

Community Foundation of North Central Wisconsin, Inc.

Financial Statements

Year Ended December 31, 2018
(With Comparative Totals for 2017)



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



Change in Accounting Principle

As discussed in Note 2 to the financial statements, management has elected to change its policy for determining funds held for agencies, without donor restrictions and with donor restrictions in 2018. 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 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

June 4, 2019
Wausau, Wisconsin

Community Foundation of North Central Wisconsin, Inc.

Statement of Financial Position

December 31, 2018 (With Comparative Totals for 2017)

Assets	2018	Restated 2017
Current assets:		
Cash	\$ 51,829	\$ 6,250
Unconditional promises to give	1,376,776	238,812
Prepaid expenses and other	34,657	23,518
Total current assets	1,463,262	268,580
Unconditional promises to give - Net	173,441	213,599
Investments	57,635,950	59,858,354
Property and equipment - Net	12,888	19,499
Cash value of life insurance	377,544	354,181
TOTAL ASSETS	\$ 59,663,085	\$ 60,714,213
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 30,049	\$ 37,180
Grants payable	553,989	456,146
Payroll and payroll taxes payable	6,000	3,787
Total current liabilities	590,038	497,113
Long-term liabilities - Funds held for agencies	6,837,775	7,174,810
Net assets:		
Without donor restrictions	50,642,236	52,692,736
With donor restrictions	1,593,036	349,554
Total net assets	52,235,272	53,042,290
TOTAL LIABILITIES AND NET ASSETS	\$ 59,663,085	\$ 60,714,213

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Activities

Year Ended December 31, 2018 (With Comparative Total for 2017)

	2018			Restated 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, gains, and other support:				
Contributions	\$ 4,882,353	\$ 1,245,262	\$ 6,127,615	\$ 7,014,305
Investment income (loss)	(2,763,289)	-	(2,763,289)	6,314,533
Administrative fees - Agency funds	90,260	-	90,260	89,238
Increase in cash value of life insurance	-	19,703	19,703	17,599
Other	2,184	-	2,184	2
Net assets released from restrictions	21,483	(21,483)	-	-
Total revenue, gains, and other support	2,232,991	1,243,482	3,476,473	13,435,677
Expenses:				
Program services	3,909,640	-	3,909,640	4,742,599
Management and general	324,620	-	324,620	332,472
Fund-raising	49,231	-	49,231	30,875
Total expenses	4,283,491	-	4,283,491	5,105,946
Change in net assets	(2,050,500)	1,243,482	(807,018)	8,329,731
Net assets - Beginning of year, restated	52,692,736	349,554	53,042,290	44,712,559
Net assets - End of year	\$ 50,642,236	\$ 1,593,036	\$ 52,235,272	\$ 53,042,290

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Cash Flows

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	2018	Restated 2017
Change in cash:		
Cash flows from operating activities:		
Contributions received	\$ 4,785,218	\$ 7,645,621
Grants paid	(3,665,013)	(4,615,947)
Cash paid to employees and suppliers	(525,487)	(511,100)
Interest and dividends received	747,668	777,485
Net cash from operating activities	1,342,386	3,296,059
Cash flows from investing activities:		
Capital expenditures	(4,594)	-
Purchases of investments	(15,240,485)	(43,652,732)
Proceeds from sale of investments	13,948,272	40,356,786
Net cash from investing activities	(1,296,807)	(3,295,946)
Net change in cash	45,579	113
Cash at beginning	6,250	6,137
Cash at end	\$ 51,829	\$ 6,250

Community Foundation of North Central Wisconsin, Inc.

Statement of Cash Flows (Continued)

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	2018	Restated 2017
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (807,018)	\$ 8,329,731
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized gain on investments	(1,534,551)	(1,631,681)
Net unrealized (gain) loss on investments recorded at fair value	5,049,168	(3,901,721)
Amortization of discount on unconditional promises to give	(2,889)	4,843
Provision for depreciation	11,205	10,927
Increase in cash value of life insurance	(23,363)	(21,245)
Changes in operating assets and liabilities:		
Unconditional promises to give	(1,094,917)	(348,006)
Prepaid expenses and other	(11,139)	(1,677)
Accounts payable	(7,131)	1,648
Grants payable	97,843	(20,433)
Payroll and payroll taxes payable	2,213	(11,566)
Funds held for agencies	(337,035)	885,239
Total adjustments	2,149,404	(5,033,672)
Net cash from operating activities	\$ 1,342,386	\$ 3,296,059

See accompanying notes to financial statements.

Community Foundation of North Central Wisconsin, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018 (With Comparative Total for 2017)

	Program	Management and General	Fund-Raising	Totals	
				2018	Restated 2017
Expenses:					
Grants	\$ 3,762,856	\$ -	\$ -	\$ 3,762,856	\$ 4,595,515
Salaries and wages	73,884	190,393	19,892	284,169	266,349
Benefits	9,181	23,660	2,472	35,313	32,232
Payroll taxes	5,641	14,536	1,519	21,696	21,798
Professional fees	-	17,890	-	17,890	14,760
Computer support services	20,000	10,000	3,333	33,333	38,035
Telephone and internet	1,351	1,351	300	3,002	3,071
Marketing and development	17,898	-	17,898	35,796	33,912
Office supplies and equipment	1,589	4,767	-	6,356	5,375
Postage	420	1,262	-	1,682	3,626
Insurance	-	6,744	-	6,744	7,011
Rent	14,746	14,746	3,277	32,769	31,970
Dues and subscriptions	1,534	1,534	-	3,068	2,640
Conference and training	140	145	140	425	428
Local business expenses	400	-	400	800	2,000
In-kind services	-	24,834	-	24,834	26,289
Strategic planning	-	-	-	-	9,500
Depreciation	-	11,205	-	11,205	10,927
Miscellaneous	-	1,553	-	1,553	508
Totals	\$ 3,909,640	\$ 324,620	\$ 49,231	\$ 4,283,491	\$ 5,105,946

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.

Basis of Accounting

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.

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.

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, 2017, from which the summarized information was derived.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual use is restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions 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, 2018, was 2.82%. The amortization of the discount is recognized as contribution income over the duration of the promise to give. Unconditional promises to give, which are receivable in less than one year, are recorded at net realizable value as current assets. Unconditional promises to give, which are receivable for longer than one year, are discounted and reported as noncurrent assets.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give (Continued)

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.

Investments

Investments are presented in the financial statements at fair value. Realized and unrealized gains and losses on investments are reflected in operations. Investment expenses, including direct internal investment expenses, are netted with investment income (loss) on the statement of activities.

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.

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 2018 was \$11,205.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent its carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2018.

The Foundation reports gifts of property and equipment as support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations about how long those 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.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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. Funds held for agencies as of December 31, 2018, consists of \$6,503,049 in investments, \$239,499 in unconditional promises to give, and \$95,227 of cash value of life insurance.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 Foundation's 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 inapplicable and incapable of fulfillment. Accordingly, the Foundation's 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 Foundation observes the limitations and restrictions placed on the funds by the donors, the Foundation's accounts are managed as individual charitable funds.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue

Contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Contributions received are recorded as net assets with donor restrictions, 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.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions which are reclassified to net assets without donor restrictions at the point when a stipulated time restriction ends or a purpose restriction is accomplished.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs are charged on a direct functional basis when practical. Certain categories of expenses are attributable to more than one supporting function and, therefore, require allocation of amounts to the respective supporting functions benefited by incorporating an activity based costing model based on employee time and efforts. Management believes their allocations are done on a reasonable and consistent basis. The Foundation has segregated its supporting activities into the categories of management and general and fundraising.

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.

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.

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 (CoD) of \$3,360 to meet state funding requirements. The CoD renews every 30 days.

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.

The Foundation does not believe it has any material uncertain tax positions requiring recognition or measurement in accordance with GAAP.

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Financial Statements for Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Foundation's year ended December 31, 2018, and was applied retrospectively to the comparative summarized information presented. Amounts reported for the year ended December 31, 2017, were restated to reflect the change. This change had no effect on change in net assets.

New Accounting Pronouncements

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. ASU No. 2016-02 is effective for the Foundation's year ending December 31, 2020.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

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

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

Subsequent Events

Subsequent events have been evaluated through June 4, 2019, which is the date the financial statements were available to be issued.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 2: Change in Accounting Principle

The financial statements as of and for the year ended December 31, 2017, have been restated to reflect a change in accounting policy that was adopted during the audit for the year ended December 31, 2018.

Previously the Foundation 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, including funds held for agencies. Variance power gives the Foundation's Board 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 did not anticipate exercising variance power, management had elected to classify net assets based on the donors' specifications. The new method of accounting for funds held for agencies, without donor restrictions and with donor restrictions was adopted because the Foundation's Board has that ability (variance power); however, the Board would intend to exercise this authority only if the stated purpose of the contribution becomes inapplicable and incapable of fulfillment. Accordingly, the Foundation's 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. This resulted in an understatement of net assets, grants payable, certain revenue, and certain expenditures as of December 31, 2017, and an overstatement of funds held for agencies as of December 31, 2017.

The effect of the change in accounting principle is as follows:

	Prior to Restatement	Restatement	After Restatement
Net assets at December 31, 2016	\$ 43,323,869	\$ 1,388,690	\$ 44,712,559
Funds held for agencies	8,327,265	(1,152,455)	7,174,810
Grants payable	455,769	377	456,146
Net assets:			
Unrestricted	34,774,792	17,917,944	52,692,736
Temporarily restricted	13,734,910	(13,385,356)	349,554
Permanently restricted	3,380,510	(3,380,510)	-
Total net assets at December 31, 2017	51,890,212	1,152,078	53,042,290
Total support and revenue	\$ 12,288,658	\$ 1,147,019	\$ 13,435,677
Total expenses	3,722,315	1,383,631	5,105,946
Change in net assets December 31, 2017	8,566,343	(236,612)	8,329,731

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 3: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at December 31, 2018:	
Cash	\$ 51,829
Unconditional promises to give	1,550,217
Investments	57,635,950
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Total financial assets	59,237,996
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Less amounts not available for general expenditure within 12 months:	
Donor Designated:	
Endowed	14,758,997
Restricted	6,351,252
Scholarship	6,029,157
Donor advised	1,342,705
Unconditional promises to give - due after one year, net	173,441
Funds held for agencies	6,837,775
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Financial assets not available to be used within one year	35,493,327
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Financial assets available to meet general expenditures within one year	\$ 23,744,669
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The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. The Foundation also receives support without donor restrictions; such support provides annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation's Distribution Committee (the "Committee") meets quarterly to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for quarterly grant commitments approved by the Committee.

As part of the Foundation's liquidity management plan, it invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$302,035 as of December 31, 2018 and is included in investments on the balance sheet as taxable bond funds.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 4: Investments

Effective October 1, 2016, the Foundation utilizes the services of AndCo Consulting, an investment consulting firm, for long-term investment research and planning. Investments held at fair value at December 31, 2018, are as follows:

Equity funds	\$ 34,528,522
Fixed income funds	18,704,468
Taxable bond funds	302,035
Common stock	9,216
Money market funds	4,091,709
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Total	\$ 57,635,950

The detail of the investments at December 31, 2018, follows:

Net assets without donor restrictions	\$ 51,132,901
Funds held for agencies	6,503,049
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Total	\$ 57,635,950

The net investment loss consists of interest, dividends, realized gains and losses, unrealized gains and losses, and investment management fees. The detail of net investment loss for the year ended December 31, 2018, follows:

Interest and dividends	\$ 805,407
Net realized gain on investments	1,534,551
Net unrealized loss on investments recorded at fair value	(5,049,168)
Investment management fees	(54,079)
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Net investment loss	\$ (2,763,289)

Note 5: 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, 2018.

Money market funds are valued at historical cost which approximates fair value. Equity, common stock, taxable bond funds, 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 5: 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, 2018:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity funds:				
Value	\$ 7,988,338	\$ -	\$ -	\$ 7,988,338
Blend	7,378,419	-	-	7,378,419
Growth	14,896,990	-	-	14,896,990
Emerging market	4,264,775	-	-	4,264,775
Total equity funds	34,528,522	-	-	34,528,522
Fixed income funds	18,704,468	-	-	18,704,468
Common stock	9,216	-	-	9,216
Taxable bond funds	302,035	-	-	302,035
Money market funds	-	4,091,709	-	4,091,709
Total investment assets	\$ 53,544,241	\$ 4,091,709	\$ -	\$ 57,635,950

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, 2018:

	Hedge Fund of Funds
Balance, at beginning	\$ 75,957
Purchases, sales, issuances, and settlements (net)	(75,957)
Balance, at end	\$ -

At December 31, 2017, the Level 3 hedge fund of funds asset was subject to a "lock-up" restriction that restricts the Foundation from redemption during the first three years of the investment. Final redemption of \$75,957 occurred during 2018.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 6: Unconditional Promises to Give - Net

Unconditional promises to give consisted of the following at December 31, 2018:

Less than one year	\$ 1,384,447
One to five years	157,913
Greater than five years	20,000
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Total unconditional promises to give	1,562,360
Less - Discounts to net present value	12,143
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Unconditional promises to give - Net	1,550,217
Less - Current portion	1,376,776
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Noncurrent unconditional promises to give - Net	\$ 173,441
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Note 7: Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Computer software	\$ 56,638
Furniture and equipment	44,565
Leasehold improvements	46,100
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Total	147,303
Less - Accumulated depreciation	134,415
<hr/>	
Property and equipment - Net	\$ 12,888
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Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

Unconditional promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 1,310,719
Cash surrender value of life insurance	282,317
<hr/>	
Total	\$ 1,593,036
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Note 9: Net Assets Released From Donor Restrictions

The net assets released from donor restrictions by occurrence of the passage of time for the year ended December 31, 2018, was \$21,483.

Community Foundation of North Central Wisconsin, Inc.

Notes to Financial Statements

Note 10: Operating Leases

The Foundation leases its office space under an operating lease which expires March 31, 2024, with one extension term of five years.

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

2019	\$	37,411
2020		38,346
2021		39,304
2022		40,287
2023		41,294
Thereafter		10,387
<hr/>		
Total	\$	207,029

Rent expense totaled \$32,769 for the year ended December 31, 2018.

Note 11: 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, 2018, by approximately \$1,195,000.

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.

Note 12: Major Funding Source

During 2018, one major contributor accounted for approximately 16.3% of contributions, aggregating approximately \$1,000,000.

Note 13: Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 classifications.