

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

## **Consolidated Financial Statements**

Years Ended June 30, 2017 and 2016

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Financial Statements

Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in their net assets 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 12, 2017  
Madison, Wisconsin

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Financial Position

June 30, 2017 and 2016

<i>Assets</i>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 4,528,500	\$ 3,461,885
Promises to give	10,500	24,500
Accrued investment income	1,861	29,537
Loans receivable, current portion	126,656	122,926
Prepaid expenses and other	122,386	100,813
Total current assets	4,789,903	3,739,661
Investments	102,999,274	93,497,770
Property and equipment - Net	616,526	642,101
Other assets:		
Loans receivable	1,574,357	1,722,899
Certificates of deposit	234,315	446,213
Beneficial interest in charitable remainder trusts	143,069	131,037
Total other assets	1,951,741	2,300,149
<b>TOTAL ASSETS</b>	<b>\$ 110,357,444</b>	<b>\$ 100,179,681</b>

<i>Liabilities and Net Assets</i>	<b>2017</b>	<b>2016</b>
Current liabilities:		
Current maturities of long-term debt	\$ 18,286	\$ 17,595
Current portion of grants payable	1,534,795	1,399,155
Accounts payable	68,369	57,717
Obligation under split-interest agreements	7,042	11,751
Due to specified beneficiaries - Agency funds	39,531,370	36,369,158
<b>Total current liabilities</b>	<b>41,159,862</b>	<b>37,855,376</b>
Long-term liabilities:		
Long-term debt	318,342	336,437
Grants payable, net	947,032	808,264
<b>Total long-term liabilities</b>	<b>1,265,374</b>	<b>1,144,701</b>
<b>Total liabilities</b>	<b>42,425,236</b>	<b>39,000,077</b>
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	14,876,850	13,692,276
Acorn funds	428,970	453,744
Field of interest funds	12,479,915	11,977,001
Donor-advised funds	15,688,171	12,436,314
Designated funds	12,726,856	11,623,142
Undesignated	11,584,919	10,853,341
<b>Total unrestricted</b>	<b>67,785,681</b>	<b>61,035,818</b>
Temporarily restricted	146,527	143,786
<b>Total net assets</b>	<b>67,932,208</b>	<b>61,179,604</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 110,357,444</b>	<b>\$ 100,179,681</b>

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 7,200,277	\$ 250	\$ 7,200,527
Investment gain	6,237,741	0	6,237,741
Other income	139,898	0	139,898
Change in beneficial interest in charitable remainder trusts	0	12,032	12,032
Net assets released from restrictions	9,541	(9,541)	0
<b>Total support and revenue</b>	<b>13,587,457</b>	<b>2,741</b>	<b>13,590,198</b>
Expenses:			
Program services	6,149,063	0	6,149,063
Fund development	202,747	0	202,747
Management and general	485,784	0	485,784
<b>Total expenses</b>	<b>6,837,594</b>	<b>0</b>	<b>6,837,594</b>
Change in net assets	6,749,863	2,741	6,752,604
Net assets at beginning	61,035,818	143,786	61,179,604
<b>Net assets at end</b>	<b>\$ 67,785,681</b>	<b>\$ 146,527</b>	<b>\$ 67,932,208</b>

# 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)
Net assets released from restrictions	11,751	(11,751)	0
<b>Total support and revenue</b>	<b>5,362,917</b>	<b>1,796</b>	<b>5,364,713</b>
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
<b>Total expenses</b>	<b>5,626,141</b>	<b>0</b>	<b>5,626,141</b>
Change in net assets	(263,224)	1,796	(261,428)
Net assets at beginning	61,299,042	141,990	61,441,032
Net assets at end	\$ 61,035,818	\$ 143,786	\$ 61,179,604



# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 6,752,604	\$ (261,428)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,925	31,297
Donation of property	0	(425,000)
Loss on disposition/sale of property	0	3,645
Accrued interest on loans receivable	(2,468)	(2,944)
Net realized and unrealized (gain) loss on investments	(5,082,367)	5,185,154
Changes in beneficial interest in charitable remainder trusts	(12,032)	3,953
Changes in discount to present value	1,744	1,770
Changes in operating assets and liabilities:		
Accrued investment income	27,676	(1,020)
Prepaid expenses and other	(21,573)	195,001
Promises to give	14,000	(17,500)
Accounts payable	10,652	(6,706)
Grants payable	272,664	(798,851)
Obligation under split-interest agreements	(4,709)	(13,198)
Due to specified beneficiaries - Agency funds	(535,024)	(2,546,583)
Total adjustments	(5,304,512)	1,609,018
Net cash provided by operating activities	1,448,092	1,347,590

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from investing activities:		
Purchases of property and equipment	\$ (1,350)	\$ 0
Proceeds from sale of property	0	421,355
Collection of loans receivable	147,280	153,755
Proceeds from certificates of deposit	213,965	141,139
Purchases of certificates of deposit	(2,066)	(190,264)
Proceeds from sale of investments	62,539,983	17,466,819
Purchases of investments	(63,261,885)	(19,036,939)
Net cash used in investing activities	(364,073)	(1,044,135)
Net cash used in financing activities - Payments on long-term debt	(17,404)	(16,693)
Net increase in cash and cash equivalents	1,066,615	286,762
Cash and cash equivalents at beginning	3,461,885	3,175,123
Cash and cash equivalents at end	\$ 4,528,500	\$ 3,461,885

### Supplemental cash flow information:

Interest paid and expensed	\$ 13,670	\$ 14,367
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# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Functional Expenses

Years Ended June 30, 2017 and 2016

	2017				2016			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 5,169,774	\$ 0	\$ 0	\$ 5,169,774	\$ 3,759,295	\$ 0	\$ 0	\$ 3,759,295
Program distributions	360,965	0	0	360,965	332,451	0	0	332,451
Investment management fees	0	0	186,704	186,704	0	0	314,801	314,801
Salaries	348,417	114,245	168,528	631,190	376,507	123,456	182,115	682,078
Payroll taxes	26,935	8,832	13,028	48,795	28,285	9,275	13,681	51,241
Employee benefits	44,924	14,730	21,730	81,384	45,395	14,885	21,957	82,237
Insurance	5,224	1,713	2,527	9,464	5,826	1,910	2,818	10,554
Occupancy	20,499	6,722	9,915	37,136	21,317	6,990	10,311	38,618
Telephone	2,981	978	1,442	5,401	3,481	1,141	1,684	6,306
Membership dues	10,412	3,414	5,036	18,862	11,461	3,758	5,544	20,763
Publications	9,978	3,272	4,826	18,076	6,766	2,219	3,273	12,258
Postage	8,736	2,864	4,226	15,826	4,679	1,534	2,263	8,476
Travel and entertainment	7,835	2,569	3,790	14,194	5,836	1,914	2,823	10,573
Conferences and education	1,632	535	789	2,956	1,708	560	826	3,094
Supplies	6,681	2,191	3,231	12,103	7,131	2,338	3,449	12,918
Professional fees	60,700	19,903	29,360	109,963	70,083	22,980	33,899	126,962
Depreciation	14,863	4,874	7,188	26,925	17,276	5,665	8,356	31,297
Marketing	40,688	13,341	19,682	73,711	33,771	11,073	16,335	61,179
Miscellaneous	7,819	2,564	3,782	14,165	33,694	11,048	16,298	61,040
<b>Total expenses</b>	<b>\$ 6,149,063</b>	<b>\$ 202,747</b>	<b>\$ 485,784</b>	<b>\$ 6,837,594</b>	<b>\$ 4,764,962</b>	<b>\$ 220,746</b>	<b>\$ 640,433</b>	<b>\$ 5,626,141</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. 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 Winnebago County, Waushara County, Green Lake County, and Ripon. 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

## Notes to Consolidated Financial Statements

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### 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.

#### 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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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

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

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

#### **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, 2017 or 2016, 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, 2017 and 2016.

#### **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.

#### **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).

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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

#### **Property, Equipment, and Depreciation**

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

#### **Beneficial Interest in Charitable Remainder Trusts**

The Organizations are the beneficiaries of several agreements with donors that consist of irrevocable charitable remainder trusts for which the Organizations are the remainder beneficiary. Contribution revenue is recognized at the date the trusts are established net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The related beneficial interest in charitable remainder trust asset is recorded at fair value using present value techniques and 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.

#### **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

## Consolidated Notes to 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.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **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.

#### **Reclassifications**

Reclassifications were made in 2016 to conform to 2017 presentation. The reclassifications included presenting the noncash portion of unrealized investment gain attributable to agency funds separately from cash activities, reclassifying temporarily restricted net assets to unrestricted net assets for obligations under split interest agreements, and reclassifying certificates of deposit into other assets out of investments. There was no effect on total net assets or the change in net assets.



# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to 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: Investments

Investments included the following at June 30:

	2017	2016
Money market funds	\$ 2,440,855	\$ 9,014,346
Common and preferred stock	1,279,312	17,528,473
Bonds	1,212,304	4,421,472
Equity and fixed income funds	85,096,795	45,387,352
Commodities and other	3,036,703	51,080
Real estate funds	1,184,725	742,310
Hedge funds	8,748,580	16,352,737
Total investments	\$ 102,999,274	\$ 93,497,770

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. The Organizations assigned responsibility of investment management to an alternate investment management company in fiscal year 2017. As a result, the asset allocation strategy for the portfolio was modified to reflect less allocation to hedge funds. A liquidation process was initiated in 2017 and will continue into future years as redemption periods are reached.

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

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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### Note 3: Investments (Continued)

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

	2017	2016
Interest and dividends, investments	\$ 1,172,225	\$ 790,705
Loan interest	2,468	2,944
Net realized gains on investments	561,577	675,999
Net unrealized gain (loss) on investments	4,501,471	(3,360,137)
Total investment gain (loss)	\$ 6,237,741	\$ (1,890,489)

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

### Note 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 was revised for the year ended June 30, 2017. The spending policy is calculated as a percentage of a 20-quarter rolling average of the market value, net of investment costs and management and administrative fees for 2017, and was a 16-quarter rolling average for 2016. The spending policy for the year ended June 30, 2017, was 4.5% for unrestricted and field of interest funds. The spending policy for the year ended June 30, 2016, was 4.5% for unrestricted funds and 5.0% 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.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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### Note 4: Endowments (Continued)

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.

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>2017</b>	<b>2016</b>
Endowment net assets at beginning	\$ 19,022,337	\$ 20,060,816
Investment return:		
Interest and dividends	373,285	264,832
Net appreciation (depreciation)	1,562,959	(819,496)
Total investment return	1,936,244	(554,664)
Contributions	323,199	478,050
Less:		
Assets appropriated for expenditure	472,364	567,729
Administrative fees	365,348	394,136
Endowment net assets at end	\$ 20,444,068	\$ 19,022,337

# 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:

	2017	2016
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	639,188
Furniture and equipment	103,229	101,879
Total property and equipment	879,417	878,067
Less - Accumulated depreciation	262,891	235,966
Property and equipment - Net	\$ 616,526	\$ 642,101

### Note 6: Loans Receivable

Loans receivable consisted of the following at June 30:

	2017	2016
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.	\$ 1,059,486	\$ 1,079,671
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.	641,527	764,928
Other miscellaneous loans	0	1,226
Total loans receivable	\$ 1,701,013	\$ 1,845,825

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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### Note 6: Loans Receivable (Continued)

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, 2017, are summarized as follows:

2018	\$	126,656
2019		130,498
2020		134,457
2021		138,538
2022		108,910
Thereafter		1,061,954
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Total	\$	1,701,013

### Note 7: Long-Term Debt

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

	2017	2016
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 Organization	\$ 336,628	\$ 354,032
Less - Current maturities	18,286	17,595
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Long-term portion	\$ 318,342	\$ 336,437

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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### Note 7: Long-Term Debt

Required payments of principal on long-term debt at June 30, 2017, are summarized as follows:

2018	\$	18,286
2019		19,012
2020		19,735
2021		20,550
2022		259,045
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Total	\$	336,628

### 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:

	2017		2016	
Grants payable	\$	2,482,323	\$	2,209,659
Less - Unamortized discount		496		2,240
<hr/>				
Grants payable, net		2,481,827		2,207,419
Less - Current portion		1,534,795		1,399,155
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Long-term portion, net	\$	947,032	\$	808,264

Interest was imputed at rates between 0.02% and 0.98% for the year ended June 30, 2017, and and between 0.02% and 3.34% for the year ended June 30 2016, 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, 2017, are as follows:

2018	\$	1,534,795
2019		447,283
2020		100,109
2021		99,940
2022		99,920
Thereafter		199,780
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Total	\$	2,481,827

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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### Note 9: Temporarily Restricted Net Assets

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

	2017		2016
Pledges receivable in future years	\$ 10,500	\$	24,500
Charitable remainder interests to be received in future years	136,027		119,286
Total temporarily restricted net assets	\$ 146,527	\$	143,786

### Note 10: 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

## Consolidated Notes to Financial Statements

### 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, 2017 and 2016:

2017	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 2,440,855	\$ 0	\$ 2,440,855
Equities:				
U.S. equities	1,279,312	0	0	1,279,312
Bonds:				
Corporate bonds	0	1,212,304	0	1,212,304
Equity and fixed income funds:				
Growth funds	44,561,992	0	0	44,561,992
High-yield funds	17,997,919	0	0	17,997,919
Income funds	3,812,607	0	0	3,812,607
Bond funds	7,385,542	0	0	7,385,542
International bonds	3,998,973	0	0	3,998,973
Treasury inflation protected	3,139,310	0	0	3,139,310
Exchanged traded funds	3,870,213	0	0	3,870,213
Value funds	330,239	0	0	330,239
Investments measured at net asset value	0	0	0	12,970,008
<b>Total investments</b>	<b>\$ 86,376,107</b>	<b>\$ 3,653,159</b>	<b>\$ 0</b>	<b>\$ 102,999,274</b>
<b>2016</b>				
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
<b>Total investments</b>	<b>\$ 42,224,211</b>	<b>\$ 16,054,092</b>	<b>\$ 0</b>	<b>\$ 93,497,770</b>



# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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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, 2017, is as follows:

		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
Hedge funds:					
Multistrategy:	(a)				
King Street Capital, Ltd.		\$ 2,406,283	0	Monthly	90 days
Long/short equity:	(a)				
Forester Offshore, Ltd.		6,342,297	0	6/30/2018	95 days
Real estate:	(b)				
Och-Ziff Real Estate Fund III		1,184,725	1,965,600	N/A	N/A
Commodities:	(c)				
PIMCO Commodity Real Return Strategy		3,036,703	0	Daily	None
Total		\$ 12,970,008	\$ 1,965,600		

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

### 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		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
<b>Total</b>		<b>\$ 35,219,467</b>	<b>\$ 2,298,339</b>		

- (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. The hedge funds are audited independently to ensure compliance with financial reporting practices.
- (b) Real estate funds - This class includes investments primarily in equity securities of publicly traded real estate companies operating in the United States.
- (c) Commodities - This class normally invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other fixed income instruments. It seeks to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes. This class may also invest up to 10% of total assets in preferred stock.
- (d) Equity and fixed income funds - This class includes investments in equity and debt with investments in securities of publicly traded domestic and international companies.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Notes to Financial Statements

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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:

2017	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 143,069	\$ 0	\$ 143,069
Liabilities - To beneficiaries from split interest agreements	0	7,042	0	7,042
<b>2016</b>				
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

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2017 and 2016.

### Note 11: Major Donor

Contributions for the years ended June 30, 2017 and 2016, included a donation from a major donor. A major donor accounted for 15% of total revenue for the year ended June 30, 2017, and a major donor accounted for 28% of total revenue for the year ended June 30, 2016.

### Note 12: Subsequent Event

Subsequent events have been evaluated through September 12, 2017, which is the date the consolidated financial statements were available to be issued.

Effective August 31, 2017, 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 \$375,000 per calendar year until the lender notifies the Organizations otherwise.