

Oshkosh Area Community Foundation and Affiliates

Oshkosh, Wisconsin

Consolidated Financial Statements

Years Ended June 30, 2011 and 2010

Oshkosh Area Community Foundation and Affiliates

Consolidated Financial Statements

Years Ended June 30, 2011 and 2010

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Independent Auditor's Report

Board of Directors
Oshkosh Area Community Foundation
Oshkosh, Wisconsin

We have audited the consolidated statements of financial position of Oshkosh Area Community Foundation and Affiliates as of June 30, 2011 and 2010, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oshkosh Area Community Foundation and Affiliates at June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

September 28, 2011
Green Bay, Wisconsin

Oshkosh Area Community Foundation and Affiliates

Consolidated Statements of Financial Position

June 30, 2011 and 2010

<i>Assets</i>	2011	(Restated) 2010
Current assets:		
Cash and cash equivalents	\$ 2,396,531	\$ 1,565,011
Pledges receivable	13,635	18,820
Accrued investment income	47,393	38,350
Prepaid expenses and other	17,736	8,012
Total current assets	2,475,295	1,630,193
Investments	72,987,944	59,770,787
Property and equipment - Net	725,797	746,517
Other assets:		
Investments in property	419,330	694,329
Loan receivable	956,591	959,465
Beneficial interest in charitable remainder trusts	104,614	84,933
Total other assets	1,480,535	1,738,727
TOTAL ASSETS	\$ 77,669,571	\$ 63,886,224

<i>Liabilities and Net Assets</i>	2011	(Restated) 2010
Current liabilities:		
Current maturities of long-term debt	\$ 15,084	\$ 14,504
Current portion of unconditional promises to give	707,676	469,688
Accounts payable	30,571	6,971
Accrued liabilities	71,253	71,940
Due to specified beneficiaries - Agency funds	25,162,524	20,478,472
Total current liabilities	25,987,108	21,041,575
Long-term liabilities:		
Long-term debt	413,372	428,194
Unconditional promises to give	357,782	333,979
Total long-term liabilities	771,154	762,173
Total liabilities	26,758,262	21,803,748
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	11,674,391	10,032,421
Acorn funds	314,752	274,181
Field of interest funds	9,992,782	7,868,174
Donor-advised funds	9,090,833	7,216,472
Designated funds	7,262,618	5,949,410
Undesignated	12,077,684	10,258,065
Total unrestricted	50,413,060	41,598,723
Temporarily restricted	498,249	483,753
Total net assets	50,911,309	42,082,476
TOTAL LIABILITIES AND NET ASSETS	\$ 77,669,571	\$ 63,886,224

Oshkosh Area Community Foundation and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,033,984	\$ 0	\$ 5,033,984
Investment income	7,936,755	0	7,936,755
Administrative fees	12,087	0	12,087
Program income	250,597	0	250,597
Loss on sale of property	(36,000)	0	(36,000)
Change in beneficial interest in charitable remainder trusts	0	19,681	19,681
Net assets released from restrictions	5,185	(5,185)	0
Total support and revenue	13,202,608	14,496	13,217,104
Expenses:			
Program services	3,797,989	0	3,797,989
Fund development	189,965	0	189,965
Management and general	400,317	0	400,317
Total expenses	4,388,271	0	4,388,271
Change in net assets	8,814,337	14,496	8,828,833
Net assets at beginning	41,598,723	483,753	42,082,476
Net assets at end	\$ 50,413,060	\$ 498,249	\$ 50,911,309

Oshkosh Area Community Foundation and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2010

	(Restated)		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 3,721,748	\$ 0	\$ 3,721,748
Investment income	4,075,275	0	4,075,275
Administrative fees	65,686	0	65,686
Program income	482,741	0	482,741
Gain on sale of property	23,351	0	23,351
Change in beneficial interest in charitable remainder trusts	0	10,064	10,064
Net assets released from restrictions	23,361	(23,361)	0
Total support and revenue	8,392,162	(13,297)	8,378,865
Expenses:			
Program services	4,113,893	0	4,113,893
Fund development	195,173	0	195,173
Management and general	333,128	0	333,128
Total expenses	4,642,194	0	4,642,194
Change in net assets	3,749,968	(13,297)	3,736,671
Net assets at beginning, prior to restatement	41,552,109	497,050	42,049,159
Prior period adjustment	(3,703,354)	0	(3,703,354)
Net assets at beginning, restated	37,848,755	497,050	38,345,805
Net assets at end	\$ 41,598,723	\$ 483,753	\$ 42,082,476

Oshkosh Area Community Foundation and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	(Restated) 2010
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 8,828,833	\$ 3,736,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,223	24,859
(Gain) loss on sale of property	36,000	(23,351)
Donation of land	(87,000)	0
Net realized and unrealized gain on investments	(6,898,809)	(2,920,917)
Change in beneficial interest in charitable remainder trusts	(19,681)	(10,064)
Changes in discount to present value	0	10,000
Changes in operating assets and liabilities:		
Accrued investment income	(9,043)	36,028
Accounts receivable	0	256,745
Prepaid expenses and other	(9,724)	(2,821)
Pledges receivable	5,185	23,361
Accounts payable	23,600	(10,358)
Unconditional promises to give	261,791	(53,256)
Accrued liabilities	(687)	(14,054)
Due to specified beneficiaries - Agency funds	4,684,052	2,091,518
Total adjustments	(1,987,093)	(592,310)
Net cash provided by operating activities	6,841,740	3,144,361

Oshkosh Area Community Foundation and Affiliates

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2011 and 2010

	2011	(Restated) 2010
Cash flows from investing activities:		
Purchases of property and equipment	\$ (6,503)	\$ (10,778)
Proceeds from sale of property	326,000	335,269
Payments on loan receivable	15,874	20,733
Issuance of loan receivable	(13,000)	0
Proceeds from sale of investments	25,839,462	35,378,441
Purchases of investments	(32,157,811)	(39,018,972)
Net cash used in investing activities	(5,995,978)	(3,295,307)
Net cash used in financing activities - Payments on long-term debt		
	(14,242)	(48,367)
Net increase (decrease) in cash and cash equivalents	831,520	(199,313)
Cash and cash equivalents at beginning	1,565,011	1,764,324
Cash and cash equivalents at end	\$ 2,396,531	\$ 1,565,011
Supplemental cash flow information:		
Interest paid and expensed	\$ 17,384	\$ 18,629
Noncash investing and financing activities:		
Donation of property	\$ 87,000	\$ 0

Oshkosh Area Community Foundation and Affiliates

Consolidated Statements of Functional Expenses

Years Ended June 30, 2011 and 2010

	2011				2010			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 2,977,038	\$ 0	\$ 0	\$ 2,977,038	\$ 2,944,508	\$ 0	\$ 0	\$ 2,944,508
Program distributions	367,011	0	0	367,011	702,998	0	0	702,998
Investment management fees	0	0	221,865	221,865	0	0	149,785	149,785
Salaries	212,063	88,744	83,365	384,172	185,314	77,550	72,850	335,714
Payroll taxes	15,434	6,459	6,068	27,961	13,478	5,640	5,298	24,416
Employee benefits	29,022	12,145	11,409	52,576	27,729	11,604	10,901	50,234
Insurance	4,906	2,053	1,929	8,888	3,496	1,463	1,374	6,333
Occupancy	23,279	9,742	9,151	42,172	18,763	7,852	7,376	33,991
Telephone	2,681	1,122	1,054	4,857	2,382	997	936	4,315
Membership dues	10,392	4,349	4,085	18,826	7,983	3,341	3,138	14,462
Publications	15,847	6,632	6,230	28,709	9,326	3,903	3,666	16,895
Advertising	7,611	3,185	2,992	13,788	1,253	524	493	2,270
Postage	4,946	2,070	1,945	8,961	5,500	2,302	2,162	9,964
Travel and entertainment	1,821	762	716	3,299	1,616	676	635	2,927
Conferences and education	4,990	2,088	1,962	9,040	19,125	8,003	7,518	34,646
Supplies	5,246	2,195	2,062	9,503	3,120	1,306	1,227	5,653
Professional fees	39,043	16,338	15,348	70,729	45,071	18,861	17,718	81,650
Depreciation	15,027	6,289	5,907	27,223	13,722	5,742	5,395	24,859
Marketing	18,892	7,906	7,428	34,226	31,310	13,103	12,308	56,721
Miscellaneous	42,740	17,886	16,802	77,427	77,199	32,306	30,348	139,853
Total expenses	\$ 3,797,989	\$ 189,965	\$ 400,317	\$ 4,388,271	\$ 4,113,893	\$ 195,173	\$ 333,128	\$ 4,642,194

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Activities

Oshkosh Area Community Foundation and Oshkosh Area Community Foundation Corporation are nonprofit community foundations established to serve the needs of the city of Oshkosh and its residents. During 2011, the Oshkosh Area Community Foundation Property Corporation was formed as a nonprofit entity to account for donated noncash assets and property to be liquidated and invested at the Foundation. Collectively, these entities will be referred to as “the Organizations.” The Organizations now serve Winnebago, Green Lake, and Waushara Counties. The Organizations’ primary sources of revenue are contributions and investment income.

The Organizations provide the following charitable services:

- *Scholarships* - The Organizations administer scholarship funds established by donors to provide scholarships for graduating high school students pursuing post-secondary education. Administering the funds includes selecting recipients and distributing funds to the schools attended by the recipients.
- *Under-Served* - The Organizations administer funds established by donors to provide assistance for those who have suffered a misfortune or those in need of assistance.
- *Youth Issues and Education Programs* - The Organizations provide grant money to assist with social issues as they relate to youth such as Teen Court, Teen Safe Rides, Kids Safe Program, Drug Abuse Resistance Education Program, Circle Conferencing Programs, and Youth Leadership Oshkosh. The Organizations administer youth funds established as donor-advised funds in which the staff works with donors to provide grants for youth-related grant making. The Organizations also administer the Education Granting Program, which offers grants to classroom teachers. The Organizations also sponsor the Celebrate Education Evening that celebrates the award winners of the education grants and all the educators in our community.
- *Arts and Recreation* - The Organizations support arts and recreation as important components of quality of life for the city and its residents.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Activities (Continued)

- *Community Granting* - The Organizations administer all non-donor-designated funds by reviewing grant applications that are received and distributing grants that are awarded. In addition to the review of applications, evaluation and follow-up may include meetings and site visits, research of comparable programs and alternatives, and involvement on community committees.

Principles of Consolidation

The consolidated financial statements include the accounts of Oshkosh Area Community Foundation, Oshkosh Area Community Foundation Corporation, and Oshkosh Area Community Foundation Property Corporation. The Organizations are consolidated due to Oshkosh Area Community Foundation's financial interest in Oshkosh Area Community Foundation Corporation and Oshkosh Area Community Foundation Property Corporation, and the Organizations have a common governing body. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) for the nonprofit industry. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of such assets permit the Organizations to use all or part of the income earned on the assets. Currently, the Organizations do not have any permanently restricted net assets.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Organizations' Board of Directors has that ability (variance power); however, they would intend to exercise this authority only if the stated purpose of the contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Organizations' consolidated financial statements classify substantially all funds, including the principal of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants. In addition, to ensure the Organizations observe the limitations and restrictions placed on the funds by the donors, the accounts of the Organizations are managed as individual charitable funds.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Cash and Cash Equivalents

The Organizations consider all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents except money market funds and certificates of deposit at investment companies which are classified as investments.

Pledges Receivable

Unconditional pledges are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received.

Loan Receivable

The loan receivable represents financing provided to the city of Oshkosh for the renovation of the Oshkosh Convention Center (the "Convention Center"). The loan is repayable based on several criteria (see Note 8) and is stated at the amount of unpaid principal. Interest of \$250,000 is payable if the loan is not paid in full within four years of the loan date. Management has considered the loan fully collectible and therefore no allowance has been recorded.

Investments

The Organizations' investments are held in bank-administered trust funds. Management has granted the investment managers discretionary authority over investment decisions based on the Organizations' investment policy.

Investments in securities with readily determinable fair values are measured at fair value in the consolidated statements of financial position. Alternative investments are valued at their net asset value (see Note 4).

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Investments in Property

Investments in property are carried at the lower of fair value as of the dates the investments were donated to the Organizations (cost) or their current fair value. Any write-down is included in the change in net assets in the accompanying consolidated statements of activities.

Property, Equipment, and Depreciation

Property and equipment acquisitions in excess of \$1,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased equipment is carried at cost and donated equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Beneficial Interest in Charitable Remainder Trusts

The Organizations are the beneficiaries of several agreements with donors that consist of irrevocable charitable remainder trusts for which the Organizations are the remainder beneficiary. Contribution revenue and a related contribution receivable are recognized at the date the trusts are established at an amount equal to the present value of the Organizations' remainder interest in the trusts. The contribution receivable is adjusted during the term of the trust for changes in the estimate of future benefits based on discount rates ranging from 4.2% to 7.6%, and such changes are included as revenue and temporarily restricted net assets, as applicable.

Advertising

The Organizations use advertising to promote their programs and services to the general public. The costs of advertising are expensed as incurred.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Revenue Recognition

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Program income is revenue related to special projects or other activities for which the Organizations account for that are typically specified by the donor when the funds are set up. Program income is recorded as revenue when received.

Tax Status

The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2) of the Code. The Organizations are also exempt from state income taxes on related income.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Tax Status (Continued)

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal income tax returns for the tax years ended 2007 and beyond remain subject to examination by the Internal Revenue Service.

Fair Value Measurements

The Organizations measure fair value of their financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring 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 below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fair Value Measurements (Continued)

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

The asset's 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.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 **Concentration of Credit Risk**

The Organizations maintain cash balances at various financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation insured limits. Management of the Organizations believes these financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Note 3 **Pledges Receivable**

All pledges receivable are to be collected within one year of the statement of financial position date; therefore, they are all classified as current on the consolidated statements of financial position and no discount to present value was recorded as of June 30, 2011 or 2010. Management has assessed the collectability of promises to give based on collection history and past experience with the donors and has estimated that the pledges receivable are fully collectible at June 30, 2011 and 2010.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 4 Investments

Investments at June 30 included the following:

	2011	2010
Money market funds	\$ 3,798,191	\$ 2,507,738
Certificates of deposit	89,734	771,758
Common and preferred stock	32,275,600	13,496,035
Equity and fixed income funds	23,914,347	35,779,720
Commodities and other	3,314,408	0
Hedge funds	9,595,664	7,215,536
Total investments	\$ 72,987,944	\$ 59,770,787

The Organizations' investments include interest in several alternative investments. These alternative investments primarily consist of investments in limited partnerships with hedge funds, commodities, private real assets, or private equity funds. The portfolio strategies focus on two approaches: an absolute return hedge which attempts to profit regardless of the overall direction of the market using highly flexible investment strategies that permit the use of short selling and margin debt, and hedged equity which attempts to combine long equity positions with short equity positions. The Organizations have chosen to invest in these alternative funds because they can generate returns which match or exceed publicly traded equities, they carry lower correlations than equity classes relative to one another (thereby providing risk reduction and downside protection), and can have a profound impact on the portfolio's diversification and total return when blended with an overall portfolio.

There is not a public market for alternative investments, and the shares are transferable or redeemable only at the discretion of the funds' investment managers. A determination of net asset value per share is made on a monthly basis, and this net asset value is considered to be the fair value for these investments.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 4 Investments (Continued)

Investment income for the years ended June 30 was as follows:

	2011	2010
Interest and dividends	\$ 1,037,946	\$ 1,154,358
Net realized gains on investments	732,088	764,635
Net unrealized gains on investments	6,166,721	2,156,282
Total investment income	\$ 7,936,755	\$ 4,075,275

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 consolidated financial statements.

Note 5 Endowments

The Organizations' endowments consist of individual donor-restricted funds established for a variety of purposes. The Board of Directors believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds.

The Board of Directors has interpreted the UPMIFA as allowing the appropriation for expenditures for the purposes for which an endowment is established the net appreciation, realized and unrealized, in the fair value of an endowment fund over the historic dollar value of the fund as is prudent under ordinary business care considering the facts and circumstances prevailing at the time action is taken.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 5 **Endowments** (Continued)

The Organizations' spending policy is calculated as a percentage of a 16-quarter rolling average of the market value, net of investment costs and management and administrative fees. The spending policy as of June 30, 2011 and 2010, was 4% and 5%, respectively, for unrestricted funds and 5% for field of interest funds. This percentage is reviewed by the Finance Committee of the Board of Directors annually and can be amended from year to year.

The Organizations have adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce growth of the funds over the long-term (defined as a period of ten or more years) while assuming a level of risk specific to each investment manager's portfolio. To satisfy its long-term, rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations require that all endowment fund assets be invested in liquid securities that can be transacted quickly and efficiently for the fund, with minimal impact on the market price. Such investments include cash, fixed income securities, equity securities, and mutual funds.

A donor agreement is maintained for each individual endowment fund that specifies the purpose of the fund and the duration of the restriction. However, each donor has granted explicit variance power to the Organizations, as described in Note 1; therefore, the Organizations have recorded all endowment funds as unrestricted net assets.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 5 Endowments (Continued)

The unrestricted net asset balance of all endowment funds as of June 30 along with a description of the components of the change are as follows:

	2011	2010
Endowment net assets at beginning	\$ 13,215,667	\$ 10,805,769
Investment return:		
Interest and dividends	323,467	284,050
Net appreciation	2,221,740	948,088
Total investment return	2,545,207	1,232,138
Contributions	1,087,236	1,710,819
Less:		
Assets appropriated for expenditure	635,859	254,985
Administrative fees	328,406	278,074
Endowment net assets at end	\$ 15,883,845	\$ 13,215,667

Note 6 Investments in Property

Total investments in property at June 30 are as follows:

	2011	2010
Donated land	\$ 39,330	\$ 314,329
Donated residence	380,000	380,000
Investments in property	\$ 419,330	\$ 694,329

The Organizations recorded a prior period adjustment in 2010 for the donation of a residence originally donated in May of 2002. The donation was recorded at the fair market value of the residence at the date of sale which was \$380,000.

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7 Property and Equipment

Property and equipment consisted of the following at June 30:

	2011	2010
Land	\$ 137,000	\$ 137,000
Buildings and improvement	625,393	625,393
Furniture and equipment	104,010	97,507
Total property and equipment	866,403	859,900
Less - Accumulated depreciation	140,606	113,383
Property and equipment - Net	\$ 725,797	\$ 746,517

Note 8 Loan Receivable

Oshkosh Area Community Foundation signed a funding agreement with the city of Oshkosh on September 14, 2007, to provide a portion of the financing necessary for the renovation of the Convention Center. The total principal amount of the loan was \$1,000,000 with fixed interest of \$250,000 payable only if the loan is not paid in full within the first four years of the loan term. If the loan is paid off within the first four years, the interest is waived. Loan repayments are provided by the city of Oshkosh as funds are available from the following sources:

- Ten percent annually from Oshkosh Convention and Visitor Bureau's new Tourism Development Fund by separate agreement with the Bureau.
- Payment by the city to Oshkosh Area Community Foundation a minimum of 1% of gross food and beverage sales from the Convention Center beginning at the time the city of Oshkosh replaces the current agreement with whoever manages the Convention Center.

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Notes to Consolidated Financial Statements

Note 8 **Loan Receivable** (Continued)

Until such time that it becomes certain the loan will not be paid prior to the end of the first four years of the term, accrued interest is not recorded. The loan balance is recorded at the outstanding principal on the original loan and was \$956,591 and \$959,465 as of June 30, 2011 and 2010, respectively. Management has assessed the valuation of the loan and believes it is fully collectible. The entire loan receivable is recorded as a long-term asset as the future collections cannot be determined with any certainty given the nature of the repayment terms.

Note 9 **Long-Term Debt**

Long-term debt consisted of the following at June 30:

	2011	2010
Note payable to JP Morgan Chase in monthly installments including principal and interest at 3.9% of \$2,634 beginning October 2008, maturing September 2014, collateralized by investments and other property owned by the Organizations	\$ 428,456	\$ 442,698
Less - Current maturities	15,084	14,504
<u>Long-term portion</u>	<u>\$ 413,372</u>	<u>\$ 428,194</u>

Required payments of principal on long-term debt at June 30, 2011, including current maturities, are summarized as follows:

2012	\$ 15,084
2013	15,687
2014	16,315
2015	381,370
<u>Total</u>	<u>\$ 428,456</u>

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 10 Unconditional Promises to Give

Unconditional promises to give, which consist of grants payable, are recognized as expenses when approved. Conditional grants are recognized when the conditions upon which they depend are substantially met.

The Organizations have the following grant commitments as of June 30:

	2011	2010
Unconditional promises to give	\$ 1,100,858	\$ 846,667
Less - Unamortized discount	35,400	43,000
Net unconditional promises to give	1,065,458	803,667
Less - Current portion	707,676	469,688
Long-term portion	\$ 357,782	\$ 333,979

Interest was imputed at rates between 0.18% and 4.00% for the years ended June 30, 2011 and 2010, based on the risk-free rate of return in order to discount the unconditional promises to give to present value. These rates are determined at the time the pledges are received.

Unconditional promises to give beyond June 30, 2011, are as follows:

2012	\$ 104,961
2013	83,591
2014	45,307
2015	43,843
2016	42,426
Thereafter	37,654
Total	\$ 357,782

Oshkosh Area Community Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2011	2010
Pledges receivable in future years	\$ 13,635	\$ 18,820
Restricted property	380,000	380,000
Charitable remainder interests to be received in future years	104,614	84,933
Total temporarily restricted net assets	<u>\$ 498,249</u>	<u>\$ 483,753</u>

Note 12 Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Beneficial interest in charitable remainder trusts held by others are measured at the present value of future cash flows considering the estimated return on the invested assets during the expected terms of the agreements, the contractual obligations under the agreement, and a discount rate based on the risks involved.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organizations believe their 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.

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Notes to Consolidated Financial Statements

Note 12 Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of June 30:

	2011			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 3,798,191	\$ 0	\$ 3,798,191
Equities:				
U.S. equities	17,882,249	0	0	17,882,249
Foreign equities	5,022,045	0	0	5,022,045
Concentrated and other equities	5,408,666	0	0	5,408,666
Emerging market equities	3,962,640	0	0	3,962,640
Equity and fixed income funds:				
Growth funds	1,357,408	0	0	1,357,408
High-yield funds	3,392,611	0	0	3,392,611
Income funds	1,527,561	0	0	1,527,561
Bond funds	10,658,954	6,841,734	0	17,500,688
Value funds	136,079	0	0	136,079
Alternative investment funds:				
Hedge funds	3,452	0	9,592,212	9,595,664
Real estate	19,381	0	0	19,381
Commodities	30,834	0	0	30,834
Hard assets	3,264,193	0	0	3,264,193
Total	\$ 52,666,073	\$ 10,639,925	\$ 9,592,212	\$ 72,898,210

	2010			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 2,507,740	\$ 0	\$ 2,507,740
Equities	13,496,035	0	0	13,496,035
Equity and fixed income funds	14,469,402	21,310,318	0	35,779,720
Alternative investment funds	0	0	7,215,536	7,215,536
Total	\$ 27,965,437	\$ 23,818,058	\$ 7,215,536	\$ 58,999,031

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Notes to Consolidated Financial Statements

Note 12 Fair Value Measurements (Continued)

The following table presents the fair value of beneficial interests in charitable trusts reflected on the consolidated statements of financial position as of June 30, 2011 and 2010:

2011	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 0	\$ 104,614	\$ 104,614
Liabilities to beneficiaries from split interest agreements	0	0	71,253	71,253
2010				
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 0	\$ 84,933	\$ 84,933
Liabilities to beneficiaries from split interest agreements	0	0	71,940	71,940

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2011 and 2010.

Information regarding the changes in the fair value of the Organizations' Level 3 investments for the years ended June 30 follows:

	2011	2010
Level 3 investments at beginning	\$ 7,215,536	\$ 3,277,582
Unrealized gains	818,379	11,094
Purchases, sales, issuances, and settlements, net	1,558,297	3,926,860
Level 3 investments at end	\$ 9,592,212	\$ 7,215,536

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Notes to Consolidated Financial Statements

Note 12 Fair Value Measurements (Continued)

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the year ended June 30, 2011, is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Hedge funds (a)	\$ 9,595,664	\$ 0	Various	Various
Real estate funds (b)	26,451	0	Daily	None
Commodities (c)	3,287,957	0	Daily	None
Total	\$ 12,910,072	\$ 0		

- (a) Hedge funds - This class includes investments in actively managed hedge funds employing a variety of strategies, including but not limited to, multi-strategy, absolute return, and long/short. Hedge funds have the ability to invest long and short, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic, developed, and emerging markets. Hedge funds have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Approximately 50% of the value of this class is subject to quarterly redemption frequency, subject to a 20% gate. Approximately 46% of the value of this class is subject to an initial three-year lock-up, at which time the investments are subject to an additional three-year lock-up. Annual redemptions may be permitted once the initial three-year lock-up expires, subject to a 20% gate.
- (b) Real estate funds - This class includes investments primarily in equity securities of publicly traded real estate companies operating in the United States. The fund general invests at least 25% of assets in an industry or group of industries in the real estate sector and may invest up to 20% of assets in U.S. government securities, other investment-grade fixed income securities, and cash and cash equivalents. The fund may also invest up to 15% of assets in foreign securities.

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Notes to Consolidated Financial Statements

Note 12 Fair Value Measurements (Continued)

- (c) Commodities - Approximately 99% of the value in this class normally invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other fixed income instruments. It seeks to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes. The fund may also invest up to 10% of total assets in preferred stock.

Information regarding the changes in the fair value of the Organizations' Level 3 assets and liabilities, other than investments, for the years ended June 30 is as follows:

	2011	2010
Level 3 investments at beginning	\$ 84,933	\$ 74,869
Unrealized gains	19,681	10,064
Level 3 investments at end	\$ 104,614	\$ 84,933
	2011	2010
Level 3 liabilities at beginning	\$ 71,940	\$ 85,994
New trusts	13,948	0
Trust payments	(13,579)	(12,479)
Change in value in estimated fair value of underlying trust assets	(1,056)	(1,575)
Level 3 liabilities at end	\$ 71,253	\$ 71,940

The net unrealized gains and losses are included in investment income on the consolidated statements of activities.

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Notes to Consolidated Financial Statements

Note 13 Restatement of Previously Issued Financial Statements

The consolidated financial statements as of and for the year ended June 30, 2010, have been restated to correct an error that was detected during the audit for the year ended June 30, 2011.

During a previous fiscal year, the Organizations classified multiple funds as unrestricted donor-designated funds when the agreements stipulated that the funds be set up as agency funds as the donors specified themselves or their affiliates as beneficiaries. This resulted in an overstatement of net assets as of June 30, 2009, and overstatement of certain revenue and expenditures as of June 30, 2010, and an understatement of due to specified beneficiaries - agency funds as of June 30, 2010.

The effect of the prior period adjustment and restatement is as follows:

	Prior to Restatement	Restatement	After Restatement
Net assets at June 30, 2009	\$ 42,049,159	\$ (3,703,354)	\$ 38,345,805
Due to specified beneficiaries - Agency funds	15,921,750	4,556,722	20,478,472
Net assets at June 30, 2010	46,639,198	(4,556,722)	42,082,476
Total support and revenue	9,563,746	(1,184,881)	8,378,865
Total expenses	4,973,707	(331,513)	4,642,194
Change in net assets at June 30, 2010	4,590,039	(853,368)	3,736,671

Note 14 Subsequent Event

Subsequent events have been evaluated through September 28, 2011, which is the date the consolidated financial statements were available to be issued.

On August 22, 2011, the Organizations refinanced their note payable (see Note 9). The new terms of the note include a principal balance of \$429,043, payable in monthly installments of \$2,591 to First National Bank - Fox Valley at 3.9% interest, due August 22, 2012.

