

Oshkosh Area Community Foundation Corporation and Affiliate

Oshkosh, Wisconsin

Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

September 6, 2016
Madison, Wisconsin

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Financial Position

June 30, 2016 and 2015

<i>Assets</i>	2016	2015
Current assets:		
Cash and cash equivalents	\$ 3,461,885	\$ 3,175,123
Promises to give	24,500	7,000
Accrued investment income	29,537	28,517
Loans receivable, current portion	122,926	119,306
Prepaid expenses and other	100,813	295,814
Total current assets	3,739,661	3,625,760
Investments	93,943,983	96,654,630
Property and equipment - Net	642,101	673,398
Other assets:		
Loans receivable	1,722,899	1,877,330
Beneficial interest in charitable remainder trusts	131,037	134,990
Total other assets	1,853,936	2,012,320
TOTAL ASSETS	\$ 100,179,681	\$ 102,966,108

<i>Liabilities and Net Assets</i>	2016	2015
Current liabilities:		
Current maturities of long-term debt	\$ 17,595	\$ 16,893
Current portion of grants payable	1,399,155	1,888,249
Accounts payable	57,717	64,423
Obligation under split-interest agreements	11,751	24,949
Due to specified beneficiaries - Agency funds	36,369,158	38,060,479
Total current liabilities	37,855,376	40,054,993
Long-term liabilities:		
Long-term debt	336,437	353,832
Grants payable, net	808,264	1,116,251
Total long-term liabilities	1,144,701	1,470,083
Total liabilities	39,000,077	41,525,076
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	13,692,276	14,829,278
Acorn funds	453,744	418,457
Field of interest funds	11,977,001	12,135,062
Donor-advised funds	12,436,314	10,768,079
Designated funds	11,623,142	11,480,815
Undesignated	10,841,590	11,667,351
Total unrestricted	61,024,067	61,299,042
Temporarily restricted	155,537	141,990
Total net assets	61,179,604	61,441,032
TOTAL LIABILITIES AND NET ASSETS	\$ 100,179,681	\$ 102,966,108

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 7,017,776	\$ 17,500	\$ 7,035,276
Investment loss	(1,890,489)	0	(1,890,489)
Other income	227,524	0	227,524
Loss on sale of property	(3,645)	0	(3,645)
Change in beneficial interest in charitable remainder trusts	0	(3,953)	(3,953)
Total support and revenue	5,351,166	13,547	5,364,713
Expenses:			
Program services	4,764,962	0	4,764,962
Fund development	220,746	0	220,746
Management and general	640,433	0	640,433
Total expenses	5,626,141	0	5,626,141
Change in net assets	(274,975)	13,547	(261,428)
Net assets at beginning	61,299,042	141,990	61,441,032
Net assets at end	\$ 61,024,067	\$ 155,537	\$ 61,179,604

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

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (261,428)	\$ (2,259,923)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	31,297	32,190
Donation of property	(425,000)	0
Loss on disposition/sale of property	3,645	703
Accrued interest on loans receivable	(2,944)	(3,404)
Net realized and unrealized loss on investments	2,684,138	1,498,378
Changes in beneficial interest in charitable remainder trusts	3,953	2,512
Changes in discount to present value	1,770	4,843
Changes in operating assets and liabilities:		
Accrued investment income	(1,020)	(458)
Prepaid expenses and other	195,001	(226,019)
Promises to give	(17,500)	3,840
Accounts payable	(6,706)	(14,007)
Grants payable	(798,851)	1,163,339
Obligation under split-interest agreements	(13,198)	(4,499)
Due to specified beneficiaries - Agency funds	(1,691,321)	3,556,110
Total adjustments	(36,736)	6,013,528
Net cash provided by (used in) operating activities	(298,164)	3,753,605

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from investing activities:		
Purchases of property and equipment	\$ 0	\$ (16,353)
Proceeds from sale of property	421,355	0
Collection of loans receivable	153,755	147,904
Proceeds from sale of investments	17,607,958	4,575,327
Purchases of investments	(17,581,449)	(7,622,814)
Net cash provided by (used in) investing activities	601,619	(2,915,936)
Net cash used in financing activities - Payments on long-term debt	(16,693)	(16,085)
Net increase in cash and cash equivalents	286,762	821,584
Cash and cash equivalents at beginning	3,175,123	2,353,539
Cash and cash equivalents at end	\$ 3,461,885	\$ 3,175,123
Supplemental cash flow information:		
Interest paid and expensed	\$ 14,367	\$ 15,007

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Functional Expenses

Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 3,759,295	\$ 0	\$ 0	\$ 3,759,295	\$ 5,095,565	\$ 0	\$ 0	\$ 5,095,565
Program distributions	332,451	0	0	332,451	670,790	0	0	670,790
Investment management fees	0	0	314,801	314,801	0	0	277,378	277,378
Salaries	376,507	123,456	182,115	682,078	337,570	110,689	163,281	611,540
Payroll taxes	28,285	9,275	13,681	51,241	25,181	8,257	12,180	45,618
Employee benefits	45,395	14,885	21,957	82,237	35,076	11,501	16,966	63,543
Insurance	5,826	1,910	2,818	10,554	5,271	1,728	2,550	9,549
Occupancy	21,317	6,990	10,311	38,618	23,646	7,754	11,438	42,838
Telephone	3,481	1,141	1,684	6,306	3,915	1,284	1,893	7,092
Membership dues	11,461	3,758	5,544	20,763	10,118	3,317	4,894	18,329
Publications	6,766	2,219	3,273	12,258	14,779	4,846	7,148	26,773
Postage	4,679	1,534	2,263	8,476	7,221	2,368	3,492	13,081
Travel and entertainment	5,836	1,914	2,823	10,573	5,912	1,939	2,860	10,711
Conferences and education	1,708	560	826	3,094	4,323	1,418	2,091	7,832
Supplies	7,131	2,338	3,449	12,918	6,034	1,979	2,918	10,931
Professional fees	70,083	22,980	33,899	126,962	71,279	23,372	34,477	129,128
Depreciation	17,276	5,665	8,356	31,297	18,096	5,694	8,400	32,190
Marketing	33,771	11,073	16,335	61,179	31,105	10,199	15,037	56,341
Miscellaneous	33,694	11,048	16,298	61,040	23,971	8,100	11,956	44,027
Total expenses	\$ 4,764,962	\$ 220,746	\$ 640,433	\$ 5,626,141	\$ 6,389,852	\$ 204,445	\$ 578,959	\$ 7,173,256

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to 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 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 serve Fond du Lac, County, Green Lake, Waushara County, and Winnebago Counties. The Organizations’ primary sources of revenue are contributions and investment return.

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

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

Consolidated Notes to 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. 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 (the "Board") has that ability (variance power); however, the Board 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Promises to Give

Unconditional promises to give are recorded as receivables in the year promised. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted promises 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.

Unconditional promises to give are classified as current in the consolidated statements of financial position and no discount to present value was recorded as of June 30, 2016 or 2015, as they are scheduled to be collected within one year. Management has assessed the collectability of promises to give based on collection history and past experience with the donors and has estimated that the receivables are fully collectible at June 30, 2016 and 2015.

Loans Receivable

Loans receivable represent financing provided to various borrowers. The loans are repayable based on several criteria (see Note 6) and are stated at the amount of unpaid principal and interest. 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 and other investments are valued at their net asset value per share (see Note 3).

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to 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

Consolidated Notes to 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

Consolidated Notes to 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 6, 2016, 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: Investments

Investments included the following at June 30:

	2016	2015
Money market funds	\$ 9,014,346	\$ 5,101,004
Certificates of deposit	446,213	397,088
Common and preferred stock	17,528,473	21,065,098
Bonds	4,421,472	4,144,460
Equity and fixed income funds	45,387,352	50,810,368
Commodities and other	51,080	10,044
Real estate funds	742,310	568,083
Hedge funds	16,352,737	14,558,485
Total investments	\$ 93,943,983	\$ 96,654,630

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 3: Investments (Continued)

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.

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

	2016	2015
Interest and dividends, investments	\$ 790,705	\$ 934,785
Loan interest	2,944	3,404
Net realized gains on investments	675,999	2,462,554
Net unrealized loss on investments	(3,360,137)	(3,960,932)
Total investment loss	\$ (1,890,489)	\$ (560,189)

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 4: 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.

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 for the years ended June 30, 2016 and 2015, 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 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 10 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 4: Endowments (Continued)

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.

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:

	2016	2015
Endowment net assets at beginning	\$ 20,060,816	\$ 20,537,060
Investment return:		
Interest and dividends	264,832	319,203
Net depreciation	(819,496)	(471,265)
Total investment return	(554,664)	(152,062)
Contributions	478,050	1,210,880
Less:		
Assets appropriated for expenditure	567,729	1,129,534
Administrative fees	394,136	405,528
Endowment net assets at end	\$ 19,022,337	\$ 20,060,816

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	2016	2015
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	639,188
Furniture and equipment	101,879	101,879
Total property and equipment	878,067	878,067
Less - Accumulated depreciation	235,966	204,669
Property and equipment - Net	\$ 642,101	\$ 673,398

Note 6: Loans Receivable

Loans receivable consisted of the following at June 30:

	2016	2015
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.	\$ 1,079,671	\$ 1,110,715
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.	764,928	884,695
Other miscellaneous loans	1,226	1,226
Total loans receivable	\$ 1,845,825	\$ 1,996,636

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Notes to Financial Statements

Note 6: Loans Receivable (Continued)

	2016	2015
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.	\$ 764,928	\$ 884,695
Other miscellaneous loans	1,226	1,226
Subtotal loans receivable	1,845,825	1,996,636
Less: current portion	122,926	119,306
Loans receivable, long-term	\$ 1,722,899	\$ 1,877,330

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.

Payments required from loans receivable at June 30, 2016, are summarized as follows:

2017	\$ 122,926
2018	126,656
2019	130,498
2020	134,457
2021	138,538
Thereafter	1,192,750
Total	\$ 1,845,825

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Note 7: Long-Term Debt

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

	2016	2015
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	\$ 354,032	\$ 370,725
Less - Current maturities	17,595	16,893
Long-term portion	\$ 336,437	\$ 353,832

Required payments of principal on long-term debt at June 30, 2016, are summarized as follows:

2017	\$ 17,595
2018	18,293
2019	19,020
2020	19,744
2021	20,559
Thereafter	258,821
Total	\$ 354,032

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Note 8: 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:

	2016	2015
Grants payable	\$ 2,209,659	\$ 3,008,510
Less - Unamortized discount	2,240	4,010
Grants payable, net	2,207,419	3,004,500
Less - Current portion	1,399,155	1,888,249
Long-term portion, net	\$ 808,264	\$ 1,116,251

Interest was imputed at rates between 0.02% and 3.34% for the years ended June 30, 2016 and 2015, 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, 2016, are as follows:

2017	\$ 1,399,155
2018	186,397
2019	122,367
2020	99,940
2021	99,920
Thereafter	299,640
Total	\$ 2,207,419

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Note 9: Temporarily Restricted Net Assets

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

	2016	2015
Pledges receivable in future years	\$ 24,500	\$ 7,000
Restricted gift	12,000	0
Charitable remainder interests to be received in future years	131,037	134,990
Total temporarily restricted net assets	\$ 167,537	\$ 141,990

Note 10: 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.

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.

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Note 10: Fair Value Measurements (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of June 30, 2016:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 9,014,346	\$ 0	\$ 9,014,346
Equities:				
U.S. equities	12,220,358	0	0	12,220,358
Foreign equities	774,028	0	0	774,028
Emerging market equities	4,534,087	0	0	4,534,087
Bonds:				
Corporate bonds	0	4,101,072	0	4,101,072
Government and agency bonds	0	320,400	0	320,400
Equity and fixed income funds:				
Growth funds	5,088,721	0	0	5,088,721
Income funds	15,620,057	0	0	15,620,057
Bond funds	1,485,088	2,618,274	0	4,103,362
Exchanged traded funds	2,213,230	0	0	2,213,230
Value funds	288,642	0	0	288,642
Investments measured at net asset value	0	0	0	35,219,467
Total investments	\$ 42,224,211	\$ 16,054,092	\$ 0	\$ 93,497,770

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Note 10: 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:

	Fair Value Measurements Using			Total Assets at Fair Value
	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

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Note 10: 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, 2016, is as follows:

		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
Hedge funds:					
Multistrategy:	(a)				
Mason Capital, Ltd.		2,071,259	\$ 0	9/30/2016 - Terminating	45 days
King Street Capital, Ltd.		4,145,068	0	Monthly	90 days
Long/short equity:	(a)				
Forester Offshore, Ltd.		7,562,999	0	12/31/2016 and 6/30/2018	95 days
Iridian Private Business Value Equity Fund, L.P.		2,532,379	0	Monthly	15 days
Absolute return:	(a)				
Gotham Absolute Return Fund		8,869	0	Daily	None
Balanced risk:	(a)				
Invesco Balanced-Risk Allc Y Gateway Fund-Y		6,942	0	Daily	None
Gateway Fund-Y		18,448	0	Daily	None
Managed futures:	(a)				
Equinox Campbell Strategy I		6,773	0	Daily	None
Real estate:	(b)				
Nuveen Real Estate Secs I		40,649	0	Daily	None
Och-Ziff Real Estate Fund III		701,661	2,298,339	N/A	N/A
Commodities:	(c)				
Goldman Sachs Comm Strat Ins		51,080	0	Daily	None
Equity and fixed income funds:	(d)				
High yield:					
Post Traditional High Yield Fund, LP		4,924,857	0	Monthly	30 days
Debt:					
Sankaty Senior Loan Fund, L.P.		4,092,056	0	Monthly	30 days
Bond:					
Colchester Global Bond Fund		3,434,555	0	Monthly	10 days
Growth:					
Marathon-London International Investment Trust I		5,621,872	0	Monthly	5 days
Total		\$ 35,219,467	\$ 2,298,339		

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Note 10: 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:

		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 6/30/2018	95 days
Absolute return: (a)					
Gotham Absolute Return Fund		14,670	0	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		

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Note 10: 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 55% 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 three 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.

The Organizations have submitted a liquidity notice to terminate their investment in Mason Capital, Ltd. This termination will be effective September 30, 2016.

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Note 10: 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:

2016	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 131,037	\$ 0	\$ 131,037
Liabilities - To beneficiaries from split interest agreements	0	11,751	0	11,751
<hr/>				
2015				
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

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2016 and 2015.

Note 11: 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.

Note 12: Major Donor

Contributions for the year ended June 30, 2016, included a donation from a major donor. The major donor accounted for 28% of total revenue for the year ended June 30, 2016.