

Community Foundation of North Central Wisconsin, Inc.

Financial Statements

Year Ended December 31, 2017
(With Comparative Totals for 2016)



Independent Auditor's Report

Board of Directors
Community Foundation of North Central Wisconsin, Inc.
Wausau, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of North Central Wisconsin, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of North Central Wisconsin, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



Correction of Error

As discussed in Note 2 to the financial statements, certain changes resulting in an understatement of funds held for agencies and an overstatement of temporarily and permanently restricted net assets as of December 31, 2016, were made by management of the Community Foundation of North Central Wisconsin, Inc. during the current year. Accordingly, amounts reported for funds held for agencies and temporarily and permanently restricted net assets have been restated in the 2016 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2016, to correct the changes. Our opinion is not modified with respect to that matter.

Report on Comparative Information

We have previously audited the Community Foundation of North Central Wisconsin, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented (as restated) herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

April 6, 2018
Wausau, Wisconsin

Community Foundation of North Central Wisconsin, Inc.

Statement of Financial Position

December 31, 2017 (With Comparative Totals for 2016)

Assets	2017	Restated 2016
Current assets:		
Cash	\$ 6,250	\$ 6,137
Unconditional promises to give - Net	238,812	41,934
Prepaid expenses and other	23,518	21,841
Total current assets	268,580	69,912
Unconditional promises to give - Net	213,599	67,314
Investments	59,858,354	51,029,006
Property and equipment - Net	19,499	30,426
Cash value of life insurance	354,181	332,936
TOTAL ASSETS	\$ 60,714,213	\$ 51,529,594
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 37,180	\$ 35,532
Grants payable	455,769	476,579
Payroll and payroll taxes payable	3,787	15,353
Total current liabilities	496,736	527,464
Long-term liabilities - Funds held for agencies	8,327,265	7,678,261
Net assets:		
Unrestricted:		
Undesignated	13,747,875	11,334,178
Donor advised	21,026,917	16,748,803
Total unrestricted	34,774,792	28,082,981
Temporarily restricted	13,734,910	11,866,821
Permanently restricted	3,380,510	3,374,067
Total net assets	51,890,212	43,323,869
TOTAL LIABILITIES AND NET ASSETS	\$ 60,714,213	\$ 51,529,594

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Activities

Year Ended December 31, 2017 (With Comparative Total for 2016)

	2017			Total	Restated 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue, gains, and other support:					
Total amounts raised	\$ 4,457,364	\$ 3,431,574	\$ 1,850	\$ 7,890,788	\$ 7,023,687
Less - Funds held for agencies	294,937	1,688,911	-	1,983,848	2,572,158
Contributions	4,162,427	1,742,663	1,850	5,906,940	4,451,529
Total investment income	4,183,045	2,991,074	-	7,174,119	2,992,877
Less - Investment income on funds held for agencies	-	810,000	-	810,000	346,797
Investment income	4,183,045	2,181,074	-	6,364,119	2,646,080
Total contributions and investment income	8,345,472	3,923,737	1,850	12,271,059	7,097,609
Total increase in cash value of life insurance	13,503	-	7,742	21,245	20,581
Less - Increase in cash value of life insurance on funds held for agencies	-	-	3,646	3,646	3,936
Increase in cash value of life insurance	13,503	-	4,096	17,599	16,645
Other	-	-	-	-	2,286
Net assets released from restrictions	1,892,838	(1,892,838)	-	-	-
Total revenue, gains, and other support	10,251,813	2,030,899	5,946	12,288,658	7,116,540
Expenses:					
Grants - Total distributions approved for charitable purposes	5,274,247	-	-	5,274,247	3,565,525
Less - Distributions from funds held for agencies	2,037,993	-	-	2,037,993	1,767,082
Grants - Distributions approved for charitable purposes	3,236,254	-	-	3,236,254	1,798,443
Total management and general	354,193	-	-	354,193	337,211
Less - Administrative fees on funds held for agencies	110,497	-	-	110,497	97,432
Management and general	243,696	-	-	243,696	239,779
Program services	201,878	-	-	201,878	210,911
Fund-raising	40,487	-	-	40,487	42,864
Total expenses	3,722,315	-	-	3,722,315	2,291,997
Revenue in excess of expenses	\$ 6,529,498	\$ 2,030,899	\$ 5,946	\$ 8,566,343	\$ 4,824,543

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Changes in Net Assets

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	2017			Total	Restated 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Net assets at beginning	\$ 28,082,981	\$ 11,866,821	\$ 3,374,067	\$ 43,323,869	\$ 38,499,326
Revenue in excess of expenses	6,529,498	2,030,899	5,946	8,566,343	4,824,543
Net asset transfer between funds	162,313	(162,810)	497	-	-
Change in net assets	6,691,811	1,868,089	6,443	8,566,343	4,824,543
Net assets at end	\$ 34,774,792	\$ 13,734,910	\$ 3,380,510	\$ 51,890,212	\$ 43,323,869

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Cash Flows

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	2017	Restated 2016
Increase (decrease) in cash:		
Cash flows from operating activities:		
Contributions received	\$ 6,212,781	\$ 5,726,086
Grants paid	(3,257,064)	(1,826,695)
Cash paid to employees and suppliers	(478,987)	(489,929)
Interest and dividends received	827,071	1,421,812
Net cash provided by operating activities	3,303,801	4,831,274
Cash flows from investing activities:		
Capital expenditures	-	(5,689)
Premiums paid on life insurance	(7,742)	(8,369)
Purchases of investments	(43,652,732)	(12,670,571)
Proceeds from sale of investments	40,356,786	7,764,520
Net cash used in investing activities	(3,303,688)	(4,920,109)
Net increase (decrease) in cash	113	(88,835)
Cash at beginning	6,137	94,972
Cash at end	\$ 6,250	\$ 6,137

Community Foundation of North Central Wisconsin, Inc.

Statement of Cash Flows (Continued)

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	2017	Restated 2016
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 8,566,343	\$ 4,824,543
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized (gain) loss on investments	(1,631,681)	1,188,087
Net unrealized (gain) loss on investments recorded at fair value	(3,901,721)	(2,408,419)
Amortization of discount on unconditional promises to give	3,331	(795)
Provision for depreciation	10,927	11,428
Increase in cash value of life insurance	(13,503)	(12,212)
Changes in operating assets and liabilities:		
Unconditional promises to give	(346,494)	214,689
Prepaid expenses and other	(1,677)	(3,017)
Accounts payable	1,648	(6,241)
Grants payable	(20,810)	(28,252)
Payroll and payroll taxes payable	(11,566)	(6,914)
Funds held for agencies	649,004	1,058,377
Total adjustments	(5,262,542)	6,731
Net cash provided by operating activities	\$ 3,303,801	\$ 4,831,274

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Principal Activity

Community Foundation of North Central Wisconsin, Inc. (the "Foundation") is a not-for-profit foundation that accepts contributions from various donors for specified or unspecified purposes and distributes these contributions to various organizations that meet the requirements of the Foundation's bylaws and mission statement.

Financial Statement Presentation

The Foundation follows accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) for nongovernmental entities in the preparation of financial statements in accordance with GAAP.

Basis of Presentation

Net assets and support and revenue are classified based on the existence or absence of donor-imposed restrictions and, accordingly, are reported as follows:

- Unrestricted net assets of the Foundation are neither temporarily nor permanently restricted by donor-imposed stipulations. Included in this category of net assets are donor advised net assets. These net assets represent donated resources for which the donor retains the right to recommend to the Foundation preferred charitable recipients. The Foundation has the final authority on the disposition of the net assets in accordance with its charitable purpose.
- Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.
- Permanently restricted net assets include endowment funds that are generally subject to donor-imposed restrictions requiring the principal be invested in perpetuity and only the income be used. Certain endowment funds include provisions that allow, in unusual circumstances, a portion of the principal to be expended.

The Foundation has elected to classify net assets in accordance with the original intent of the donor as specified in the donor contract regardless of the fact that all contracts contain language granting the Foundation variance power. This variance power gives the Foundation's Board of Directors the authority to redirect the use of assets transferred to them by donors and effectively removes the donors' restrictions. However, since the Foundation's Board of Directors does not anticipate exercising this variance power, management has elected to classify net assets based on the donors' specifications.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. The fair value measurement of investments constitutes a significant estimate. Accordingly, actual results may differ from these estimates.

Unconditional Promises to Give

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, unless the donor's intention is to support current-period activities.

Unconditional promises to give are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The discount rate used for the year ended December 31, 2017, was 1.86%. The amortization of the discount is recognized as contribution income over the duration of the pledge. Unconditional promises to give, which are receivable in less than one year, are discounted and reported as current assets. Unconditional promises to give, which are receivable for longer than one year, are discounted and reported as noncurrent assets.

Management individually reviews all past due unconditional promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of unconditional promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts. Management believes the promises to give are fully collectible, therefore no allowance for uncollectible amounts has been provided.

Contribution Revenue

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Conditions that are restricted by the donor are reported as increases in temporarily restricted net assets which are reclassified to unrestricted net assets at the point when a stipulated time restriction ends or a purpose restriction is accomplished.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Costs are charged on a direct functional basis when practical. When direct charges cannot be determined, the costs are allocated on the basis of management's estimated proportional use of the service provided or resource consumed.

Investments

Investments are presented in the financial statements at fair value. Realized and unrealized gains and losses on investments are reflected in operations.

The Foundation invests in various investments. 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 financial statements.

The Foundation monitors the difference between the cost and fair value of its investments. If investments experience a decline in value that the Foundation determines is other than temporary, the Foundation records a realized loss in investment income.

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.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unemployment Compensation

The Foundation has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. The Foundation has designated a certificate of deposit of \$3,360 to meet state funding requirements.

Property, Equipment, and Depreciation

The Foundation follows the practice of capitalizing all expenditures for computer software, furniture and equipment, and leasehold improvements with individual costs in excess of \$1,000 per item. The fair market value of donated fixed assets is similarly capitalized. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets or terms of the lease, whichever is required. Estimated useful lives of property and equipment range from five to ten years. Depreciation expense for 2017 was \$10,927.

The Foundation reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants Payable

Unconditional grants are recognized as an expense when approved. Conditional grants are recognized when the conditions on which they depend are substantially met. The grants are generally paid within one year.

Funds Held for Agencies

The Foundation recognizes a liability when it receives a transfer of assets and the resource provider (i.e., a not-for-profit organization) specifies itself or an affiliate as the beneficiary, even if the resource provider explicitly grants the Foundation variance power. The Foundation, when accepting cash or other financial assets from a not-for-profit organization, recognizes the fair value of those assets as a liability to the specified beneficiary (generally the same not-for-profit organization) concurrent with recognition of the assets received from the not-for-profit organization.

Income Taxes

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is also exempt from state income taxes on related income.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through April 6, 2018, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This ASU updates financial statement presentation and disclosure requirements for not-for-profit entities in an effort to make the information more meaningful to users of the financial statements. Revisions include but are not limited to the net asset classifications, qualitative and quantitative information on liquidity management, and disclosure of functional and natural expense classifications. This ASU is effective for the Foundation's year ending December 31, 2018. Early implementation is permitted.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Foundation's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires organizations to recognize all leases with terms greater than one year as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. This ASU is effective for the Foundation's year ending December 31, 2020.

The Foundation is currently evaluating the impact of the provisions of these ASUs.

Note 2: Restatement

In 2017, management determined that five hybrid funds split between temporarily restricted and permanently restricted net assets should be reclassified as funds held for agencies. The effect of the restatement was to increase funds held for agencies by \$866,918 and decrease temporarily restricted and permanently restricted net assets by \$161,524 and \$705,394. This change also decreased net income by \$30,158.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 3: Investments

Effective October 1, 2016 the Foundation utilizes the services of AndCo Consulting, an investment consulting firm, for long-term investment research and planning. Previously, the investment consulting firm the Foundation utilized was Fund Evaluation Group. Investments held at fair value at December 31, 2017, are as follows:

Equity funds	\$ 35,993,332
Fixed income funds	18,344,039
Hedge fund of funds	75,957
Money market funds	5,445,026
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Total	\$ 59,858,354
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The detail of the investments at December 31, 2017, follows:

Unrestricted	\$ 34,857,536
Temporarily restricted	13,897,338
Permanently restricted	3,276,145
Funds held for agencies	7,827,335
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Total	\$ 59,858,354
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The net investment gain consists of interest, dividends, realized gains and losses, and unrealized gains and losses. The detail of net investment gain for the year ended December 31, 2017, follows:

Interest and dividends	\$ 936,777
Net realized gain on investments	1,810,874
Net unrealized gain on investments recorded at fair value	4,426,468
Investment income allocated to funds held for agencies	(810,000)
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Total	\$ 6,364,119
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Note 4: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2017.

Money market funds are valued at historical cost which approximates fair value. Equity and fixed income funds are valued at quoted market prices which represent the net asset value of shares held by the Foundation at year-end. Hedge fund of funds are valued at estimated fair value based on meaningful third-party transactions, comparable public market valuations, and/or the income approach. An investment may be carried at cost if deemed the most appropriate estimate of fair value.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis as of December 31, 2017:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equity funds:				
Value	\$ 7,423,396	\$ -	\$ -	\$ 7,423,396
Blend	9,186,490	-	-	9,186,490
Growth	14,010,475	-	-	14,010,475
Emerging market	5,372,971	-	-	5,372,971
Total equity funds	35,993,332	-	-	35,993,332
Fixed income funds	18,344,039	-	-	18,344,039
Hedge fund of funds	-	-	75,957	75,957
Money market funds	-	5,445,026	-	5,445,026
Total investment assets	\$ 54,337,371	\$ 5,445,026	\$ 75,957	\$ 59,858,354

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2017:

	Hedge Fund of Funds
Balance, at beginning	\$ 3,492,518
Purchases, sales, issuances, and settlements (net)	(3,423,316)
Unrealized gains relating to instruments still held at reporting date	6,755
Balance, at end	\$ 75,957

At December 31, 2017, the Level 3 hedge fund of funds asset is subject to a "lock-up" restriction that restricts the Foundation from redemption during the first three years of the investment. Redemptions of \$3,548,333 occurred during 2017. The remaining redemptions of this fund will happen during 2018.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 5: Unconditional Promises to Give - Net

Unconditional promises to give consisted of the following at December 31, 2017:

Less than one year	\$ 246,483
One to five years	197,000
Greater than five years	24,000
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Total unconditional promises to give	467,483
Less - Discounts to net present value	15,072
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Unconditional promises to give - Net	452,411
Less - Current portion	238,812
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Noncurrent unconditional promises to give - Net	\$ 213,599
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Note 6: Property and Equipment

Property and equipment consisted of the following at December 31, 2017:

Computer software	\$ 52,044
Furniture and equipment	44,565
Leasehold improvements	46,100
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Total	142,709
Less - Accumulated depreciation	123,210
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Property and equipment - Net	\$ 19,499
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Note 7: Charitable Gift Annuity

The Foundation had established a charitable gift annuity program that terminated during 2017 when the sole survivor passed. Under the charitable gift annuity arrangement, the donor received a fixed percentage rate of income based on the initial value of the gift annuity, payable quarterly. Assets received under a gift annuity contract were held as general assets of the Foundation, and the annuity liability was a general obligation of the Foundation. The asset and corresponding liability were insignificant to the financial statements and have been offset for financial statement reporting purposes. The Foundation had purchased an annuity contract with Metropolitan Life Insurance Company (MetLife, Inc.) to handle the obligation to the donor. MetLife, Inc. has a Moody investor rating of Aa3 (excellent).

As required by the State of Wisconsin, the Foundation had established a \$100,000 reserve related to the charitable gift annuity program and funds reverted to the Foundation as unrestricted.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Arts	\$ 234,805
Education	9,097,908
Health and human services	3,377,643
Resource preservation	1,024,554
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Total	\$ 13,734,910
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Note 9: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following at December 31, 2017:

Arts	\$ 125,450
Education	105,967
Health and human services	3,149,093
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Total	\$ 3,380,510
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The Foundation's permanent endowment funds consist of eight donor-restricted endowment funds established by various donors for specified purposes benefiting the communities throughout north central Wisconsin. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 9: Permanently Restricted Net Assets (Continued)

Permanent endowments consisted of the following at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (13,535)	\$ 442,524	\$ 3,380,510	\$ 3,809,499

Changes in endowment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at January 1, 2016	\$ (31,635)	\$ 150,786	\$ 3,374,067	\$ 3,493,218
Investment returns:				
Interest and dividends	1,895	60,845	-	62,740
Net realized gain	4,240	136,222	-	140,462
Net unrealized gain	19,099	274,683	-	293,782
Total investment return	25,234	471,750	-	496,984
Appropriation of endowment assets for expenditures	(7,134)	(180,012)	-	(187,146)
Net asset transfers between funds	-	-	497	497
Contributions	-	-	1,850	1,850
Increase in cash value of life insurance	-	-	4,096	4,096
Endowment at December 31, 2016	\$ (13,535)	\$ 442,524	\$ 3,380,510	\$ 3,809,499

Donor-Restricted Endowments

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the Foundation to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) the accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 9: Permanently Restricted Net Assets (Continued)

Donor-Restricted Endowments (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are required to be reported in unrestricted net assets were \$13,535 as of December 31, 2017. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. The Foundation uses up to 5% of the previous 12 quarters' average of the endowment funds' market value as the targeted allowable spending amount from the endowment funds. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation, and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Foundation's asset allocations may include a blend of equity, fixed income, real asset, diversifying strategies, hedge, and cash equivalent funds.

Interest, dividends, and net appreciation in fair value of endowment funds are classified as temporarily restricted net assets if the earnings are restricted by the donor for a specific purpose or as board-designated if the earnings are not donor restricted. Interest and dividends on donor-restricted endowment funds are appropriated for distribution at the discretion of the Board of Directors.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 10: Net Assets Released From Restrictions

The net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors are as follows for the year ended December 31, 2017:

Distributions approved for charitable purposes:	
Arts	\$ 73,181
Education	279,404
Health and human services	215,395
Resource preservation	1,068,700
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Total distributions approved for charitable purposes	1,636,680
Administrative fees	256,158
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Total	\$ 1,892,838

Note 11: Operating Leases

The Foundation leases its office space under an operating lease which expires March 31, 2019, with two extension terms of five years each.

Future minimum payments (without considering inflationary adjustments) under the operating lease consist of the following:

2018	\$ 36,521
2019	9,181
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Total	\$ 45,702

Rent expense totaled \$31,970 for the year ended December 31, 2017.

Note 12: Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at various financial institutions and investment companies. The balances, at times, may exceed federally insured limits. The Foundation exceeded the insured limits at December 31, 2017, by approximately \$2,033,000.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes these financial institutions and investment companies have strong credit ratings or other favorable financial factors and that credit risk related to these deposits and investments is minimal.

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Notes to Financial Statements

Note 13: Major Funding Source

During 2017, three major contributors accounted for approximately 21%, 17%, and 14% of contributions, aggregating approximately \$1,248,000, \$993,000, and \$830,000, respectively.

Note 14: Reclassification

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 classifications.