

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018





Independent Auditor's Report

Board of Directors
Oshkosh Area Community Foundation Corporation
Oshkosh, Wisconsin

Report on the Consolidated Financial Statements

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, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Oshkosh Area Community Foundation Corporation and Affiliate adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

Wipfli LLP

Wipfli LLP

September 10, 2019
Green Bay, Wisconsin

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Financial Position

June 30, 2019 and 2018

<i>Assets</i>	2019	2018
Current assets:		
Cash and cash equivalents	\$ 4,921,163	\$ 4,414,793
Promises to give	-	1,000
Accrued investment income	26,768	20,126
Loans receivable, current portion	134,457	130,498
Prepaid expenses and other	121,658	155,208
Total current assets	5,204,046	4,721,625
Investments	110,968,019	107,686,763
Property and equipment - Net	588,711	601,043
Other assets:		
Loans receivable	1,238,288	1,428,966
Certificates of deposit	424,704	417,478
Beneficial interest in charitable remainder trusts	156,686	153,147
Total other assets	1,819,678	1,999,591
TOTAL ASSETS	\$ 118,580,454	\$ 115,009,022

<i>Liabilities and Net Assets</i>	2019	2018
Current liabilities:		
Current maturities of long-term debt	\$ 19,721	\$ 19,005
Grants payable, current portion	2,054,621	1,766,299
Accounts payable	94,636	65,757
Obligation under split-interest agreements	4,842	5,942
Due to specified beneficiaries - Agency funds	39,695,128	39,449,982
Total current liabilities	41,868,948	41,306,985
Long-term liabilities:		
Long-term debt	279,967	299,517
Grants payable - Net	678,992	727,075
Total long-term liabilities	958,959	1,026,592
Total liabilities	42,827,907	42,333,577
Net assets:		
Without donor restrictions:		
Donor designated:		
Scholarship funds	17,027,249	16,095,138
Acorn funds	411,065	454,447
Field of interest funds	13,494,881	12,907,184
Donor-advised funds	16,489,305	15,617,810
Designated funds	15,543,651	15,016,051
Undesignated	12,634,552	12,436,610
Total without donor restrictions	75,600,703	72,527,240
With donor restrictions	151,844	148,205
Total net assets	75,752,547	72,675,445
TOTAL LIABILITIES AND NET ASSETS	\$ 118,580,454	\$ 115,009,022

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 6,552,265	\$ 100	\$ 6,552,365
Investment gains	2,094,178	-	2,094,178
Other income	184,531	-	184,531
Change in beneficial interest in charitable remainder trusts	-	3,539	3,539
Total support and revenue	8,830,974	3,639	8,834,613
Expenses:			
Program services	4,849,652	-	4,849,652
Fund development	239,731	-	239,731
Management and general	668,128	-	668,128
Total expenses	5,757,511	-	5,757,511
Change in net assets	3,073,463	3,639	3,077,102
Net assets at beginning	72,527,240	148,205	72,675,445
Net assets at end	\$ 75,600,703	\$ 151,844	\$ 75,752,547

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 5,143,978	\$ 1,100	\$ 5,145,078
Investment gains	6,779,205	-	6,779,205
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	12,142,838	1,678	12,144,516
Expenses:			
Program services	6,912,600	-	6,912,600
Fund development	197,436	-	197,436
Management and general	291,243	-	291,243
Total expenses	7,401,279	-	7,401,279
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 Functional Expenses

Year Ended June 30, 2019

	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 4,224,227	\$ -	\$ -	\$ 4,224,227
Program distributions	421,912	-	-	421,912
Salaries	118,773	153,636	334,970	607,379
Payroll taxes	8,679	11,226	24,477	44,382
Employee benefits	6,063	7,080	53,092	66,235
Insurance	2,785	2,161	6,193	11,139
Occupancy	9,436	7,323	20,986	37,745
Telephone	1,319	1,024	2,934	5,277
Membership dues	295	-	20,712	21,007
Publications	11,845	3,144	14,393	29,382
Postage	3,008	1,676	7,594	12,278
Travel and entertainment	1,714	15,936	440	18,090
Conferences and education	1,236	-	2,077	3,313
Supplies	1,909	1,481	4,245	7,635
Professional fees	-	5,251	91,460	96,711
Depreciation	6,224	4,830	13,841	24,895
Marketing	16,287	14,146	39,712	70,145
Miscellaneous	13,940	10,817	31,002	55,759
Total expenses	\$ 4,849,652	\$ 239,731	\$ 668,128	\$ 5,757,511

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
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	\$ 291,243	\$ 7,401,279

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 3,077,102	\$ 4,743,237
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	24,895	25,326
Loss on disposal of property	161	171
Accrued interest on loans receivable	(1,475)	(1,979)
Net realized and unrealized gain on investments	(823,423)	(5,634,844)
Changes in beneficial interest in charitable remainder trusts	(3,539)	(10,078)
Changes in discount to present value	1,293	(4,429)
Changes in operating assets and liabilities:		
Accrued investment income	(6,642)	(18,265)
Prepaid expenses and other	33,550	(32,822)
Promises to give	1,000	9,500
Accounts payable	28,879	(2,612)
Grants payable	238,946	15,976
Obligation under split-interest agreements	(1,100)	(1,100)
Due to specified beneficiaries - Agency funds	(940,553)	(3,157,187)
Total adjustments	(1,448,008)	(8,812,343)
Net cash flows from operating activities	1,629,094	(4,069,106)
Cash flows from investing activities:		
Purchases of property and equipment	(12,724)	(11,014)
Proceeds from sale of property	-	1,000
Collection of loans receivable	188,194	143,528
Proceeds from certificates of deposit	337,674	57,060
Purchases of certificates of deposit	(344,900)	(240,224)
Proceeds from sale of investments	15,899,363	20,515,084
Purchases of investments	(17,171,497)	(16,491,929)
Net cash from investing activities	(1,103,890)	3,973,505
Net cash from financing activities - Payments on long-term debt	(18,834)	(18,106)
Change in cash and cash equivalents	506,370	(113,707)
Cash and cash equivalents at beginning	4,414,793	4,528,500
Cash and cash equivalents at end	\$ 4,921,163	\$ 4,414,793
Supplemental cash flow information:		
Interest paid and expensed	\$ 15,007	\$ 12,969

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.

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

- *Net assets without donor restrictions* are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* are 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, net assets with donor restrictions are reclassified to net assets without donor 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)

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 net assets without donor restrictions. 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 net assets without donor restrictions, 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.

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 net assets with donor restrictions. Promises to be collected in future periods without a purpose restriction are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received.

There were no unconditional promises to give recorded on the consolidated statement of financial position at June 30, 2019. Unconditional promises to give were classified as current in the consolidated statements of financial position and no discount to present value was recorded as of June 30, 2018, as they were scheduled to be collected within one year. Management assessed the collectability of promises to give based on collection history and past experience with the donors and estimated that the receivables are fully collectible at June 30, 2018.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Loans Receivable

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. 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 4). Realized and unrealized gains and losses on investments are reflected in operations. Investment expenses, including direct internal investment expenses, if any, are netted with investment return on the consolidated statements of activities.

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 net assets with donor restrictions as applicable.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Revenue Recognition

Contributions are considered available for use without donor restrictions 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 support with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions in the accompanying consolidated financial statements.

Accounting Pronouncement Adopted

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 ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

New Accounting Pronouncements

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 and are currently evaluating the impact of this ASU.

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. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization has segregated its supporting activities into the categories of management and general and fund development. Personnel expenses have been allocated based on time and effort, occupancy expenses have been allocated based on estimated square footage, and other operating expenses have been allocated based on estimated benefit to personnel by function.

Subsequent Events

Subsequent events have been evaluated through September 10, 2019, 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

Note 2: Liquidity and Availability of Financial Resources

Financial assets available at June 30, 2019, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 4,921,163
Accrued investment income	26,768
Loans receivable, current portion	134,457
Investments	110,968,019
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Subtotal financial resources available	116,050,407
Less:	
Due to specified beneficiaries - Agency funds	(39,695,128)
Cash designated for payment of current grants	(2,054,621)
Donor or otherwise designated net assets	(62,966,151)
<hr/>	
Total financial resources available without donor restriction or designation	\$ 11,334,507

The Organizations receive significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. They also receive gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used as a funding source. As described in Note 1, the Organizations classify all such contributions as net assets without donor restrictions. However, the Organizations intend to honor the donor restrictions and have reduced the amount of financial resources available for general expenditure as such. The Organizations also receive support without donor restrictions; such support provides discretionary funding.

The Organizations invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$460,366 as of June 30, 2019, and is included in investments on the statement of financial position. The Organizations depend on administrative fees charged to donor funds to generate operating cash flow. The totals above do not include future administrative fees that will be charged in 2020, but will be available for general expenditure once charged.

Note 3: 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 4: Investments

Investments consisted of the following at June 30:

	2019	2018
Money market funds	\$ 1,603,658	\$ 1,863,021
Certificates of deposit	103,023	125,738
Common and preferred stock	1,691,043	2,428,630
Bonds	1,766,855	1,571,887
Equity and fixed income funds	97,483,921	93,030,741
Real estate funds	1,145,393	1,444,339
Hedge funds	7,174,126	7,222,407
Total investments	\$ 110,968,019	\$ 107,686,763

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 gains for the years ended June 30 was as follows:

	2019	2018
Interest and dividends - Investments	\$ 1,443,080	\$ 1,314,563
Loan interest	1,475	1,979
Investment management fees	(173,800)	(172,181)
Net realized gains on investments	1,201,216	1,332,218
Net unrealized gains (losses) on investments	(377,793)	4,302,626
Total investment gains	\$ 2,094,178	\$ 6,779,205

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Investments (Continued)

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

Note 5: Endowments

The Organizations' endowments consist of individual donor-restricted funds established for a variety of purposes. The Board 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, 2019 and 2018, 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.

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 net assets without donor restrictions.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Endowments (Continued)

The net assets without donor restrictions balance of all endowment funds as of June 30 along with a description of the components of the change are as follows:

	2019	2018
Endowment net assets at beginning	\$ 21,742,744	\$ 20,444,068
Investment return:		
Interest and dividends	411,525	370,522
Net appreciation	205,455	1,488,031
Total investment return	616,980	1,858,553
Contributions	89,032	468,273
Less:		
Assets appropriated for expenditure	650,418	635,134
Administrative fees	391,368	393,016
Endowment net assets at end	\$ 21,406,970	\$ 21,742,744

Note 6: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2019 and 2018:

	2019	2018
Land	\$ 137,000	\$ 137,000
Buildings and improvement	643,363	639,188
Furniture and equipment	116,824	112,893
Total property and equipment	897,187	889,081
Less - Accumulated depreciation	308,476	288,038
Property and equipment - Net	\$ 588,711	\$ 601,043

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Loans Receivable

Loans receivable consisted of the following at June 30:

	2019	2018
Note receivable for \$1,000,000 from the city of Oshkosh dated September 14, 2007, 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 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.	\$ 990,840	\$ 1,045,082
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.	381,905	514,382
Total loans receivable	\$ 1,372,745	\$ 1,559,464

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, 2019, are summarized as follows:

2020	\$	134,457
2021		138,537
2022		108,911
2023		-
2024		-
Thereafter		990,840
Total	\$	1,372,745

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Long-Term Debt

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

	2019	2018
Note payable to Nicolet National Bank 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	\$ 299,688	\$ 318,522
Less - Current maturities	19,721	19,005
Long-term portion - Net	\$ 279,967	\$ 299,517

Required payments of principal on long-term debt at June 30, 2019, are summarized as follows:

2020	\$ 19,721
2021	20,536
2022	259,431
Total	\$ 299,688

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:

	2019	2018
Grants payable	\$ 2,739,831	\$ 2,498,299
Less - Unamortized discount	6,218	4,925
Grants payable - Net	2,733,613	2,493,374
Less - Current portion	2,054,621	1,766,299
Long-term portion - Net	\$ 678,992	\$ 727,075

Interest was imputed at rates between 0.02% and 2.17% for the year ended June 30, 2019, and between 0.02% and 1.9% for the year ended June 30, 2018, 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Grants Payable (Continued)

Grants payable beyond June 30, 2019, are as follows:

2020	\$	2,054,621
2021		379,028
2022		100,104
2023		99,940
2024		99,920
Thereafter		-
<hr/>		
Total	\$	2,733,613

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2019 and 2018:

		2019		2018
Pledges receivable in future years	\$	-	\$	1,000
Charitable remainder interests to be received in future years		151,844		147,205
<hr/>				
Net assets with donor restrictions	\$	151,844	\$	148,205

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 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.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11: Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organizations believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table 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, 2019 and 2018:

2019	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market securities	\$ -	\$ 1,603,658	\$ -	\$ 1,603,658
Certificates of deposit	-	103,023	-	103,023
Equities:				
U. S. equities	1,592,499	-	-	1,592,499
Foreign equities	98,544	-	-	98,544
Bonds:				
Corporate bonds	-	1,331,880	-	1,331,880
Government and agency bonds	-	434,975	-	434,975
Equity and fixed income funds:				
Growth funds	45,785,393	-	-	45,785,393
High-yield funds	26,035,972	-	-	26,035,972
Income funds	2,229,016	-	-	2,229,016
Bond funds	7,804,064	-	-	7,804,064
International bonds	4,701,630	-	-	4,701,630
Treasury inflation protected	3,654,838	-	-	3,654,838
Exchange traded funds	6,763,856	-	-	6,763,856
Value funds	509,152	-	-	509,152
Investments measured at net asset value	-	-	-	8,319,519
Total	\$ 99,174,964	\$ 3,473,536	\$ -	\$ 110,968,019

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11: Fair Value Measurements (Continued)

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 11: Fair Value Measurements (Continued)

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the years ended June 30, 2019 and 2018, is as follows:

2019	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
Multistrategy: (a)				
King Street Capital, Ltd.	\$ 199,949	\$ -	Monthly	90 days
Long/short equity: (a)				
Forester Offshore, Ltd.	6,974,177	-	6/30/2021	95 days
Real estate: (b)				
Och-Ziff Real Estate Fund III	1,145,393	1,053,373	N/A	N/A
Totals	\$ 8,319,519	\$ 1,053,373		

2018

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
Totals	\$ 8,666,746	\$ 1,182,431		

(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.

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, 2019 and 2018:

	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
2019				
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 156,686	\$ -	\$ 156,686
Liabilities - To beneficiaries from split-interest agreements	-	4,842	-	4,842
2018				
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 153,147	\$ -	\$ 153,147
Liabilities - To beneficiaries from split-interest agreements	-	5,942	-	5,942

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2019 and 2018.

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.