

# Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2020 and 2019



## **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, 2020 and 2019, 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 consolidated 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, 2020 and 2019, 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 15, 2020  
Green Bay, Wisconsin

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Financial Position

June 30, 2020 and 2019

<i>Assets</i>	2020	2019
Current assets:		
Cash and cash equivalents	\$ 5,896,636	\$ 4,921,163
Accrued investment income	15,433	26,768
Loans receivable, current portion	-	134,457
Prepaid expenses and other	145,326	121,658
Total current assets	6,057,395	5,204,046
Investments	108,810,150	110,968,019
Property and equipment - Net	571,677	588,711
Other assets:		
Loans receivable	945,640	1,238,288
Certificates of deposit	433,624	424,704
Beneficial interest in charitable remainder trusts	156,144	156,686
Total other assets	1,535,408	1,819,678
<b>TOTAL ASSETS</b>	<b>\$ 116,974,630</b>	<b>\$ 118,580,454</b>

<i>Liabilities and Net Assets</i>	<b>2020</b>	<b>2019</b>
Current liabilities:		
Current maturities of long-term debt	\$ 20,529	\$ 19,721
Grants payable, current portion	2,586,573	2,054,621
Accounts payable	78,323	94,636
Obligation under split-interest agreements	3,742	4,842
Refundable advance liability	105,000	-
Due to specified beneficiaries - Agency funds	38,331,828	39,695,128
<b>Total current liabilities</b>	<b>41,125,995</b>	<b>41,868,948</b>
Long-term liabilities:		
Long-term debt	259,598	279,967
Grants payable - Net	865,581	678,992
<b>Total long-term liabilities</b>	<b>1,125,179</b>	<b>958,959</b>
<b>Total liabilities</b>	<b>42,251,174</b>	<b>42,827,907</b>
Net assets:		
Without donor restrictions:		
Donor designated:		
Scholarship funds	16,153,621	17,027,249
Acorn funds	424,197	411,065
Field of interest funds	12,598,352	13,494,881
Donor-advised funds	15,863,563	16,489,305
Designated funds	17,357,535	15,543,651
Undesignated	12,173,786	12,634,552
<b>Total without donor restrictions</b>	<b>74,571,054</b>	<b>75,600,703</b>
<b>With donor restrictions</b>	<b>152,402</b>	<b>151,844</b>
<b>Total net assets</b>	<b>74,723,456</b>	<b>75,752,547</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 116,974,630</b>	<b>\$ 118,580,454</b>

See accompanying notes to consolidated financial statements.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 8,110,546	\$ 1,100	\$ 8,111,646
Investment loss	(1,735,465)	-	(1,735,465)
Other income	183,550	-	183,550
Change in beneficial interest in charitable remainder trusts	-	(542)	(542)
<b>Total support and revenue</b>	<b>6,558,631</b>	<b>558</b>	<b>6,559,189</b>
<b>Expenses:</b>			
Program services	6,628,480	-	6,628,480
Fund development	254,637	-	254,637
Management and general	705,163	-	705,163
<b>Total expenses</b>	<b>7,588,280</b>	<b>-</b>	<b>7,588,280</b>
Change in net assets	(1,029,649)	558	(1,029,091)
Net assets at beginning	75,600,703	151,844	75,752,547
<b>Net assets at end</b>	<b>\$ 74,571,054</b>	<b>\$ 152,402</b>	<b>\$ 74,723,456</b>

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
<b>Support and revenue:</b>			
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
<b>Total support and revenue</b>	<b>8,830,974</b>	<b>3,639</b>	<b>8,834,613</b>
<b>Expenses:</b>			
Program services	4,849,652	-	4,849,652
Fund development	239,731	-	239,731
Management and general	668,128	-	668,128
<b>Total expenses</b>	<b>5,757,511</b>	<b>-</b>	<b>5,757,511</b>
Change in net assets	3,073,463	3,639	3,077,102
Net assets at beginning	72,527,240	148,205	72,675,445
<b>Net assets at end</b>	<b>\$ 75,600,703</b>	<b>\$ 151,844</b>	<b>\$ 75,752,547</b>

See accompanying notes to consolidated financial statements.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 5,806,707	\$ -	\$ -	\$ 5,806,707
Program distributions	630,037	-	-	630,037
Salaries	131,483	167,429	347,005	645,917
Payroll taxes	8,887	11,317	23,454	43,658
Employee benefits	6,196	7,269	66,505	79,970
Insurance	2,726	2,116	6,063	10,905
Occupancy	8,459	6,565	18,814	33,838
Telephone	1,410	1,094	3,136	5,640
Membership dues	295	-	18,923	19,218
Publications	4,868	2,526	17,000	24,394
Postage	2,708	1,561	6,616	10,885
Travel and entertainment	1,711	6,387	154	8,252
Conferences and education	159	160	1,952	2,271
Supplies	2,333	1,810	5,188	9,331
Professional fees	-	5,292	110,080	115,372
Depreciation	5,859	4,546	13,030	23,435
Marketing	10,428	33,295	57,871	101,594
Miscellaneous	4,214	3,270	9,372	16,856
<b>Total expenses</b>	<b>\$ 6,628,480</b>	<b>\$ 254,637</b>	<b>\$ 705,163</b>	<b>\$ 7,588,280</b>

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
<b>Total expenses</b>	<b>\$ 4,849,652</b>	<b>\$ 239,731</b>	<b>\$ 668,128</b>	<b>\$ 5,757,511</b>

See accompanying notes to consolidated financial statements.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (1,029,091)	\$ 3,077,102
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	23,435	24,895
Loss on disposal of property	84	161
Accrued interest on loans receivable	-	(1,475)
Net realized and unrealized gain on investments	3,225,917	(823,423)
Changes in beneficial interest in charitable remainder trusts	542	(3,539)
Changes in discount to present value	(5,192)	1,293
Changes in operating assets and liabilities:		
Accrued investment income	11,335	(6,642)
Prepaid expenses and other	(23,668)	33,550
Promises to give	-	1,000
Accounts payable	(16,313)	28,879
Grants payable	723,733	238,946
Refundable advance liability	105,000	-
Obligation under split-interest agreements	(1,100)	(1,100)
Due to specified beneficiaries - Agency funds	(594,121)	(940,553)
Total adjustments	3,449,652	(1,448,008)
Net cash flows from operating activities	2,420,561	1,629,094
Cash flows from investing activities:		
Purchases of property and equipment	(6,485)	(12,724)
Collection of loans receivable	427,105	188,194
Proceeds from certificates of deposit	-	337,674
Purchases of certificates of deposit	(8,920)	(344,900)
Proceeds from sale of investments	13,965,411	15,899,363
Purchases of investments	(15,802,638)	(17,171,497)
Net cash flows from investing activities	(1,425,527)	(1,103,890)
Net cash flows from financing activities - Payments on long-term debt	(19,561)	(18,834)
Change in cash and cash equivalents	975,473	506,370
Cash and cash equivalents at beginning	4,921,163	4,414,793
Cash and cash equivalents at end	\$ 5,896,636	\$ 4,921,163
<b>Supplemental cash flow information:</b>		
Interest paid and expensed	\$ 11,512	\$ 15,007

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: 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

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### **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, 2020 and 2019. Management assessed the collectability of promises to give based on collection history and past experience with the donors and provides an allowance for uncollectible promises when necessary.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### **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

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

#### Revenue Recognition

Contributions are recognized as revenue when received. Conditional contributions are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Assets received for which the condition has not been satisfied are recorded as a refundable advance liability.

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire, which is the stipulated time when a restriction ends or purpose restriction is accomplished in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

#### Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organizations' primary sources of revenue are classified as contributions and investment income, which is explicitly excluded from the scope of the new guidance. The adoption of this update did not have an impact on the consolidated financial statements.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to ASC 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Organizations have applied the amendments in this ASU on a modified prospective basis. There was no change in opening balances of net assets and no prior period results were restated. The amendments in this ASU also apply to both resources received by a recipient and resources given by a resource provider. The provisions related to resources provided will be effective for the Foundations' fiscal year ending June 30, 2021.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### **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 the proportion of full-time equivalent employees, and other operating expenses have been allocated based on estimated benefit to personnel by function.

#### **Subsequent Events**

Subsequent events have been evaluated through September 15, 2020, 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, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 5,896,636	\$ 4,921,163
Accrued investment income	15,433	26,768
Loans receivable, current portion	-	134,457
Investments	108,810,150	110,968,019
<hr/>		
Subtotal financial resources available	114,722,219	116,050,407
Less:		-
Due to specified beneficiaries - Agency funds	(38,331,828)	(39,695,128)
Cash designated for payment of current grants	(2,586,573)	(2,054,621)
Donor or otherwise designated net assets	(62,397,268)	(62,966,151)
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Total financial resources available without donor restriction or designation	\$ 11,406,550	\$ 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 invest 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 \$534,688 and \$460,366 as of June 30, 2020 and 2019, respectively, 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 2021 or 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 believe 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:

	<b>2020</b>	<b>2019</b>
Money market funds	\$ 1,466,078	\$ 1,603,658
Certificates of deposit	80,147	103,023
Common and preferred stock	1,313,249	1,691,043
Bonds	1,829,317	1,766,855
Equity and fixed income funds	95,679,500	97,483,921
Real estate funds	1,169,775	1,145,393
Hedge funds	7,272,084	7,174,126
<b>Total investments</b>	<b>\$ 108,810,150</b>	<b>\$ 110,968,019</b>

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:

	<b>2020</b>	<b>2019</b>
Interest and dividends - Investments	\$ 1,684,423	\$ 1,443,080
Loan interest	-	1,475
Investment management fees	(193,971)	(173,800)
Net realized gains on investments	632,415	1,201,216
Net unrealized losses on investments	(3,858,332)	(377,793)
<b>Total investment gains (losses)</b>	<b>\$ (1,735,465)</b>	<b>\$ 2,094,178</b>

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### **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, 2020 and 2019, 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:

	<b>2020</b>	<b>2019</b>
Endowment net assets at beginning	\$ 21,406,970	\$ 21,742,744
Investment return:		
Interest and dividends	457,804	411,525
Net (depreciation) appreciation	(859,021)	205,455
Total investment return	(401,217)	616,980
Contributions	166,106	89,032
Less:		
Assets appropriated for expenditure	600,940	650,418
Administrative fees	387,572	391,368
Endowment net assets at end	\$ 20,183,347	\$ 21,406,970

### Note 6: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Land	\$ 137,000	\$ 137,000
Buildings and improvement	643,363	643,363
Furniture and equipment	107,421	116,824
Total property and equipment	887,784	897,187
Less - Accumulated depreciation	316,107	308,476
Property and equipment - Net	\$ 571,677	\$ 588,711

# 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:

	2020	2019
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.	\$ 945,640	\$ 990,840
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. This note was paid off in May 2020.	-	381,905
Total loans receivable	\$ 945,640	\$ 1,372,745

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 have 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 on the loan receivable from the City of Oshkosh are variable and dependent upon cash inflows at the Oshkosh Convention and Visitor's Bureau Tourism Development Fund as well as gross food and beverage sales from the convention center. Therefore, no annual payment obligation can be identified and the loan is considered long-term.

# 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:

	<b>2020</b>	<b>2019</b>
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	\$ 280,127	\$ 299,688
Less - Current maturities	20,529	19,721
Long-term portion - Net	\$ 259,598	\$ 279,967

Required payments of principal on long-term debt at June 30, 2020, are summarized as follows:

2021	\$ 20,529
2022	259,598
Total	\$ 280,127

### 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:

	<b>2020</b>	<b>2019</b>
Grants payable	\$ 3,453,180	\$ 2,739,831
Less - Unamortized discount	1,026	6,218
Grants payable - Net	3,452,154	2,733,613
Less - Current portion	2,586,573	2,054,621
Long-term portion - Net	\$ 865,581	\$ 678,992

Interest was imputed at rates between 0.02% and 0.16% for the year ended June 30, 2020, and between 0.02% and 2.17% for the year ended June 30, 2019, 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, 2020, are as follows:

2021	\$	2,586,573
2022		665,382
2023		100,110
2024		100,089
<hr/>		
Total	\$	3,452,154

### Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2020 and 2019:

		2020		2019
<hr/>				
Charitable remainder interests to be received in future years	\$	152,402	\$	151,844
<hr/>				
Net assets with donor restrictions	\$	152,402	\$	151,844

### 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 tables present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at June 30, 2020 and 2019:

2020	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market securities	\$ -	\$ 1,466,078	\$ -	\$ 1,466,078
Certificates of deposit	-	80,147	-	80,147
Equities:				
U. S. equities	1,269,678	-	-	1,269,678
Foreign equities	43,571	-	-	43,571
Bonds:				
Corporate bonds	-	1,659,877	-	1,659,877
Government and agency bonds	-	169,440	-	169,440
Equity and fixed income funds:				
Growth funds	38,425,181	-	-	38,425,181
High-yield funds	33,955,777	-	-	33,955,777
Debt funds	293	-	-	293
Income funds	2,670,583	-	-	2,670,583
Bond funds	356,326	-	-	356,326
International bonds	5,250,547	-	-	5,250,547
Treasury inflation protected	201,337	-	-	201,337
Exchange traded funds	14,579,827	-	-	14,579,827
Value funds	244,326	-	-	244,326
Real estate index fund	72,091	-	-	72,091
Investments measured at net asset value	-	-	-	8,365,071
<b>Totals</b>	<b>\$ 97,069,537</b>	<b>\$ 3,375,542</b>	<b>\$ -</b>	<b>\$ 108,810,150</b>

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

### Note 11: Fair Value Measurements (Continued)

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
<b>Totals</b>	<b>\$ 99,174,964</b>	<b>\$ 3,473,536</b>	<b>\$ -</b>	<b>\$ 110,968,019</b>



# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

### Note 11: Fair Value Measurements (Continued)

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the years ended June 30, 2020 and 2019, is as follows:

2020	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice
Multistrategy:				
(a) King Street Capital, Ltd.	\$ 90,022	\$ -	Monthly	90 days
Long/short equity:				
(b) Forester Offshore, Ltd.	7,177,365	-	6/30/2021	95 days
Real estate:				
(b) Sculptor (Formerly Och-Ziff Real Estate Fund III)	1,097,684	1,000,353	N/A	N/A
<b>Totals</b>	<b>\$ 8,365,071</b>	<b>\$ 1,000,353</b>		
<hr/>				
<b>2019</b>				
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
<b>Totals</b>	<b>\$ 8,319,519</b>	<b>\$ 1,053,373</b>		

- (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 tables present 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, 2020 and 2019:

2020	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 156,144	\$ -	\$ 156,144
Liabilities - To beneficiaries from split-interest agreements	-	3,742	-	3,742
<b>2019</b>				
Assets - Beneficial interest in charitable remainder trusts	\$ -	\$ 156,686	\$ -	\$ 156,686
Liabilities - To beneficiaries from split-interest agreements	-	4,842	-	4,842

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2020 and 2019.

### 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.

### Note 13: Conditional Grant Award

At June 30, 2020, the Foundations had a refundable advance liability of \$105,000. This amount resulted from the issuance of a Paycheck Protection Program award as a result of legislation passed to assist organizations in navigating the Coronavirus pandemic. The Organizations have determined that this is a conditional grant award and have applied the policy as described in Note 1, which says that conditional contributions and grants shall be reported as a refundable advance liability until the conditions are substantially met.

# Oshkosh Area Community Foundation Corporation and Affiliate

## Notes to Consolidated Financial Statements

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### **Note 13: Conditional Grant Award** (Continued)

The conditions of this award include incurring eligible expenditures during a covered period of either eight or 24 weeks and a formal review and approval of the forgiveness application by the lending institution and the small business administration. Should the lending institution or small business administration choose not to forgive the refundable advance, it bears interest at 1% and is repayable in 18 equal principal and interest payments beginning November 16, 2020, with final maturity of April 16, 2020. The Organization anticipates that the full amount of the award will be forgiven at which time the conditions will be deemed to be substantially met and revenue will be recognized.

### **Note 14: Risks and Uncertainties**

Specific to the Organization, COVID-19 impacted various aspects of operations and financial results for the year ended June 30, 2020, including investment return, contribution revenue, and expenses for program services. The anticipated increasing demand for program service funding, combined with reduced investment returns in the current fiscal year, led management to apply for assistance under the Paycheck Protection Program, as discussed in Note 13. Management believes the Organization has taken appropriate actions in response to the pandemic. However, the full impact of COVID-19 remains unknown and cannot be reasonably estimated as these events are still developing.