

Oshkosh Area Community Foundation Corporation and Affiliate

Oshkosh, Wisconsin

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Table of Contents

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Cash Flows	6
Consolidated Statements of Functional Expenses.....	8
Notes to Consolidated Financial Statements.....	9



Independent Auditor's Report

Board of Directors
Oshkosh Area Community Foundation Corporation
Oshkosh, Wisconsin

We have audited the accompanying consolidated financial statements of Oshkosh Area Community Foundation Corporation and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion in these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oshkosh Area Community Foundation Corporation and Affiliate as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

September 10, 2013
Green Bay, Wisconsin

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Financial Position

June 30, 2013 and 2012

<i>Assets</i>	2013	2012
Current assets:		
Cash and cash equivalents	\$ 2,398,315	\$ 2,262,381
Pledges receivable	17,740	117,000
Accrued investment income	42,329	42,819
Prepaid expenses and other	54,853	73,657
Total current assets	2,513,237	2,495,857
Investments	81,943,839	70,740,979
Property and equipment - Net	703,409	712,595
Other assets:		
Loans receivable	2,203,719	1,931,314
Beneficial interest in charitable remainder trusts	110,800	102,784
Total other assets	2,314,519	2,034,098
TOTAL ASSETS	\$ 87,475,004	\$ 75,983,529

<i>Liabilities and Net Assets</i>	2013	2012
Current liabilities:		
Current maturities of long-term debt	\$ 15,700	\$ 15,101
Current portion of grants payable, net	1,262,290	920,135
Accounts payable	61,192	43,543
Obligation under split-interest agreements	45,225	56,374
Due to specified beneficiaries - Agency funds	30,166,055	24,843,017
Total current liabilities	31,550,462	25,878,170
Long-term liabilities:		
Long-term debt	386,571	402,034
Grants payable, net	538,160	603,784
Total long-term liabilities	924,731	1,005,818
Total liabilities	32,475,193	26,883,988
Net assets:		
Unrestricted:		
Donor designated:		
Scholarship funds	13,095,439	11,439,400
Acorn funds	437,180	348,232
Field of interest funds	10,909,090	9,952,090
Donor-advised funds	9,162,090	8,327,084
Designated funds	8,696,055	7,416,219
Undesignated	12,571,417	11,396,732
Total unrestricted	54,871,271	48,879,757
Temporarily restricted	128,540	219,784
Total net assets	54,999,811	49,099,541
TOTAL LIABILITIES AND NET ASSETS	\$ 87,475,004	\$ 75,983,529

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2013

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

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 3,777,788	\$ 103,365	\$ 3,881,153
Investment loss	(142,916)	0	(142,916)
Administrative fees	26,527	0	26,527
Other income	92,441	0	92,441
Loss on sale of property	(83,045)	0	(83,045)
Change in beneficial interest in charitable remainder trusts	0	(1,830)	(1,830)
Net assets released from restrictions	380,000	(380,000)	0
Total support and revenue	4,050,795	(278,465)	3,772,330
Expenses:			
Program services	4,971,040	0	4,971,040
Fund development	187,014	0	187,014
Management and general	426,044	0	426,044
Total expenses	5,584,098	0	5,584,098
Change in net assets	(1,533,303)	(278,465)	(1,811,768)
Net assets at beginning	50,413,060	498,249	50,911,309
Net assets at end	\$ 48,879,757	\$ 219,784	\$ 49,099,541

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 5,900,270	\$ (1,811,768)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,654	25,979
Loss on sale of property	0	83,045
Accrued interest on loans receivable	(292,077)	0
Net realized and unrealized (gain) loss on investments	(3,949,068)	1,310,941
Change in beneficial interest in charitable remainder trusts	(8,016)	1,830
Changes in discount to present value	7,896	11,584
Changes in operating assets and liabilities:		
Accrued investment income	490	4,574
Prepaid expenses and other	18,804	(55,921)
Pledges receivable	99,260	(103,365)
Accounts payable	17,649	12,972
Grants payable	268,635	446,877
Obligation under split-interest agreements	(11,149)	(14,879)
Due to specified beneficiaries - Agency funds	5,323,038	(319,507)
Total adjustments	1,503,116	1,404,130
Net cash provided by (used in) operating activities	7,403,386	(407,638)

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from investing activities:		
Purchases of property and equipment	\$ (18,468)	\$ (12,777)
Proceeds from sale of property	0	336,285
Payments on loan receivable	19,672	25,277
Issuance of loan receivable	0	(1,000,000)
Proceeds from sale of investments	9,707,325	11,120,930
Purchases of investments	(16,961,117)	(10,184,906)
Net cash provided by (used in) investing activities	(7,252,588)	284,809
Net cash used in financing activities - Payments on long-term debt		
	(14,864)	(11,321)
Net increase (decrease) in cash and cash equivalents	135,934	(134,150)
Cash and cash equivalents at beginning	2,262,381	2,396,531
Cash and cash equivalents at end	\$ 2,398,315	\$ 2,262,381
Supplemental cash flow information:		
Interest paid and expensed	\$ 16,228	\$ 16,931

Oshkosh Area Community Foundation Corporation and Affiliate

Consolidated Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

	2013				2012			
	Program Services	Fund Development	Management and General	Total	Program Services	Fund Development	Management and General	Total
Grants and scholarships	\$ 2,953,481	\$ 0	\$ 0	\$ 2,953,481	\$ 4,067,812	\$ 0	\$ 0	\$ 4,067,812
Program distributions	622,062	0	0	622,062	456,338	0	0	456,338
Investment management fees	0	0	259,311	259,311	0	0	250,365	250,365
Salaries	207,233	86,723	81,467	375,423	228,082	95,447	89,663	413,192
Payroll taxes	15,550	6,508	6,113	28,171	17,208	7,201	6,765	31,174
Employee benefits	29,428	12,315	11,569	53,312	35,221	14,739	13,846	63,806
Insurance	3,857	1,614	1,516	6,987	4,105	1,718	1,614	7,437
Occupancy	26,516	11,097	10,424	48,037	22,329	9,344	8,778	40,451
Telephone	3,042	1,273	1,196	5,511	3,286	1,375	1,292	5,953
Membership dues	8,908	3,728	3,502	16,138	8,587	3,593	3,376	15,556
Publications	6,326	2,647	2,487	11,460	7,135	2,986	2,805	12,926
Advertising	6,028	2,523	2,370	10,921	6,147	2,572	2,417	11,136
Postage	3,445	1,442	1,354	6,241	4,688	1,962	1,843	8,493
Travel and entertainment	12,716	5,322	4,999	23,037	7,920	3,314	3,113	14,347
Conferences and education	1,897	794	746	3,437	5,227	2,187	2,055	9,469
Supplies	4,513	1,889	1,774	8,176	5,186	2,170	2,039	9,395
Professional fees	99,840	41,781	39,249	180,870	54,645	22,868	21,482	98,995
Depreciation	15,265	6,388	6,001	27,654	14,340	6,001	5,638	25,979
Marketing	25,192	10,542	9,903	45,637	18,618	7,791	7,319	33,728
Miscellaneous	11,786	4,932	4,633	21,351	4,166	1,746	1,634	7,546
Total expenses	\$ 4,057,085	\$ 201,518	\$ 448,614	\$ 4,707,217	\$ 4,971,040	\$ 187,014	\$ 426,044	\$ 5,584,098

See accompanying notes to consolidated financial statements.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Activities

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

The Organizations provide the following charitable services:

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Nature of Activities (Continued)

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

Principles of Consolidation

At June 30, 2013 and 2012, the consolidated financial statements include the accounts of Oshkosh Area Community Foundation Corporation and Oshkosh Area Community Property Corporation. The Organizations are consolidated due to financial interest, and the Organizations have a common governing body. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) for the nonprofit industry. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of such assets permit the Organizations to use all or part of the income earned on the assets. Currently, the Organizations do not have any permanently restricted net assets.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Organizations' Board of Directors has that ability (variance power); however, they would intend to exercise this authority only if the stated purpose of the contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Organizations' consolidated financial statements classify substantially all funds, including the principal of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants. In addition, to ensure the Organizations observe the limitations and restrictions placed on the funds by the donors, the Organizations' accounts are managed as individual charitable funds.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Cash and Cash Equivalents

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

Pledges Receivable

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

Loans Receivable

The loans receivable represent financing provided to various borrowers. The loans are repayable based on several criteria (see Note 8) and are stated at the amount of unpaid principal and interest, in some cases. Management has considered all loans fully collectible; therefore, no allowance has been recorded. Management does not have a policy to address placing loans on nonaccrual status and has not experienced a loan to be nonperforming or past due.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Investments

The Organizations' investments are held in bank-administered trust funds. Management has granted the investment managers discretionary authority over investment decisions based on the Organizations' investment policy.

Investments in securities with readily determinable fair values are measured at fair value in the consolidated statements of financial position. Alternative investments are valued at their net asset value per share (see Note 4).

Property, Equipment, and Depreciation

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

Beneficial Interest in Charitable Remainder Trusts

The Organizations are the beneficiaries of several agreements with donors that consist of irrevocable charitable remainder trusts for which the Organizations are the remainder beneficiary. Contribution revenue and a related beneficial interest in charitable remainder trust asset are recognized at the date the trusts are established at an amount equal to the present value of the Organizations' remainder interest in the trusts. The related beneficial interest in charitable remainder trust asset is adjusted during the term of the trust for changes in the estimate of future benefits based on discount rates ranging from 4.2% to 7.6%, and such changes are included as revenue and temporarily restricted net assets, as applicable.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Advertising

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

Reclassifications

Certain 2012 amounts have been reclassified to conform to 2013 presentation. There was no effect on total net assets or the change in net assets.

Revenue Recognition

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Program income is revenue related to special projects or other activities for which the Organizations account for that are typically specified by the donor when the funds are set up. Program income is recorded as revenue when received.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Tax Status

The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2) of the Code. The Organizations are also exempt from state income taxes on related income.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal income tax returns for the tax years ended 2010 and beyond remain subject to examination by the Internal Revenue Service.

Fair Value Measurements

The Organizations measure fair value of their financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

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

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Subsequent events have been evaluated through September 10, 2013, 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 Concentration of Credit Risk

The Organizations maintain cash balances at various financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation insured limits. Management of the Organizations believes these financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Note 3 Pledges Receivable

All pledges receivable are to be collected within one year of the statement of financial position date; therefore, they are all classified as current in the consolidated statements of financial position and no discount to present value was recorded as of June 30, 2013 or 2012.

Management has assessed the collectability of promises to give based on collection history and past experience with the donors and has estimated that the pledges receivable are fully collectible at June 30, 2013 and 2012.

Note 4 Investments

Investments at June 30 included the following:

	2013	2012
Money market funds	\$ 5,490,674	\$ 2,453,992
Certificates of deposit	280,223	159,715
Common and preferred stock	22,958,181	21,323,436
Bonds	5,175,653	0
Equity and fixed income funds	34,747,267	34,353,126
Commodities and other	2,813,639	2,979,369
Hedge funds	10,478,202	9,471,341
Total investments	\$ 81,943,839	\$ 70,740,979

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 4 Investments (Continued)

The Organizations' investments include interest in several alternative investments. These alternative investments primarily consist of investments in limited partnerships with hedge funds, commodities, private real assets, or private equity funds. The portfolio strategies focus on two approaches: (1) an absolute return hedge that attempts to profit regardless of the overall direction of the market, using highly flexible investment strategies that permit the use of short selling and margin debt, and (2) hedged equity that attempts to combine long-equity positions with short-equity positions. The Organizations have chosen to invest in these alternative funds because they can generate returns that match or exceed publicly traded equities, they carry lower correlations than equity classes relative to one another (thereby providing risk reduction and downside protection), and they can have a profound impact on the portfolio's diversification and total return when blended with an overall portfolio.

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

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

	2013	2012
Interest and dividends	\$ 1,141,791	\$ 1,168,025
Net realized gains on investments	620,627	274,103
Net unrealized gains (losses) on investments	3,328,441	(1,585,044)
Total investment income (loss)	\$ 5,090,859	\$ (142,916)

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 5 Endowments

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

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

The Organizations' spending policy is calculated as a percentage of a 16-quarter rolling average of the market value, net of investment costs and management and administrative fees. The spending policy as of June 30, 2013 and 2012, was 4% for unrestricted funds and 5% for field of interest funds. This percentage is reviewed annually by the Finance Committee of the Board of Directors and can be amended from year to year.

The Organizations have adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce growth of the funds over the long-term (defined as a period of ten or more years) while assuming a level of risk specific to each investment manager's portfolio. To satisfy its long-term, rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations require all endowment fund assets be invested in liquid securities that can be transacted quickly and efficiently for the fund with minimal impact on the market price. Such investments include cash, fixed income securities, equity securities, and mutual funds.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 5 **Endowments** (Continued)

A donor agreement is maintained for each individual endowment fund that specifies the purpose of the fund and the duration of the restriction. However, each donor has granted explicit variance power to the Organizations, as described in Note 1; therefore, the Organizations have recorded all endowment funds as unrestricted net assets.

The unrestricted net asset balance of all endowment funds as of June 30 along with a description of the components of the change are as follows:

	2013	2012
Endowment net assets at beginning	\$ 16,700,704	\$ 15,883,845
Investment return:		
Interest and dividends	485,041	388,766
Net appreciation (depreciation)	1,328,111	(413,555)
Total investment return	1,813,152	(24,789)
Contributions	723,711	1,548,116
Less:		
Assets appropriated for expenditure	457,740	371,783
Donor releases	1,107,951	0
Administrative fees	370,018	334,685
Endowment net assets at end	\$ 17,301,858	\$ 16,700,704

As of June 30, 2013 and 2012, the principal value exceeded the fair market value of the Organizations' endowments by approximately \$0 and \$114,000, respectively.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 6 Property and Equipment

Property and equipment consisted of the following at June 30:

	2013	2012
Land	\$ 137,000	\$ 137,000
Buildings and improvement	639,188	628,693
Furniture and equipment	100,395	95,857
Total property and equipment	876,583	861,550
Less - Accumulated depreciation	173,174	148,955
Property and equipment - Net	\$ 703,409	\$ 712,595

Note 7 Loans Receivable

Loans receivable consisted of the following at June 30:

	2013	2012
Note receivable from the city of Oshkosh dated September 14, 2007, for \$1,000,000, including accrued interest of \$250,000 that was recorded during 2013 in accordance with the loan agreement. Payments are provided as funds are available from: (1) 10% of the Oshkosh Convention and Visitor's Bureau Tourism Development Fund (the "Bureau") annually through a separate agreement with the Bureau and (2) a minimum of 1% of gross food and beverage sales from the convention center. There is no stated maturity date.	\$ 1,159,992	\$ 927,212

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 7 Loans Receivable (Continued)

	2013	2012
Note receivable from the University of Wisconsin-Oshkosh Foundation, Inc. dated February 14, 2012, for \$1,000,000. Payments of principal and interest at 3% are quarterly in the amount of \$36,103 commencing February 14, 2014, with final payment at maturity in February 2022.	\$ 1,042,077	\$ 1,000,000
Other miscellaneous loans	1,650	4,102
Total loans receivable	\$ 2,203,719	\$ 1,931,314

All loans receivable are considered to be for community project assistance purposes. The Organizations regularly evaluate various attributes of loans to determine the appropriateness of any allowance for doubtful accounts. This evaluation considers changes in the borrower's creditworthiness, evaluations of collectability, prior loss experience (if any), and current economic conditions. The Organizations' community project class of loans is generally evaluated based on whether the loan is performing according to the contractual terms of the loan or not. The Organizations have not identified any loans that are nonperforming. In addition, the Organizations have not identified any loans that are past due according to the contractual terms; therefore, no loans have been placed on nonaccrual status. The Organizations have not had to grant any concessions to the borrowers as troubled debt restructurings due to financial difficulties and has not individually evaluated any loans for impairment. As stated in Note 1, no allowance for doubtful accounts is necessary given the Organizations' analysis of the credit quality of its portfolio.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt

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

	2013	2012
Note payable to First National Bank - Fox Valley in monthly installments including principal and interest at 3.9% of \$2,591, maturing August 2021, collateralized by investments and other property owned by the Organizations	\$ 402,271	\$ 417,135
Less - Current maturities	15,700	15,101
<u>Long-term portion</u>	<u>\$ 386,571</u>	<u>\$ 402,034</u>

Required payments of principal on long-term debt at June 30, 2013, including current maturities, are summarized as follows:

2014	15,700
2015	16,324
2016	16,972
2017	17,646
2018	18,346
Thereafter	317,283
<u>Total</u>	<u>\$ 402,271</u>

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 9 Grants Payable

Grants payable are recognized as expenses when approved. Conditional grants are recognized when the conditions upon which they depend are substantially met.

The Organizations have the following grant commitments as of June 30:

	2013	2012
Grants payable	\$ 1,816,370	\$ 1,547,735
Less - Unamortized discount	15,920	23,816
Grants payable, net	1,800,450	1,523,919
Less - Current portion	1,262,290	920,135
Long-term portion, net	\$ 538,160	\$ 603,784

Interest was imputed at rates between 3.34% and 9.00% for the years ended June 30, 2013 and 2012, respectively, based on the risk-free rate of return or other appropriate interest rate in order to discount the unconditional promises to give to present value. These rates are determined at the time the pledges are made.

Grants payable beyond June 30, 2013, are as follows:

2014	\$ 1,262,290
2015	256,958
2016	114,128
2017	87,621
2018	57,303
Thereafter	22,150
Total	\$ 1,800,450

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 10 Temporarily Restricted Net Assets

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

	2013	2012
Pledges receivable in future years	\$ 17,740	\$ 117,000
Charitable remainder interests to be received in future years	110,800	102,784
Total temporarily restricted net assets	\$ 128,540	\$ 219,784

Note 11 Fair Value Measurements

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

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. Bonds are valued primarily by custodians based on pricing models that incorporate available trade, bid, and other market information. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Beneficial interest in charitable remainder trusts held by others and obligations to beneficiaries of split-interest agreements are measured at the present value of future cash flows considering the estimated return on the invested assets during the expected terms of the agreements, the contractual obligations under the agreement, and a discount rate based on the risks involved.

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of June 30, 2013:

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

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of June 30, 2012:

	2012			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market securities	\$ 0	\$ 2,453,992	\$ 0	\$ 2,453,992
Equities:				
U.S. equities	16,587,211	0	0	16,587,211
Foreign equities	906,554	0	0	906,554
Emerging market equities	3,829,671	0	0	3,829,671
Equity and fixed income funds:				
Growth funds	348,044	4,119,072	0	4,467,116
High-yield funds	130,512	3,164,058	0	3,294,570
Income funds	2,489,684	6,525,951	0	9,015,635
Bond funds	9,739,425	7,285,824	0	17,025,249
Value funds	550,556	0	0	550,556
Subtotal	34,581,657	23,548,897	0	58,130,554
Alternative and other investment funds:				
Multistrategy	0	220,323	4,448,709	4,669,032
Global macro	8,597	0	4,777,362	4,785,959
Advantage	8,140	0	0	8,140
Balanced risk	8,210	0	0	8,210
Real estate	4,278	0	0	4,278
Commodities	19,949	0	0	19,949
Hard assets	2,955,142	0	0	2,955,142
Subtotal other	3,004,316	220,323	9,226,071	12,450,710
Total investments	\$ 37,585,973	\$ 23,769,220	\$ 9,226,071	\$ 70,581,264

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

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

	2013	2012
Level 3 investments at beginning	\$ 9,226,071	\$ 9,219,059
Unrealized gains	1,125,996	16,066
Purchases	0	1,250
Fees	0	(10,304)
Level 3 investments at end	<u>\$ 10,352,067</u>	<u>\$ 9,226,071</u>

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the year ended June 30, 2013, is as follows:

		2013			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Multistrategy:	(a)				
TIFF Absolute Return Pool II		\$ 5,015,928	\$ 0	Various	100 days
Select MultiStrategy, Ltd.		126,135	0	Daily	None
Global macro:	(a)				
Forester Offshore, Ltd.		5,336,139	0	Various	60 days
Eaton Vance Mutual Funds Tr		8,580	0	Daily	None
Equity and fixed income funds:	(d)				
Income:					
Advisory Research Small Cap Value Fund II, LP		2,133,189	0	Daily	None
High yield:					
Post Traditional High Yield Fund, LP		3,518,526	0	Monthly	30 days
Bond:					
Colchester Global Bond Fund		3,256,204	0	10 days	10 days
Growth:					
Gryphon International EAFE Growth Group Fund		5,627,696	0	15 days	2 days
Advantage:	(a)				
Eaton Vance Floating - Rate		2,188	0	Daily	None
Balanced risk:	(a)				
Invesco Balanced-Risk Allc Y Gateway Fund-Y		7,992 9,041	0	Daily	None
Managed futures:	(a)				
Equinox Campbell Strategy I		6,721	0	Daily	None
Merger arbitrage:	(a)				
The Arbitrage Fund-I		3,272	0	Daily	None
Nontraditional bond:	(a)				
PIMCO Unconstrained Bond-P		11,764	0	Daily	None
Real estate:	(b)				
JPM US Real Estate Fund - Select ISTAR Financial Inc		4,488 113,205	0	Daily	None
Commodities:	(c)				
SPDR Gold Trust		4,050	0	Daily	None
Powershares DB Commodity Index		8,670	0	Daily	None
PIMCO Commodity Real Return Strategy		2,633,668	0	Daily	None
Total		\$ 27,827,456	\$ 0		

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

Information regarding the Organizations' investments in entities that calculate net asset value per share or its equivalent for the year ended June 30, 2012, is as follows:

		2012			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Multistrategy:	(a)				
TIFF Absolute Return Pool II		\$ 4,448,709	\$ 0	Various	100 days
Select MultiStrategy, Ltd.		220,323	0	Daily	None
Global macro:	(a)				
Forester Offshore, Ltd.		4,777,362	0	Various	60 days
Eaton Vance Mutual Funds Tr		8,597	0	Daily	None
Equity and fixed income funds:	(d)				
Income:					
Advisory Research Small Cap Value Fund II, LP		1,810,682	0	Daily	None
High yield:					
Post Traditional High Yield Fund, LP		3,164,058	0	Monthly	30 days
Bond:					
Colchester Global Bond Fund		3,253,280	0	10 days	10 days
Growth:					
Gryphon International EAFE Growth Group Fund		4,119,072	0	15 days	2 days
Advantage:	(a)				
Eaton Vance Floating - Rate		8,140	0	Daily	None
Balanced risk:	(a)				
AIM Inv Fds - Balanced Risk		8,210	0	Daily	None
Real estate:	(b)				
JPM US Real Estate Fund - Select		4,278	0	Daily	None
Commodities:	(c)				
SPDR Gold Trust		6,363	0	Daily	None
Highbridge Dyamic Comm Strg FD-Sel		7,663	0	Daily	None
Powershares DB Commodity Index		5,923	0	Daily	None
PIMCO Commodity Real Return Strategy		2,955,142	0	Daily	None
Total		\$ 24,797,802	\$ 0		

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

- (a) Hedge funds - This class includes investments in actively managed hedge funds employing a variety of strategies, including but not limited to, multistrategy, absolute return, and long/short. Hedge funds have the ability to invest long and short, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic, developed, and emerging markets. Hedge funds have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Approximately 51% of the value of this class is subject to quarterly redemption frequency, subject to a 20% gate. Approximately 48% of the value of this class is subject to an initial three-year lock-up, at which time the investments are subject to an additional three-year lock-up. Annual redemptions may be permitted once the initial three-year lock-up expires, subject to a 20% gate.
- (b) Real estate funds - This class includes investments primarily in equity securities of publicly traded real estate companies operating in the United States.
- (c) Commodities - Approximately 99% of the value in this class normally invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other fixed income instruments. It seeks to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes. The fund may also invest up to 10% of total assets in preferred stock.
- (d) Equity and fixed income funds - This class includes investments in equity and debt with investments in securities of publicly traded domestic and international companies. The fair values of investments in this category have been estimated using the net asset value per share of the investments.

Oshkosh Area Community Foundation Corporation and Affiliate

Notes to Consolidated Financial Statements

Note 11 Fair Value Measurements (Continued)

The following table presents the fair value of beneficial interests in charitable trusts and obligations to beneficiaries of split-interest agreements reflected in the consolidated statements of financial position as of June 30:

2013	Fair Value Measurements Using			Total Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 110,800	\$ 0	\$ 110,800
Liabilities - To beneficiaries from split interest agreements	0	45,225	0	45,225
2012				
Assets - Beneficial interest in charitable remainder trusts	\$ 0	\$ 102,784	\$ 0	\$ 102,784
Liabilities - To beneficiaries from split interest agreements	0	56,374	0	56,374

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2013 and 2012.

Certain information in this footnote has been reclassified to conform to 2013 presentation.

Note 12 Commitment

On May 1, 2012, the Organizations entered into a control agreement and acknowledgement of pledge and security interest with Bank First National and a current agency fund owner. This agreement stipulates Bank First National was granted a security interest in an endowment fund held at Oshkosh Area Community Foundation Corporation. Distributions from this fund are restricted and limited to \$1,000,000 per calendar year until the lender notifies the Organizations otherwise.