

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2018 and 2017





Independent Auditor's Report

Board of Directors
Oshkosh Area Community Foundation Corporation
and Affiliate
Oshkosh, Wisconsin

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oshkosh Area Community Foundation Corporation and Affiliate (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 Consolidated 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 financial position of Oshkosh Area Community Foundation Corporation and Affiliate as of June 30, 2018 and 2017, and the changes in its net assets 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 11, 2018
Green Bay, Wisconsin

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Financial Position

June 30, 2018 and 2017

<i>Assets</i>	2018	2017
Current assets:		
Cash and cash equivalents	\$ 4,414,793	\$ 4,528,500
Promises to give	1,000	10,500
Accrued investment income	20,126	1,861
Loans receivable, current portion	130,498	126,656
Prepaid expenses and other	155,208	122,386
Current assets	4,721,625	4,789,903
Investments	107,686,763	102,999,274
Property and equipment - Net	601,043	616,526
Other assets:		
Loans receivable	1,428,966	1,574,357
Certificates of deposit	417,478	234,315
Beneficial interest in charitable remainder trusts	153,147	143,069
Total other assets	1,999,591	1,951,741
TOTAL ASSETS	\$ 115,009,022	\$ 110,357,444

<i>Liabilities and Net Assets</i>	2018	2017
Current liabilities:		
Current maturities of long-term debt	\$ 19,005	\$ 18,286
Grants payable, current portion	1,766,299	1,534,795
Accounts payable	65,757	68,369
Obligation under split-interest agreements	5,942	7,042
Due to specified beneficiaries - Agency funds	39,449,982	39,531,370
Total current liabilities	41,306,985	41,159,862
Long-term liabilities:		
Long-term debt	299,517	318,342
Grants payable - Net	727,075	947,032
Total long-term liabilities	1,026,592	1,265,374
Total liabilities	42,333,577	42,425,236
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	16,095,138	14,876,850
Acorn funds	454,447	428,970
Field of interest funds	12,907,184	12,479,915
Donor-advised funds	15,617,810	15,688,171
Designated funds	15,016,051	12,726,856
Undesignated	12,436,610	11,584,919
Total unrestricted	72,527,240	67,785,681
Temporarily restricted	148,205	146,527
Total net assets	72,675,445	67,932,208
TOTAL LIABILITIES AND NET ASSETS	\$ 115,009,022	\$ 110,357,444

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,143,978	\$ 1,100	\$ 5,145,078
Investment gain	6,951,386	-	6,951,386
Other income	210,155	-	210,155
Change in beneficial interest in charitable remainder trusts	-	10,078	10,078
Net assets released from restrictions	9,500	(9,500)	-
Total support and revenue	12,315,019	1,678	12,316,697
Expenses:			
Program services	6,912,600	-	6,912,600
Fund development	197,436	-	197,436
Management and general	463,424	-	463,424
Total expenses	7,573,460	-	7,573,460
Change in net assets	4,741,559	1,678	4,743,237
Net assets at beginning	67,785,681	146,527	67,932,208
Net assets at end	\$ 72,527,240	\$ 148,205	\$ 72,675,445

See accompanying notes to consolidated financial statements.

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

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 5,706,041	\$ -	\$ -	\$ 5,706,041
Program distributions	604,433	-	-	604,433
Investment management fees	-	-	172,181	172,181
Salaries	344,770	113,050	166,764	624,584
Payroll taxes	34,157	11,200	16,521	61,878
Employee benefits	25,680	8,421	12,421	46,522
Insurance	6,082	1,994	2,942	11,018
Occupancy	19,345	6,343	9,357	35,045
Telephone	3,022	991	1,461	5,474
Membership dues	10,122	3,319	4,896	18,337
Publications	11,834	3,881	5,724	21,439
Postage	8,066	2,645	3,902	14,613
Travel and entertainment	7,574	2,483	3,663	13,720
Conferences and education	6,995	2,293	3,383	12,671
Supplies	4,508	1,478	2,181	8,167
Professional fees	52,464	17,203	25,376	95,043
Depreciation	13,980	4,584	6,762	25,326
Marketing	48,367	15,859	23,395	87,621
Miscellaneous	5,160	1,692	2,495	9,347
Total expenses	\$ 6,912,600	\$ 197,436	\$ 463,424	\$ 7,573,460

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 5,169,774	\$ -	\$ -	\$ 5,169,774
Program distributions	360,965	-	-	360,965
Investment management fees	-	-	186,704	186,704
Salaries	348,417	114,245	168,528	631,190
Payroll taxes	26,935	8,832	13,028	48,795
Employee benefits	44,924	14,730	21,730	81,384
Insurance	5,224	1,713	2,527	9,464
Occupancy	20,499	6,722	9,915	37,136
Telephone	2,981	978	1,442	5,401
Membership dues	10,412	3,414	5,036	18,862
Publications	9,978	3,272	4,826	18,076
Postage	8,736	2,864	4,226	15,826
Travel and entertainment	7,835	2,569	3,790	14,194
Conferences and education	1,632	535	789	2,956
Supplies	6,681	2,191	3,231	12,103
Professional fees	60,700	19,903	29,360	109,963
Depreciation	14,863	4,874	7,188	26,925
Marketing	40,688	13,341	19,682	73,711
Miscellaneous	7,819	2,564	3,782	14,165
Total expenses	\$ 6,149,063	\$ 202,747	\$ 485,784	\$ 6,837,594

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 4,743,237	\$ 6,752,604
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,326	26,925
Loss on disposal of property	171	-
Accrued interest on loans receivable	(1,979)	(2,468)
Net realized and unrealized gain on investments	(5,634,844)	(5,082,367)
Changes in beneficial interest in charitable remainder trusts	(10,078)	(12,032)
Changes in discount to present value	(4,429)	1,744
Changes in operating assets and liabilities:		
Accrued investment income	(18,265)	27,676
Prepaid expenses and other	(32,822)	(21,573)
Promises to give	9,500	14,000
Accounts payable	(2,612)	10,652
Grants payable	15,976	272,664
Obligation under split-interest agreements	(1,100)	(4,709)
Due to specified beneficiaries - Agency funds	(3,157,187)	(535,024)
Total adjustments	(8,812,343)	(5,304,512)
Net cash provided by (used in) operating activities	(4,069,106)	1,448,092
Cash flows from investing activities:		
Purchases of property and equipment	(11,014)	(1,350)
Proceeds from sale of property	1,000	-
Collection of loans receivable	143,528	147,280
Proceeds from certificates of deposit	57,060	213,965
Purchases of certificates of deposit	(240,224)	(2,066)
Proceeds from sale of investments	20,515,084	62,539,983
Purchases of investments	(16,491,929)	(63,261,885)
Net cash provided by (used in) investing activities	3,973,505	(364,073)
Net cash used in financing activities - Payments on long-term debt	(18,106)	(17,404)
Increase (decrease) in cash and cash equivalents	(113,707)	1,066,615
Cash and cash equivalents at beginning of year	4,528,500	3,461,885
Cash and cash equivalents at end of year	\$ 4,414,793	\$ 4,528,500
Supplemental cash flow information:		
Interest paid and expensed	\$ 12,969	\$ 13,670

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Significant 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.

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

Note 1: Nature of Activities and Significant 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. 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.

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 that are classified as other assets.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Significant Policies (Continued)

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, 2018 or 2017, 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, 2018 and 2017.

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).

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Significant Policies (Continued)

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.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in ASU No. 2016-14 is permitted. The Organizations have not elected to early implement the amendments.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU No. 2018-08 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in ASU No. 2018-08 are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in ASU No. 2018-08 is permitted. The Organizations have not elected to early implement the amendments.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Significant 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.

Subsequent Events

Subsequent events have been evaluated through September 11, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Organizations maintain cash balances at various financial institutions that, at times, may exceed FDIC-insured limits. The Organizations have not experienced any losses in such accounts and believes these financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Investments

Investments consisted of the following at June 30:

	2018	2017
Money market funds	\$ 1,863,021	\$ 2,440,855
Certificates of deposit	125,738	-
Common and preferred stock	2,428,630	1,279,312
Bonds	1,571,887	1,212,304
Equity and fixed income funds	93,030,741	85,096,795
Commodities and other	-	3,036,703
Real estate funds	1,444,339	1,184,725
Hedge funds	7,222,407	8,748,580
Total investments	\$ 107,686,763	\$ 102,999,274

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

Notes to Consolidated Financial Statements

Note 3: Investments (Continued)

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

	2018	2017
Interest and dividends - Investments	\$ 1,314,563	\$ 1,172,225
Loan interest	1,979	2,468
Net realized gains on investments	1,332,218	561,577
Net unrealized gain on investments	4,302,626	4,501,471
Total investment gain	\$ 6,951,386	\$ 6,237,741

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 believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds.

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

The Organizations' spending policy is calculated as a percentage of a 20-quarter rolling average of the market value, net of investment costs and management and administrative fees. The spending policy for the years ended June 30, 2018 and 2017, was 4.5% for unrestricted and field of interest funds. This percentage is reviewed annually by the Finance Committee of the Board and can be amended from year to year.

The Organizations have adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Endowments (Continued)

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:

	2018	2017
Endowment net assets at beginning	\$ 20,444,068	\$ 19,022,337
Investment return:		
Interest and dividends	370,522	373,285
Net appreciation	1,488,031	1,562,959
Total investment return	1,858,553	1,936,244
Contributions	468,273	323,199
Less:		
Assets appropriated for expenditure	635,134	472,364
Administrative fees	393,016	365,348
Endowment net assets at end	\$ 21,742,744	\$ 20,444,068

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30:

	2018	2017
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	639,188
Furniture and equipment	112,893	103,229
Total property and equipment	889,081	879,417
Less - Accumulated depreciation	288,038	262,891
Property and equipment - Net	\$ 601,043	\$ 616,526

Note 6: Loans Receivable

Loans receivable consisted of the following at June 30:

	2018	2017
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.	\$ 1,045,082	\$ 1,059,486
Note receivable from Oshkosh Investors, LLC 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.	514,382	641,527
Total loans receivable	\$ 1,559,464	\$ 1,701,013

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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Loans Receivable (Continued)

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, 2018, are summarized as follows:

2019	\$	130,498
2020		134,457
2021		138,537
2022		110,890
2023		-
Thereafter		1,045,082
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Total	\$	1,559,464
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Note 7: Long-Term Debt

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

	2018		2017
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	\$	318,522	\$ 336,628
Less - Current maturities		19,005	18,286
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Long-term portion, net	\$	299,517	\$ 318,342
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Required payments of principal on long-term debt at June 30, 2018, are summarized as follows:

2019	\$	19,005
2020		19,728
2021		20,542
2022		259,247
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Total	\$	318,522
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Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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:

	2018	2017
Grants payable	\$ 2,498,299	\$ 2,482,323
Less - Unamortized discount	4,925	496
Grants payable - Net	2,493,374	2,481,827
Less - Current portion	1,766,299	1,534,795
Long-term portion, net	\$ 727,075	\$ 947,032

Interest was imputed at rates between 0.02% and 1.9% for the year ended June 30, 2018, and between 0.02% and .98% for the year ended June 30 2017, 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, 2018, are as follows:

2019	\$ 1,766,299
2020	311,512
2021	115,661
2022	100,082
2023	99,920
Thereafter	99,900
Total	\$ 2,493,374

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Temporarily Restricted Net Assets

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

	2018	2017
Pledges receivable in future years	\$ 1,000	\$ 10,500
Charitable remainder interests to be received in future years	147,205	136,027
Total temporarily restricted net assets	\$ 148,205	\$ 146,527

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 markets and certificates of deposit are valued at amortized cost, which approximates fair value. 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 10: Fair Value Measurements (Continued)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at June 30:

2018	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market securities	\$ -	\$ 1,863,021	\$ -	\$ 1,863,021
Certificates of deposit	-	125,738	-	125,738
Equities:				
U. S. equities	2,333,790	-	-	2,333,790
Foreign equities	94,840	-	-	94,840
Bonds:				
Corporate bonds	-	1,340,596	-	1,340,596
Government and agency bonds	-	231,291	-	231,291
Equity and fixed income funds:				
Growth funds	43,583,525	-	-	43,583,525
High-yield funds	26,441,259	-	-	26,441,259
Income funds	2,095,252	-	-	2,095,252
Bond funds	7,336,997	-	-	7,336,997
International bonds	4,540,521	-	-	4,540,521
Treasury inflation protected	3,629,282	-	-	3,629,282
Exchange traded funds	5,122,380	-	-	5,122,380
Value funds	281,525	-	-	281,525
Investments measured at net asset value	-	-	-	8,666,746
Total	\$ 95,459,371	\$ 3,560,646	\$ -	\$ 107,686,763

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Fair Value Measurements (Continued)

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

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the year ended June 30, 2018 and 2017, is as follows:

2018	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
Hedge funds:				
Multistrategy: (a)				
King Street Capital, Ltd.	\$ 428,656	\$ -	Monthly	90 days
Long/short equity: (a)				
Forester Offshore, Ltd.	6,793,751	-	6/30/2021	95 days
Real estate: (b)				
Och-Ziff Real Estate Fund III	1,444,339	1,182,431	N/A	N/A
Total	\$ 8,666,746	\$ 1,182,431		

2017	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
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Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Fair Value Measurements (Continued)

Hedge funds:

Multistrategy: (a)

King Street Capital, Ltd.	\$ 2,406,283	\$ -	Monthly	90 days
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Long/short equity: (a)

Forester Offshore, Ltd.	6,342,297	-	6/30/2018	95 days
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Real estate: (b)

Och-Ziff Real Estate Fund III	1,184,725	1,965,600	N/A	N/A
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Commodities: (c)

PIMCO Commodity Real Return Strategy	3,036,703	-	Daily	None
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Total	\$ 12,970,008	\$ 1,965,600		
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- (a) Hedge funds - This class includes investments in actively managed hedge funds employing a variety of strategies, including but not limited to, multistrategy 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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:

2018	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 153,147	\$ -	\$ 153,147
Liabilities - To beneficiaries from split-interest agreements	-	5,942	-	5,942
2017				
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 143,069	\$ -	\$ 143,069
Liabilities - To beneficiaries from split-interest agreements	-	7,042	-	7,042

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2018 and 2017.

Note 11: Major Donor

Contributions did not include a donation from a major donor for the year ended June 30, 2018. Contributions, included a donation from a major donor for the year ended June 30, 2017. The major donor accounted for 15% of total revenue for the year ended June 30, 2017.

Note 12: Commitments

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.