on when payments are expected to be received or whether the pledges receivable are restricted for long-term purposes. Management has determined that the pledges receivable are fully collectible; therefore, no allowances for uncollectible accounts are necessary at December 31, 2021.

# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

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## Note 1 - Summary of Significant Accounting Policies (Continued)

### Financial Statement Presentation

Under generally accepted accounting principles, not-for-profit organizations are required to report information regarding their financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents and applicable laws. The variance power gives the Board of Directors of the Foundation the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. Based on this variance power, the Foundation classifies all net assets as without donor restrictions, other than those on which time or purpose restrictions have been placed by the donor. Accordingly, the Foundation reports its net assets in the following classes:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the foundation. These net assets may be used at the discretion of Rhinelander Community Foundation, Inc.'s board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Rhinelander Community Foundation, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation currently does not have any donor restrictions that are perpetual in nature.

### Revenue and Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as without donor restricted contributions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions of cash and other assets are reported as with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

### Fund Types

The Foundation's component funds are of various types reflecting the purposes of the donors who have contributed to them.

#### Undesignated Funds

Undesignated funds are those for which the Board has full discretion in making distributions for charitable purposes to meet community needs.

#### Donor Designated Funds

Donor designated funds have been established by donors to provide sustaining support to a specific institution, agency or program specified by the donor.

# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

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## Note 1 - Summary of Significant Accounting Policies (Continued)

### Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function.

### Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Gifts, grants and bequests are deductible by donors within limitation of the Internal Revenue Code. The Foundation is subject to a tax on income from any unrelated business income. The Foundation has not identified any unrelated business income. The Foundation continually evaluates its tax position, changes in tax law and new authoritative rulings for potential implications to its tax status.

### Use of Estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates. Such differences may be material.

### Subsequent Events

The Foundation has evaluated subsequent events through December 12, 2022, the date which the financial statements were available to be issued.

## Note 2 - Pledges Receivable

Pledges receivable represent unconditional promises to give which have been made by donors but have not yet been received by the Foundation. All pledges are receivable over the next two years and are as follows:

Receivable in Less Than One Year	\$	6,000
Receivable in One to Five Years		<u>1,000</u>
Total Pledges Receivable	\$	<u><u>7,000</u></u>

## RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

### Note 3 - Availability and Liquidity

The following represents the Rhinelander Community Foundation, Inc.'s financial assets at December 31, 2021:

Financial assets at year end:	
Cash	\$ 446,291
Accounts receivable	19,980
Pledges receivable	7,000
Investments	<u>510,022</u>
Total financial assets	<u>983,293</u>
Less amounts not available to be used within one year:	
Net assets without donor restrictions - board designated	215,888
Net assets with donor restrictions	<u>340,138</u>
Total amounts not available within one year	<u>556,026</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 427,267</u>

Rhinelander Community Foundation, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$23,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

### Note 4 - Investments

Investments are stated at fair market value and consist of the following at December 31, 2021:

Cash and Cash Equivalents	\$ 8,931
Equity Securities	355,017
Fixed Income Securities	<u>146,074</u>
	<u>\$ 510,022</u>

Investment income for the year ended December 31, 2021 consists of the following:

Interest and Dividends	\$ 6,388
Net Realized Gains on Investments	12,304
Net Unrealized Gains on Investments	<u>35,717</u>
Total Investment Income	<u>\$ 54,409</u>

Investments, in general, 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 certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

## Note 5 - Fair Value Measurements

Long-term investments held are carried at fair value measured in accordance with the framework as established by Financial Accounting Standards Board, Fair Value Measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

As defined in the framework, fair value is the exchange 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. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.
- Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Cash and Cash Equivalents: Financial instruments with high liquidity and short maturities.

Equity Securities: Valued using share prices or an interest rate. The equity securities are made up of exchange traded funds, which are on the active market and traded on a daily basis.

Fixed Income Securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing yields currently available on comparable securities of issuers with similar credit ratings and traded on the active market.

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and Cash Equivalents	\$ 8,931	\$ 8,931	\$ -
Equity Securities	355,017	355,017	-
Fixed Income Securities	146,074	-	146,074
Total	<u>\$ 510,022</u>	<u>\$ 363,948</u>	<u>\$ 146,074</u>

# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

## Note 6 - Endowment Assets

The Financial Accounting Standards Board ("FASB"), *Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB also improved disclosures about an organization's endowment funds (both donor restricted and board-designated endowment funds) whether or not the Foundation is subject to UPMIFA.

The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are subject to the terms of the Governing Documents and the related Fund or Gift Agreements. Certain contributions are received subject to other gift or grant instruments, or are subject to specific agreements with the Foundation, and may be recorded as with donor restricted or without donor restricted, depending on the specific terms of the agreements.

Under the terms of the Governing Documents and the Fund or Gift Agreements, the Board of Directors has the ability to modify any restrictions or condition on the distribution of funds that becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community of area serviced. The Board of Directors also has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as with donor restricted net assets are classified as without donor restricted net assets for financial statement purposes.

The Foundation requires preservation of the fair value of the original gift, as of the gift date, of donor restricted funds absent explicit donor stipulations to the contrary. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds and board-designated funds:

1. The duration and preservation of the fund.
2. The purposes 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 or depreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund at December 31, 2021 is as follows:

Without Donor Restricted Board Designated Funds	<u>\$ 215,888</u>
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Changes in board designated net assets for the year ended December 31, 2021 is as follows:

Endowment Assets, Beginning of Year	\$ 77,593
Contributions	130,609
Investment Gains	15,384
Grants Appropriated	(5,995)
Administration Fees	<u>(1,703)</u>
Endowment Assets, End of Year	<u>\$ 215,888</u>

The Foundation has adopted investment and spending policies for endowment assets that are designed and intended to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the Foundation's endowment assets. The Foundation's investment and spending policies work together to achieve this objective.

# RHINELANDER COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021

## Note 6 - Endowment Assets (Continued)

The Foundation's investment policy objective is a long-term rate of return on assets that is at least 5%. Actual returns will vary from year to year. The Foundation relies on a total return strategy. The investment strategy targets a diversified asset allocation that includes domestic securities, non-U.S. securities, fixed income, and equity exchange traded products. The majority of assets are invested in equity securities and fixed-income securities. Diversification by asset class, investment style, and investment manager is employed to avoid undue risk concentrations and enhance total return. Investment returns are achieved through capital appreciation and current yield.

The Foundation's spending policy includes a spending goal for grant making that states it will not exceed 4.5%-5.5% of endowed assets. The available to spend balance is calculated annually in July using a rolling average of the fund's net balance for 12 quarters, or available quarters up to 12 quarters since the fund has been in existence. The amount calculated shall be available for the grant distribution in the subsequent calendar year. The fund's balance used for calculation is net of investment and administration fees. Any unspent amounts will be carried over for future distributions or may be considered for reinvestment in endowment principal balance at the discretion of the Board of Directors.

## Note 7 - With Donor Restricted Net Assets

With donor restricted net assets consisted of the following at December 31, 2021:

Time Restriction:		
Pledges Receivable		\$ 7,000
Purpose Restriction:		
Hodag Park Fund	260,445	
Short Term Projects	27	
Friends of the Parks	6,272	
Rhinelanders Youth Project	29,519	
Pioneer Park Historical Complex	36,875	
Total Purpose Restricted Net Assets	333,138	
Total With Donor Restricted Net Assets		\$ 340,138