

# **Oshkosh Area Community Foundation Corporation and Affiliate**

Oshkosh, Wisconsin

## **Consolidated Financial Statements**

Years Ended June 30, 2014 and 2013

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Financial Statements

Years Ended June 30, 2014 and 2013

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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, 2014 and 2013, 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 in 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, 2014 and 2013, 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 9, 2014  
Green Bay, Wisconsin

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Financial Position

June 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 2,353,539	\$ 2,398,315
Pledges receivable	10,840	17,740
Accrued investment income	28,059	42,329
Loans receivable, current portion	115,632	0
Prepaid expenses and other	69,795	54,853
Total current assets	2,577,865	2,513,237
Investments	95,105,521	81,943,839
Property and equipment - Net	689,938	703,409
Other assets:		
Loans receivable	2,025,504	2,203,719
Beneficial interest in charitable remainder trusts	137,502	110,800
Total other assets	2,163,006	2,314,519
<b>TOTAL ASSETS</b>	<b>\$ 100,536,330</b>	<b>\$ 87,475,004</b>

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities:		
Current maturities of long-term debt	\$ 16,324	\$ 15,700
Current portion of grants payable, net	1,495,457	1,262,290
Accounts payable	78,430	61,192
Obligation under split-interest agreements	29,448	45,225
Due to specified beneficiaries - Agency funds	34,504,369	30,166,055
<b>Total current liabilities</b>	<b>36,124,028</b>	<b>31,550,462</b>
Long-term liabilities:		
Long-term debt	370,486	386,571
Grants payable, net	340,861	538,160
<b>Total long-term liabilities</b>	<b>711,347</b>	<b>924,731</b>
<b>Total liabilities</b>	<b>36,835,375</b>	<b>32,475,193</b>
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	14,832,324	13,095,439
Acorn funds	566,655	437,180
Field of interest funds	12,537,332	10,909,090
Donor-advised funds	9,307,879	9,162,090
Designated funds	10,542,240	8,696,055
Undesignated	15,766,183	12,571,417
<b>Total unrestricted</b>	<b>63,552,613</b>	<b>54,871,271</b>
Temporarily restricted	148,342	128,540
<b>Total net assets</b>	<b>63,700,955</b>	<b>54,999,811</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 100,536,330</b>	<b>\$ 87,475,004</b>

# 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
<b>Total support and revenue</b>	<b>13,519,172</b>	<b>19,802</b>	<b>13,538,974</b>
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
<b>Total expenses</b>	<b>4,837,830</b>	<b>0</b>	<b>4,837,830</b>
Change in net assets	8,681,342	19,802	8,701,144
Net assets at beginning	54,871,271	128,540	54,999,811
<b>Net assets at end</b>	<b>\$ 63,552,613</b>	<b>\$ 148,342</b>	<b>\$ 63,700,955</b>

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,352,222	\$ 6,240	\$ 5,358,462
Investment income	5,090,859	0	5,090,859
Other income	150,150	0	150,150
Change in beneficial interest in charitable remainder trusts	0	8,016	8,016
Net assets released from restrictions	105,500	(105,500)	0
<b>Total support and revenue</b>	<b>10,698,731</b>	<b>(91,244)</b>	<b>10,607,487</b>
Expenses:			
Program services	4,057,085	0	4,057,085
Fund development	201,518	0	201,518
Management and general	448,614	0	448,614
<b>Total expenses</b>	<b>4,707,217</b>	<b>0</b>	<b>4,707,217</b>
Change in net assets	5,991,514	(91,244)	5,900,270
Net assets at beginning	48,879,757	219,784	49,099,541
<b>Net assets at end</b>	<b>\$ 54,871,271</b>	<b>\$ 128,540</b>	<b>\$ 54,999,811</b>



# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 8,701,144	\$ 5,900,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,130	27,654
Loss on sale of property	73,375	0
Donation of property	(250,000)	0
Accrued interest on loans receivable	(15,471)	(292,077)
Net realized and unrealized gain on investments	(7,441,465)	(3,949,068)
Change in beneficial interest in charitable remainder trusts	(26,702)	(8,016)
Changes in discount to present value	7,067	7,896
Changes in operating assets and liabilities:		
Accrued investment income	14,270	490
Prepaid expenses and other	(14,942)	18,804
Pledges receivable	6,900	99,260
Accounts payable	17,238	17,649
Grants payable	28,801	268,635
Obligation under split-interest agreements	(15,777)	(11,149)
Due to specified beneficiaries - Agency funds	4,338,314	5,323,038
Total adjustments	(3,248,262)	1,503,116
Net cash provided by operating activities	5,452,882	7,403,386

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from investing activities:		
Purchases of property and equipment	(16,659)	(18,468)
Proceeds from sale of property	176,625	0
Principal payments on loan receivable	78,054	19,672
Proceeds from sale of investments	9,917,853	9,707,325
Purchases of investments	(15,638,070)	(16,961,117)
Net cash used in investing activities	(5,482,197)	(7,252,588)
Net cash used in financing activities - Payments on long-term debt	(15,461)	(14,864)
Net increase (decrease) in cash and cash equivalents	(44,776)	135,934
Cash and cash equivalents at beginning	2,398,315	2,262,381
Cash and cash equivalents at end	\$ 2,353,539	\$ 2,398,315
<b>Supplemental cash flow information:</b>		
Interest paid and expensed	\$ 15,601	\$ 16,228

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

	2014				2013			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 3,007,220	\$ 0	\$ 0	\$ 3,007,220	\$ 2,953,481	\$ 0	\$ 0	\$ 2,953,481
Program distributions	646,411	0	0	646,411	622,062	0	0	622,062
Investment management fees	0	0	257,388	257,388	0	0	259,311	259,311
Salaries	260,774	109,128	102,515	472,417	207,233	86,723	81,467	375,423
Payroll taxes	20,220	8,462	7,949	36,631	15,550	6,508	6,113	28,171
Employee benefits	27,937	11,691	10,982	50,610	29,428	12,315	11,569	53,312
Insurance	5,150	2,155	2,025	9,330	3,857	1,614	1,516	6,987
Occupancy	28,575	11,958	11,233	51,766	26,516	11,097	10,424	48,037
Telephone	4,539	1,900	1,785	8,224	3,042	1,273	1,196	5,511
Membership dues	8,896	3,723	3,497	16,116	8,908	3,728	3,502	16,138
Publications	11,525	4,823	4,531	20,879	6,326	2,647	2,487	11,460
Advertising	1,751	733	688	3,172	6,028	2,523	2,370	10,921
Postage	4,314	1,805	1,696	7,815	3,445	1,442	1,354	6,241
Travel and entertainment	6,605	2,764	2,596	11,965	12,716	5,322	4,999	23,037
Conferences and education	4,882	2,043	1,919	8,844	1,897	794	746	3,437
Supplies	5,943	2,487	2,336	10,766	4,513	1,889	1,774	8,176
Professional fees	59,034	24,703	23,208	106,945	99,840	41,781	39,249	180,870
Depreciation	16,632	6,960	6,538	30,130	15,265	6,388	6,001	27,654
Marketing	22,843	9,559	8,980	41,382	25,192	10,542	9,903	45,637
Miscellaneous	21,979	9,198	8,642	39,819	11,786	4,932	4,633	21,351
<b>Total expenses</b>	<b>\$ 4,165,230</b>	<b>\$ 214,092</b>	<b>\$ 458,508</b>	<b>\$ 4,837,830</b>	<b>\$ 4,057,085</b>	<b>\$ 201,518</b>	<b>\$ 448,614</b>	<b>\$ 4,707,217</b>

See accompanying notes to consolidated financial statements.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

The Organizations provide the following charitable services:

- *Scholarships* - The Organizations administer scholarship funds established by donors to provide scholarships for graduating high school students pursuing post-secondary education. Administering the funds includes selecting recipients and distributing funds to the schools attended by the recipients.
- *Under-Served* - The Organizations administer funds established by donors to provide assistance for those who have suffered a misfortune or those in need of assistance.
- *Youth Issues and Education Programs* - The Organizations provide grant money to assist with social issues as they relate to youth such as Teen Court, Teen Safe Rides, Kids Safe Program, Drug Abuse Resistance Education Program, Circle Conferencing Programs, and Youth Leadership Oshkosh. The Organizations administer youth funds established as donor-advised funds in which the staff works with donors to provide grants for youth-related grant making. The Organizations also administer the Education Granting Program, which offers grants to classroom teachers.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

#### **Nature of Activities** (Continued)

- *Youth Issues and Education Programs (Continued)* - The Organizations also sponsor the Celebrate Education Evening that celebrates the award winners of the education grants and all the educators in our community.
- *Arts and Recreation* - The Organizations support arts and recreation as important components of quality of life for the city and its residents.
- *Community Granting* - The Organizations administer all non-donor-designated funds by reviewing grant applications that are received and distributing grants that are awarded. In addition to the review of applications, evaluation and follow-up may include meetings and site visits, research of comparable programs and alternatives, and involvement on community committees.

#### **Principles of Consolidation**

At June 30, 2014 and 2013, 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.

#### **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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

#### Basis of Presentation (Continued)

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.

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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### 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 conformity with GAAP requires management to make certain estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

#### **Cash and Cash Equivalents**

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

#### **Pledges Receivable**

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

#### **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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### 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 investments are valued at their net asset value per share (see Note 4).

#### **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

## Notes to Consolidated Financial Statements

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

#### **Advertising**

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

#### **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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

#### **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. Federal income tax returns for the tax years ended 2011 and beyond remain subject to examination by the Internal Revenue Service.

#### **Fair Value Measurements**

The Organizations measure fair value of their financial instruments using a three-tier hierarchy 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

#### **Fair Value Measurements** (Continued)

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.

#### **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 9, 2014, which is the date the consolidated financial statements were available to be issued.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### 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, 2014 or 2013.

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, 2014 and 2013.

### Note 4      Investments

Investments at June 30 included the following:

	<b>2014</b>	<b>2013</b>
Money market funds	\$ 4,979,394	\$ 5,490,674
Certificates of deposit	180,357	280,223
Common and preferred stock	29,458,826	22,958,181
Bonds	4,695,156	5,175,653
Equity and fixed income funds	43,163,767	34,747,267
Commodities and other	14,866	2,813,639
Real estate funds	478,022	0
Hedge funds	12,135,133	10,478,202
<b>Total investments</b>	<b>\$ 95,105,521</b>	<b>\$ 81,943,839</b>

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### Note 4 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 income for the years ended June 30 was as follows:

	2014	2013
Interest and dividends, investments	\$ 839,260	\$ 849,714
Loan interest	15,471	292,077
Net realized gains on investments	2,112,022	620,627
Net unrealized gains on investments	5,329,443	3,328,441
Total investment income	<u>\$ 8,296,196</u>	<u>\$ 5,090,859</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### Note 5      Endowments

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

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

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, 2014 and 2013, was 4% 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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

### Note 5      **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:

	<b>2014</b>	<b>2013</b>
Endowment net assets at beginning	\$ 18,409,810	\$ 17,808,656
Investment return:		
Interest and dividends	290,710	485,041
Net appreciation (depreciation)	2,446,710	1,328,111
Total investment return	2,737,420	1,813,152
Contributions	419,595	723,711
Less:		
Assets appropriated for expenditure	634,344	457,740
Donor releases	0	1,107,951
Administrative fees	395,421	370,018
Endowment net assets at end	<u>\$ 20,537,060</u>	<u>\$ 18,409,810</u>

# 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:

	2014	2013
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	639,188
Furniture and equipment	109,616	100,395
Total property and equipment	885,804	876,583
Less - Accumulated depreciation	195,866	173,174
Property and equipment - Net	\$ 689,938	\$ 703,409

### Note 7 Loans Receivable

Loans receivable consisted of the following at June 30:

	2014	2013
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.	\$ 1,138,550	\$ 1,159,992



# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

Note 7	Loans Receivable (Continued)	2014	2013
	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.	1,000,936	1,042,077
	Other miscellaneous loans	1,650	1,650
	Subtotal loans receivable	2,141,136	2,203,719
	Less: current portion	115,632	0
	Loans receivable, long-term	\$ 2,025,504	\$ 2,203,719

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, 2014, are summarized as follows:

2015	\$	115,632
2016		119,149
2017		122,773
2018		126,508
2019		130,355
Thereafter		1,526,719
<hr/>		
Total	\$	2,141,136

### Note 8

#### **Long-Term Debt**

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

	2014	2013
<hr/>		
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	\$ 386,810	\$ 402,271
Less - Current maturities	16,324	15,700
<hr/>		
Long-term portion	\$ 370,486	\$ 386,571

Required payments of principal on long-term debt at June 30, 2014, are summarized as follows:

2015	\$	16,324
2016		16,972
2017		17,646
2018		18,346
2019		19,075
Thereafter		298,447
<hr/>		
Total	\$	386,810

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

### 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:

	2014	2013
Grants payable	\$ 1,845,171	\$ 1,816,370
Less - Unamortized discount	8,853	15,920
Grants payable, net	1,836,318	1,800,450
Less - Current portion	1,495,457	1,262,290
Long-term portion, net	\$ 340,861	\$ 538,160

Interest was imputed at rates between .04% and 3.34% for the years ended June 30, 2014 and 2013, respectively, based on the risk-free rate of return or other appropriate interest rate in order to discount the unconditional promises to give to present value. These rates are determined at the time the pledges are made.

Grants payable beyond June 30, 2014, are as follows:

2015	\$ 1,495,457
2016	171,737
2017	89,190
2018	58,548
2019	21,386
Total	\$ 1,836,318

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### Note 10 Temporarily Restricted Net Assets

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

	2014	2013
Pledges receivable in future years	\$ 10,840	\$ 17,740
Charitable remainder interests to be received in future years	137,502	110,800
Total temporarily restricted net assets	\$ 148,342	\$ 128,540

### Note 11 Fair Value Measurements

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

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. 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, 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	6,645,206	0	7,732,935
High-yield funds	0	4,668,400	0	4,668,400
Debt funds	0	4,045,940	0	4,045,940
Income funds	8,600,839	10,250,769	0	18,851,608
Bond funds	685,649	6,033,346	0	6,718,995
Value funds	1,145,889	0	0	1,145,889
Subtotal	40,978,932	41,318,211	0	82,297,143
Alternative and other investment funds:				
Multistrategy	0	105,561	4,252,587	4,358,148
Global macro	0	0	7,727,927	7,727,927
Absolute return	15,301	0	0	15,301
Balanced risk	27,477	0	0	27,477
Managed futures	6,280	0	0	6,280
Real estate	478,022	0	0	478,022
Hard assets	14,866	0	0	14,866
Subtotal other	541,946	105,561	11,980,514	12,628,021
Total investments	\$ 41,520,878	\$ 41,423,772	\$ 11,980,514	\$ 94,925,164

# 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, 2013:

	2013			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 5,490,674	\$ 0	\$ 5,490,674
Equities:				
U.S. equities	18,240,735	0	0	18,240,735
Foreign equities	887,075	0	0	887,075
Emerging market equities	3,830,371	0	0	3,830,371
Bonds:				
Corporate bonds	0	3,616,043	0	3,616,043
Government and agency bonds	0	1,015,146	0	1,015,146
Mortgage and asset backed bonds	0	544,464	0	544,464
Equity and fixed income funds:				
Growth funds	1,280,947	5,627,696	0	6,908,643
High-yield funds	0	3,518,526	0	3,518,526
Income funds	3,677,679	8,116,129	0	11,793,808
Bond funds	6,189,131	5,791,343	0	11,980,474
Value funds	545,816	0	0	545,816
Subtotal	34,651,754	33,720,021	0	68,371,775
Alternative and other investment funds:				
Multistrategy	0	126,135	5,015,928	5,142,063
Global macro	8,580	0	5,336,139	5,344,719
Advantage	2,188	0	0	2,188
Balanced risk	17,033	0	0	17,033
Managed futures	6,721	0	0	6,721
Merger arbitrage	3,272	0	0	3,272
Nontraditional bond	11,764	0	0	11,764
Real estate	117,693	0	0	117,693
Hard assets	2,646,388	0	0	2,646,388
Subtotal other	2,813,639	126,135	10,352,067	13,291,841
Total investments	\$ 37,465,393	\$ 33,846,156	\$ 10,352,067	\$ 81,663,616

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

### Note 11 Fair Value Measurements (Continued)

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

	2014		
	Multistrategy	Global Macro	Total
Level 3 investments at beginning	\$ 5,015,928	\$ 5,336,139	\$ 10,352,067
Realized and unrealized gains	655,468	691,788	1,347,256
Sales	(5,418,809)	0	(5,418,809)
Purchases	4,000,000	1,700,000	5,700,000
<u>Level 3 investments at end</u>	<u>\$ 4,252,587</u>	<u>\$ 7,727,927</u>	<u>\$ 11,980,514</u>
	2013		
	Multistrategy	Global Macro	Total
Level 3 investments at beginning	\$ 4,448,709	\$ 4,777,362	\$ 9,226,071
Unrealized gains	567,219	558,777	1,125,996
<u>Level 3 investments at end</u>	<u>\$ 5,015,928</u>	<u>\$ 5,336,139</u>	<u>\$ 10,352,067</u>

# 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	95 days
Absolute return: (a)					
Fundvantage Absolute Return Intl		15,301	0	12/31/2015 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
<b>Total</b>		<b>\$ 34,061,917</b>	<b>\$ 0</b>		



# 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, 2013, is as follows:

		2013			
		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice
Hedge funds:					
Multistrategy: (a)					
TIFF Absolute Return Pool II	\$ 5,015,928	\$ 0	12/31/2013	100 days	
Select MultiStrategy, Ltd.	126,135	0	Quarterly	60 days	
Long/short equity: (a)					
Forester Offshore, Ltd.	5,336,139	0	6/30/2015	95 days	
Eaton Vance Mutual Funds Tr	8,580	0	Daily	None	
Advantage: (a)					
Eaton Vance Floating - Rate	2,188	0	Daily	None	
Balanced risk: (a)					
Invesco Balanced-Risk Allc Y	7,992				
Gateway Fund-Y	9,041	0	Daily	None	
Managed futures: (a)					
Equinox Campbell Strategy I	6,721	0	Daily	None	
Merger arbitrage: (a)					
The Arbitrage Fund-I	3,272	0	Daily	None	
Nontraditional bond: (a)					
PIMCO Unconstrained Bond-P	11,764	0	Daily	None	
Real estate: (b)					
JPM US Real Estate Fund - Select	4,488	0	Daily	None	
ISTAR Financial Inc	113,205	0	Daily	None	
Commodities: (c)					
SPDR Gold Trust	4,050	0	Daily	None	
Powershares DB Commodity Index	8,670	0	Daily	None	
PIMCO Commodity Real Return Strategy	2,633,668	0	Daily	None	
Equity and fixed income funds: (d)					
Income:					
Advisory Research Small Cap Value Fund II, LP	2,133,189	0	Monthly	30 days	
High yield:					
Post Traditional High Yield Fund, LP	3,518,526	0	Monthly	30 days	
Bond:					
Colchester Global Bond Fund	3,256,204	0	Monthly	10 days	
Growth:					
Gryphon International EAFE Growth Group Fund	5,627,696	0	Monthly	5 days	
<b>Total</b>		<b>\$ 27,827,456</b>	<b>\$ 0</b>		

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### 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 23% 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. The fair values of investments in this category have been estimated using the net asset value per share of the investments.

# 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:

2014	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
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
<b>2013</b>				
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 110,800	\$ 0	\$ 110,800
Liabilities - To beneficiaries from split interest agreements	0	45,225	0	45,225

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2014 and 2013.

### 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.

