

Oshkosh Area Community Foundation Corporation and Affiliate

Oshkosh, Wisconsin

Consolidated Financial Statements

Years Ended June 30, 2015 and 2014

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Oshkosh Area Community Foundation Corporation
Oshkosh, Wisconsin

We have audited the accompanying consolidated financial statements of Oshkosh Area Community Foundation Corporation and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oshkosh Area Community Foundation Corporation and Affiliate as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

September 8, 2015
Green Bay, Wisconsin

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Financial Position

June 30, 2015 and 2014

<i>Assets</i>	2015	2014
Current assets:		
Cash and cash equivalents	\$ 3,175,123	\$ 2,353,539
Pledges receivable	7,000	10,840
Accrued investment income	28,517	28,059
Loans receivable, current portion	119,306	115,632
Prepaid expenses and other	295,814	69,795
Total current assets	3,625,760	2,577,865
Investments	96,654,630	95,105,521
Property and equipment - Net	673,398	689,938
Other assets:		
Loans receivable	1,877,330	2,025,504
Beneficial interest in charitable remainder trusts	134,990	137,502
Total other assets	2,012,320	2,163,006
TOTAL ASSETS	\$ 102,966,108	\$ 100,536,330

<i>Liabilities and Net Assets</i>	2015	2014
Current liabilities:		
Current maturities of long-term debt	\$ 16,893	\$ 16,324
Current portion of grants payable, net	1,888,249	1,495,457
Accounts payable	64,423	78,430
Obligation under split-interest agreements	24,949	29,448
Due to specified beneficiaries - Agency funds	38,060,479	34,504,369
Total current liabilities	40,054,993	36,124,028
Long-term liabilities:		
Long-term debt	353,832	370,486
Grants payable, net	1,116,251	340,861
Total long-term liabilities	1,470,083	711,347
Total liabilities	41,525,076	36,835,375
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	14,829,278	14,832,324
Acorn funds	418,457	566,655
Field of interest funds	12,135,062	12,537,332
Donor-advised funds	10,768,079	11,137,228
Designated funds	11,480,815	10,805,935
Undesignated	11,667,351	13,673,139
Total unrestricted	61,299,042	63,552,613
Temporarily restricted	141,990	148,342
Total net assets	61,441,032	63,700,955
TOTAL LIABILITIES AND NET ASSETS	\$ 102,966,108	\$ 100,536,330

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,294,421	\$ 0	\$ 5,294,421
Investment loss	(560,189)	0	(560,189)
Other income	182,316	0	182,316
Loss on sale of property	(703)	0	(703)
Change in beneficial interest in charitable remainder trusts	0	(2,512)	(2,512)
Net assets released from restrictions	3,840	(3,840)	0
Total support and revenue	4,919,685	(6,352)	4,913,333
Expenses:			
Program services	6,389,852	0	6,389,852
Fund development	204,445	0	204,445
Management and general	578,959	0	578,959
Total expenses	7,173,256	0	7,173,256
Change in net assets	(2,253,571)	(6,352)	(2,259,923)
Net assets at beginning	63,552,613	148,342	63,700,955
Net assets at end	\$ 61,299,042	\$ 141,990	\$ 61,441,032

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,130,004	\$ 0	\$ 5,130,004
Investment income	8,296,196	0	8,296,196
Other income	159,447	0	159,447
Loss on sale of property	(73,375)	0	(73,375)
Change in beneficial interest in charitable remainder trusts	0	26,702	26,702
Net assets released from restrictions	6,900	(6,900)	0
Total support and revenue	13,519,172	19,802	13,538,974
Expenses:			
Program services	4,165,230	0	4,165,230
Fund development	214,092	0	214,092
Management and general	458,508	0	458,508
Total expenses	4,837,830	0	4,837,830
Change in net assets	8,681,342	19,802	8,701,144
Net assets at beginning	54,871,271	128,540	54,999,811
Net assets at end	\$ 63,552,613	\$ 148,342	\$ 63,700,955

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (2,259,923)	\$ 8,701,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,190	30,130
Loss on disposition/sale of property	703	73,375
Donation of property	0	(250,000)
Accrued interest on loans receivable	(3,404)	(15,471)
Net realized and unrealized loss (gain) on investments	1,498,378	(7,441,465)
Change in beneficial interest in charitable remainder trusts	2,512	(26,702)
Changes in discount to present value	4,843	7,067
Changes in operating assets and liabilities:		
Accrued investment income	(458)	14,270
Prepaid expenses and other	(226,019)	(14,942)
Pledges receivable	3,840	6,900
Accounts payable	(14,007)	17,238
Grants payable	1,163,339	28,801
Obligation under split-interest agreements	(4,499)	(15,777)
Due to specified beneficiaries - Agency funds	3,556,110	4,338,314
Total adjustments	6,013,528	(3,248,262)
Net cash provided by operating activities	3,753,605	5,452,882

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from investing activities:		
Purchases of property and equipment	\$ (16,353)	\$ (16,659)
Proceeds from sale of property	0	176,625
Principal payments on loan receivable	147,904	78,054
Proceeds from sale of investments	4,575,327	9,917,853
Purchases of investments	(7,622,814)	(15,638,070)
Net cash used in investing activities	(2,915,936)	(5,482,197)
Net cash used in financing activities - Payments on long-term debt	(16,085)	(15,461)
Net increase (decrease) in cash and cash equivalents	821,584	(44,776)
Cash and cash equivalents at beginning	2,353,539	2,398,315
Cash and cash equivalents at end	\$ 3,175,123	\$ 2,353,539

Supplemental cash flow information:

Interest paid and expensed	\$ 15,007	\$ 15,601
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Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Functional Expenses

Years Ended June 30, 2015 and 2014

	2015				2014			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 5,095,565	\$ 0	\$ 0	\$ 5,095,565	\$ 3,007,220	\$ 0	\$ 0	\$ 3,007,220
Program distributions	670,790	0	0	670,790	646,411	0	0	646,411
Investment management fees	0	0	277,378	277,378	0	0	257,388	257,388
Salaries	337,570	110,689	163,281	611,540	260,774	109,128	102,515	472,417
Payroll taxes	35,076	11,501	16,966	63,543	20,220	8,462	7,949	36,631
Employee benefits	25,181	8,257	12,180	45,618	27,937	11,691	10,982	50,610
Insurance	5,271	1,728	2,550	9,549	5,150	2,155	2,025	9,330
Occupancy	23,646	7,754	11,438	42,838	28,575	11,958	11,233	51,766
Telephone	3,915	1,284	1,893	7,092	4,539	1,900	1,785	8,224
Membership dues	10,118	3,317	4,894	18,329	8,896	3,723	3,497	16,116
Publications	14,779	4,846	7,148	26,773	11,525	4,823	4,531	20,879
Advertising	17	5	8	30	1,751	733	688	3,172
Postage	7,221	2,368	3,492	13,081	4,314	1,805	1,696	7,815
Travel and entertainment	5,912	1,939	2,860	10,711	6,605	2,764	2,596	11,965
Conferences and education	4,323	1,418	2,091	7,832	4,882	2,043	1,919	8,844
Supplies	6,034	1,979	2,918	10,931	5,943	2,487	2,336	10,766
Professional fees	71,279	23,372	34,477	129,128	59,034	24,703	23,208	106,945
Depreciation	18,096	5,694	8,400	32,190	16,632	6,960	6,538	30,130
Marketing	31,088	10,194	15,037	56,319	22,843	9,559	8,980	41,382
Miscellaneous	23,971	8,100	11,948	44,019	21,979	9,198	8,642	39,819
Total expenses	\$ 6,389,852	\$ 204,445	\$ 578,959	\$ 7,173,256	\$ 4,165,230	\$ 214,092	\$ 458,508	\$ 4,837,830

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Activities

Oshkosh Area Community Foundation Corporation is a nonprofit community foundation established to serve the needs of the city of Oshkosh and its residents. 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 Oshkosh Area Community Foundation Corporation. Collectively, these entities will be referred to as “the Organizations.” The Organizations now serve Winnebago County, Green Lake County, Waushara County, and Ripon. The Organizations’ primary sources of revenue are contributions and investment income.

The Organizations provide the following charitable services:

- *Donor Advised Grants* - The Organizations administer funds to support organizations and charitable projects as specified by fund donors or advisors.
- *Designated Grants* - The Organizations administer funds to more than 50 different charitable programs from funds created specifically to support these organizations in perpetuity.
- *Scholarships* - The Organizations administer a variety of scholarship programs, at varying service levels, to assist students pursuing all levels of education.
- *Competitive Grants* - The Organizations utilize investment earnings on gifts made without restriction or gifts made for the good of a particular field for distribution in the form of grants, awarded through a competitive application process.

Principles of Consolidation

At June 30, 2015 and 2014, the consolidated financial statements include the accounts of Oshkosh Area Community Foundation Corporation and Oshkosh Area Community Property Corporation. The Organizations are consolidated due to financial interest, and the Organizations have a common governing body. All significant intercompany transactions and accounts have been eliminated in consolidation.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

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

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Basis of Presentation (Continued)

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 Organizations' accounts are managed as individual charitable funds.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in accordance 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.

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

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.

Loans Receivable

The loans receivable represent financing provided to various borrowers. The loans are repayable based on several criteria (see Note 7) and are stated at the amount of unpaid principal and interest, in some cases. Management has considered all loans fully collectible; therefore, no allowance has been recorded. Management does not have a policy to address placing loans on nonaccrual status and has not experienced a loan to be nonperforming or past due.

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 per share (see Note 4).

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

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 beneficial interest in charitable remainder trust asset 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 related beneficial interest in charitable remainder trust asset 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.

Reclassifications

Certain 2014 amounts have been reclassified to conform with 2015 presentation. There was no effect on total net assets or the change in net assets.

Oshkosh Area Community Foundation Corporation and Affiliate

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 contribution was deemed unconditional. The contributions 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.

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.

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Fair Value Measurements

The Organizations measure fair value of their financial instruments using a three-tier hierarchy that 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) and the lowest priority to unobservable inputs (Level 3). 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.

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

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.

Subsequent Events

Subsequent events have been evaluated through September 8, 2015, which is the date the consolidated financial statements were available to be issued.

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 in the consolidated statements of financial position and no discount to present value was recorded as of June 30, 2015 or 2014.

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, 2015 and 2014.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 4 Investments

Investments at June 30 included the following:

	2015	2014
Money market funds	\$ 5,101,004	\$ 4,979,394
Certificates of deposit	397,088	180,357
Common and preferred stock	21,065,098	29,458,826
Bonds	4,144,460	4,695,156
Equity and fixed income funds	50,810,368	43,163,767
Commodities and other	10,044	14,866
Real estate funds	568,083	478,022
Hedge funds	14,558,485	12,135,133
Total investments	\$ 96,654,630	\$ 95,105,521

The Organizations' investments include interest in several alternative investments. These alternative investments primarily consist of investments in limited partnerships with hedge funds, commodities, real estate, private real assets, or private equity funds. The portfolio strategies focus on two approaches: (1) an absolute return hedge that 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 (2) hedged equity that 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 that 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 they 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 Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 4 Investments (Continued)

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

	2015	2014
Interest and dividends, investments	\$ 934,785	\$ 839,260
Loan interest	3,404	15,471
Net realized gains on investments	2,462,554	2,112,022
Net unrealized (loss) gain on investments	(3,960,932)	5,329,443
Total investment (loss) income	\$ (560,189)	\$ 8,296,196

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 appropriation for expenditures from the net appreciation, realized and unrealized, in the fair value of an endowment fund over the historic dollar value of the fund. The expenditures approved for appropriation must meet the purpose of the endowment fund and must be prudent under ordinary business care considering the facts and circumstances prevailing at the time action is taken.

Oshkosh Area Community Foundation Corporation and Affiliate

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, 2015 and 2014, was 4.5% for unrestricted funds and 5% for field of interest funds. This percentage is reviewed annually by the Finance Committee of the Board of Directors 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 Organizations 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 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 Corporation and Affiliate

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:

	2015	2014
Endowment net assets at beginning	\$ 20,537,060	\$ 18,409,810
Investment return:		
Interest and dividends	319,203	290,710
Net appreciation (depreciation)	(471,265)	2,446,710
Total investment return	(152,062)	2,737,420
Contributions	1,210,880	419,595
Less:		
Assets appropriated for expenditure	1,129,534	634,344
Administrative fees	405,528	395,421
Endowment net assets at end	\$ 20,060,816	\$ 20,537,060

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 6 Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	639,188
Furniture and equipment	101,879	109,616
Total property and equipment	878,067	885,804
Less - Accumulated depreciation	204,669	195,866
Property and equipment - Net	\$ 673,398	\$ 689,938

Note 7 Loans Receivable

Loans receivable consisted of the following at June 30:

	2015	2014
Note receivable from the city of Oshkosh dated September 14, 2007, for \$1,000,000, including accrued interest of \$250,000 that was recorded during 2013 in accordance with the loan agreement. Payments are provided as funds are available from: (1) 10% of the Oshkosh Convention and Visitor's Bureau Tourism Development Fund (the "Bureau") annually through a separate agreement with the Bureau and (2) a minimum of 1% of gross food and beverage sales from the convention center. There is no stated maturity date.	\$ 1,110,715	\$ 1,138,550

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 7 **Loans Receivable** (Continued)

	2015	2014
Note receivable from the University of Wisconsin-Oshkosh Foundation, Inc. dated February 14, 2012, for \$1,000,000. Payments of principal and interest at 3% are quarterly in the amount of \$36,103, commencing February 14, 2014, with final payment at maturity in February 2022.	\$ 884,695	\$ 1,000,936
Other miscellaneous loans	1,226	1,650
Subtotal loans receivable	1,996,636	2,141,136
Less: current portion	119,306	115,632
Loans receivable, long-term	\$ 1,877,330	\$ 2,025,504

All loans receivable are considered to be for community project assistance purposes. The Organizations regularly evaluate various attributes of loans to determine the appropriateness of any allowance for doubtful accounts. This evaluation considers changes in the borrower's creditworthiness, evaluations of collectability, prior loss experience (if any), and current economic conditions. The Organizations' community project class of loans is generally evaluated based on whether the loan is performing according to the contractual terms of the loan or not. The Organizations have not identified any loans that are nonperforming. In addition, the Organizations have not identified any loans that are past due according to the contractual terms; therefore, no loans have been placed on nonaccrual status. The Organizations have not had to grant any concessions to the borrowers as troubled debt restructurings due to financial difficulties and has not individually evaluated any loans for impairment. As stated in Note 1, no allowance for doubtful accounts is necessary given the Organizations' analysis of the credit quality of its portfolio.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 7 **Loans Receivable** (Continued)

Payments required from loans receivable at June 30, 2015, are summarized as follows:

2016	\$	119,306
2017		122,926
2018		126,656
2019		130,498
2020		134,457
Thereafter		1,362,793
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Total	\$	1,996,636
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Note 8 **Long-Term Debt**

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

	2015	2014
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Note payable to First National Bank - Fox Valley in monthly installments including principal and interest at 3.9% of \$2,591, maturing August 2021, collateralized by investments and other property owned by the Organizations	\$ 370,725	\$ 386,810
Less - Current maturities	16,893	16,324
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Long-term portion	\$ 353,832	\$ 370,486
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Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt (Continued)

Required payments of principal on long-term debt at June 30, 2015, are summarized as follows:

2016	\$	16,893
2017		17,603
2018		18,301
2019		19,028
2020		19,753
Thereafter		279,147
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Total	\$	370,725

Note 9 Grants Payable

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:

	2015	2014
Grants payable	\$ 3,008,510	\$ 1,845,171
Less - Unamortized discount	4,010	8,853
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Grants payable, net	3,004,500	1,836,318
Less - Current portion	1,888,249	1,495,457
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Long-term portion, net	\$ 1,116,251	\$ 340,861

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 9 Grants Payable (Continued)

Interest was imputed at rates between .02% and 3.34% for the years ended June 30, 2015 and 2014, respectively, based on the risk-free rate of return or other appropriate interest rate in order to discount the grants payable to present value. These rates are determined at the time the grants are approved.

Grants payable beyond June 30, 2015, are as follows:

2016	\$	1,888,249
2017		331,876
2018		169,188
2019		121,337
2020		99,920
Thereafter		393,930
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Total	\$	3,004,500
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Note 10 Temporarily Restricted Net Assets

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

	2015		2014	
	\$		\$	
Pledges receivable in future years	\$	7,000	\$	10,840
Charitable remainder interests to be received in future years		134,990		137,502
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Total temporarily restricted net assets	\$	141,990	\$	148,342
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Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement*. This ASU amends ASC Topic 820 and removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, rather limiting those disclosures for investments for which the entity has elected to measure the fair value using that practical expedient. This guidance in this ASU is effective for the Organizations' year ending June 30, 2018; however, the Organizations chose to early adopt this new guidance for the year ended June 30, 2015. The presentation of the fair value of the investments in hedge funds, certain real estate funds, commodities funds, and equity/fixed income funds for the year ended June 30, 2014, has been removed in the following tables in order to conform to the presentation used in 2015.

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. Bonds are valued primarily by custodians based on pricing models that incorporate available trade, bid, and other market information. 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 and obligations to beneficiaries of split-interest agreements 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 the 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 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, 2015:

	2015			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 5,101,004	\$ 0	\$ 5,101,004
Equities:				
U.S. equities	15,775,785	0	0	15,775,785
Foreign equities	546,255	0	0	546,255
Emerging market equities	4,743,058	0	0	4,743,058
Bonds:				
Corporate bonds	0	2,792,303	0	2,792,303
Government and agency bonds	0	1,352,157	0	1,352,157
Equity and fixed income funds:				
Growth funds	4,894,812	0	0	4,894,812
Income funds	16,161,708	0	0	16,161,708
Bond funds	1,065,117	2,538,545	0	3,603,662
Exchanged traded funds	2,621,924	0	0	2,621,924
Value funds	2,190,462	0	0	2,190,462
Investments measured at net asset value	0	0	0	36,474,412
Total investments	\$ 47,999,121	\$ 11,784,009	\$ 0	\$ 96,257,542

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 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, 2014:

	2014			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 4,979,394	\$ 0	\$ 4,979,394
Equities:				
U.S. equities	24,847,044	0	0	24,847,044
Foreign equities	518,087	0	0	518,087
Emerging market equities	4,093,695	0	0	4,093,695
Bonds:				
Corporate bonds	0	3,264,042	0	3,264,042
Government and agency bonds	0	690,138	0	690,138
Mortgage and asset backed bonds	0	740,976	0	740,976
Equity and fixed income funds:				
Growth funds	1,087,729	0	0	1,087,729
Income funds	16,251,888	0	0	16,251,888
Bond funds	685,649	2,558,716	0	3,244,365
Value funds	1,145,889	0	0	1,145,889
Investments measured at net asset value	0	0	0	34,061,917
Total investments	\$ 48,629,981	\$ 12,233,266	\$ 0	\$ 94,925,164

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 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, 2015, is as follows:

		2015			
		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice
Hedge funds:					
Multistrategy: (a)					
	Select MultiStrategy, Ltd.	\$ 65,362	\$ 0	Quarterly	60 days
	Mason Capital, Ltd.	2,111,427	0	9/30/2016	45 days
	King Street Capital, Ltd.	4,157,595	0	Monthly	90 days
Long/short equity: (a)					
	Forester Offshore, Ltd.	8,175,325	0	12/31/2015	95 days
Absolute return: (a)					
	Gotham Absolute Return Fund	14,670	0	6/30/2018 Daily	None
Balanced risk: (a)					
	Invesco Balanced-Risk Allc Y	7,113	0	Daily	None
	Gateway Fund-Y	19,984	0	Daily	None
Managed futures: (a)					
	Equinox Campbell Strategy I	7,009	0	Daily	None
Real estate: (b)					
	ISTAR Financial, Inc.	222,417	0	Daily	None
	Och-Ziff Real Estate Fund III	345,666	2,654,334	N/A	N/A
Commodities: (c)					
	Invesco Balanced-Risk Comm Str-Y	2,797	0	Daily	None
	PIMCO Commodity Real Return Strategy	7,247	0	Daily	None
Equity and fixed income funds: (d)					
Income:					
	Advisory Research Small Cap Value Fund II, LP	2,622,838	0	Monthly	30 days
High yield:					
	Post Traditional High Yield Fund, LP	4,823,004	0	Monthly	30 days
Debt:					
	Sankaty Senior Loan Fund, L.P.	4,088,524	0	Monthly	30 days
Bond:					
	Colchester Global Bond Fund	3,190,819	0	Monthly	10 days
Growth:					
	Gryphon International EAFE Growth Group Fund	6,612,615	0	Monthly	5 days
Total		\$ 36,474,412	\$ 2,654,334		

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 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, 2014, is as follows:

		2014			
		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice
Hedge funds:					
Multistrategy: (a)					
	Select MultiStrategy, Ltd.	\$ 105,561	\$ 0	Quarterly	60 days
	King Street Capital, Ltd.	4,252,587	0	Monthly	90 days
Long/short equity: (a)					
	Forester Offshore, Ltd.	7,727,927	0	6/30/2015 12/31/2015	95 days
Absolute return: (a)					
	Fundvantage Absolute Return Intl	15,301	0	Daily	None
Balanced risk: (a)					
	Invesco Balanced-Risk Allc Y	7,708			
	Gateway Fund-Y	19,769	0	Daily	None
Managed futures: (a)					
	Equinox Campbell Strategy I	6,280	0	Daily	None
Real estate: (b)					
	JPM US Real Estate Fund - Select	228,325	0	Daily	None
	Weyerhaeuser Co.	249,697	0	Daily	None
Commodities: (c)					
	Invesco Balanced-Risk Comm Str-Y	10,450	0	Daily	None
	PIMCO Commodity Real Return Strategy	4,416	0	Daily	None
Equity and fixed income funds: (d)					
Income:					
	Advisory Research Small Cap Value Fund II, LP	2,599,720	0	Monthly	30 days
High yield:					
	Post Traditional High Yield Fund, LP	4,668,400	0	Monthly	30 days
Debt:					
	Sankaty Senior Loan Fund, L.P.	4,045,940	0	Monthly	30 days
Bond:					
	Colchester Global Bond Fund	3,474,630	0	Monthly	10 days
Growth:					
	Gryphon International EAFE Growth Group Fund	6,645,206	0	Monthly	5 days
Total		\$ 34,061,917	\$ 0		

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

- (a) Hedge funds - This class includes investments in actively managed hedge funds employing a variety of strategies, including but not limited to, multistrategy, 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. Investments representing approximately 56% of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for the redemption in the first 3 years after acquisition.
- (b) Real estate funds - This class includes investments primarily in equity securities of publicly traded real estate companies operating in the United States.
- (c) Commodities - 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. This class may also invest up to 10% of total assets in preferred stock.
- (d) Equity and fixed income funds - This class includes investments in equity and debt with investments in securities of publicly traded domestic and international companies.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

The following table presents the fair value of beneficial interests in charitable trusts and obligations to beneficiaries of split-interest agreements reflected in the consolidated statements of financial position as of June 30:

2015	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 134,990	\$ 0	\$ 134,990
Liabilities - To beneficiaries from split interest agreements	0	24,949	0	24,949
<hr/>				
2014				
<hr/>				
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 137,502	\$ 0	\$ 137,502
Liabilities - To beneficiaries from split interest agreements	0	29,448	0	29,448

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2015 and 2014.

Note 12 Commitment

On May 1, 2012, the Organizations entered into a control agreement and acknowledgement of pledge and security interest with Bank First National and a current agency fund owner. This agreement stipulates Bank First National was granted a security interest in an endowment fund held at Oshkosh Area Community Foundation Corporation. Distributions from this fund are restricted and limited to \$1,000,000 per calendar year until the lender notifies the Organizations otherwise.