

Incourage Community Foundation, Inc. and Affiliate

Wisconsin Rapids, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2011 and 2010

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Financial Statements and Supplementary Information

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Independent Auditor's Report

To the Board of Directors
Incourage Community Foundation, Inc.
Wisconsin Rapids, Wisconsin

We have audited the accompanying consolidated statements of financial position of Incourage Community Foundation, Inc. and Affiliate as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Incourage Community Foundation, Inc. and Affiliate as of December 31, 2011 and 2010, and change in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information of consolidated statements of functional expenses appearing on pages 26 and 27 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

June 21, 2012
Wausau, Wisconsin

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents	\$ 151,514	\$ 116,193
Unconditional promises to give - Net	565,407	602,998
Grant receivable	104,548	6,968
Other assets	23,112	29,763
Total current assets	844,581	755,922
Investments	23,291,263	26,212,621
Note receivable	104,000	89,853
Property and equipment:		
Land	176,000	176,000
Building and improvements	581,642	581,642
Office equipment and furnishings	191,876	205,843
Totals	949,518	963,485
Less - Accumulated depreciation	199,606	184,028
Net depreciated value	749,912	779,457
Capital additions in progress	45,327	-
Net property and equipment	795,239	779,457
Other assets:		
Unconditional promises to give - Net	1,911,844	2,377,866
Beneficial interest in pooled income funds	112,944	130,582
Other	2,261	-
Total other assets	2,027,049	2,508,448
TOTAL ASSETS	\$ 27,062,132	\$ 30,346,301

<i>Liabilities and Net Assets</i>	2011	2010
Current liabilities:		
Grants payable	\$ 166,526	\$ 151,310
Accounts payable	50,283	80,624
Accrued payroll and benefits	60,277	45,501
Funds held for other agencies	751,297	905,875
Total current liabilities	1,028,383	1,183,310
Long-term liability - Split-interest agreements	42,899	45,333
Total liabilities	1,071,282	1,228,643
Net assets:		
Unrestricted:		
Designated	10,657,242	12,537,559
Donor advised	2,888,396	4,338,799
Field of interest/scholarships	4,670,109	3,592,549
Undesignated	5,050,010	5,410,715
Total unrestricted	23,265,757	25,879,622
Temporarily restricted	2,725,093	3,238,036
Total net assets	25,990,850	29,117,658
TOTAL LIABILITIES AND NET ASSETS	\$ 27,062,132	\$ 30,346,301

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Activities

Years Ended December 31, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Revenue and other support:		
Contributions	\$ 1,337,678	\$ 926,863
Grant revenue	161,579	6,968
Interest and dividends	535,680	458,463
Rent	31,080	31,080
Net assets released from restriction	538,225	478,003
Total revenue and other support	2,604,242	1,901,377
Expenses:		
Program services:		
Distributions approved for charitable purposes	1,732,692	1,004,146
Direct program services	1,467,898	1,117,434
Management and general	647,990	594,687
Fund-raising	117,200	106,988
Total expenses	3,965,780	2,823,255
Other income (expense):		
Net realized and unrealized gain (loss) on investments	(1,262,475)	2,569,670
Other income (expense)	10,148	(8,947)
Total other income (expense)	(1,252,327)	2,560,723
Increase (decrease) in unrestricted net assets	(2,613,865)	1,638,845
Temporarily restricted net assets:		
Unconditional promises to give - Net	45,000	111,800
Net assets released from restrictions	(538,225)	(478,003)
Net realized and unrealized loss on investments	(19,718)	(1,436)
Decrease in temporarily restricted net assets	(512,943)	(367,639)
Changes in net assets	(3,126,808)	1,271,206
Net assets at beginning	29,117,658	27,846,452
Net assets at end	\$ 25,990,850	\$ 29,117,658

See accompanying notes to consolidated financial statements.

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	\$ (3,126,808)	\$ 1,271,206
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for depreciation	37,746	30,592
Net realized and unrealized (gain) loss on investments	1,282,193	(2,568,234)
Contribution of marketable equity securities	(36,636)	(111,420)
Change in the present value of split-interest agreements	15,204	3,030
Provision for uncollectible receivables and promises to give	(7,452)	4,500
Changes in operating assets and liabilities:		
Unconditional promises to give - Net	513,613	382,630
Grant receivable	(97,580)	(6,968)
Other assets	1,842	(6,863)
Grants payable	15,216	24,517
Accounts payable	(11,651)	38,578
Accrued payroll and benefits	14,776	6,702
Funds held for other agencies	(154,578)	(386,360)
Total adjustments	1,572,693	(2,589,296)
Net cash used in operating activities	(1,554,115)	(1,318,090)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	5,634,570	4,580,080
Payment for purchase of investments	(3,958,768)	(3,145,050)
Net change in note receivable	(14,147)	(89,853)
Acquisition of capital assets	(72,219)	(10,103)
Net cash provided by investing activities	1,589,436	1,335,074
Net increase in cash and cash equivalents	35,321	16,984
Cash and cash equivalents at beginning	116,193	99,209
Cash and cash equivalents at end	\$ 151,514	\$ 116,193

Noncash operating and investing activities:

For the years ended December 31, 2011 and 2010, the Foundation received \$36,636 and \$111,420, respectively, in gifts of noncash investments.

Included in accounts payable at December 31, 2011 and 2010, is \$5,070 and \$23,760, respectively, for property and equipment.

Incourage Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Activities

Incourage Community Foundation, Inc. (the “Foundation”) is a not-for-profit community foundation incorporated under the laws of the State of Wisconsin in 1993. Its primary mission is to promote strategic philanthropy, build social capital, and leverage community resources for the common good. The Foundation’s vision is a resilient, thriving community that embraces and supports all people. It receives and maintains funds to be utilized for philanthropic activities that meet the requirements of the Foundation’s governing documents.

The Foundation changed its name effective December 2011 and was formerly known as the Community Foundation of Greater South Wood County, Inc.

In addition to the traditional community foundation grant-making role, the Foundation directly organizes and develops programs and leads community initiatives that aim to enhance the quality of life of the people of the South Wood County area in Wisconsin, by leveraging resources and empowering people in ways that provide opportunities for all. Frequently there is coinvestment in these efforts by partner funders such as national foundations.

The Foundation supports positive community change by promoting adaptive leadership skills, relationship building, collaboration, convening, advocacy, a shared learning environment, and the effective exchange of relevant information. Examples of Foundation-led programs include an Advanced Leadership Institute, a Teen Leadership Program, a Community Resource Center, convening a Nonprofit Council, and providing a variety of educational workshops and training opportunities. Examples of community initiatives include participating as a project site in the National Fund for Workforce Solutions’ pursuit of a long-term strategy of creating a cohesive, integrated social services and workforce development system that fosters new solutions for economic growth, and participating in the Knight Foundations’ Community Information Challenge, researching where and how local residents get their information, and assessing their ability to access the information they need in order to lead better informed lives. The connectedness and integration of a variety of grants, programs, and initiatives allows for a “community specific” framework through which collective resources can achieve greater impact.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its supporting organization, Community Property, Inc. (collectively the "Foundation"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Foundation follows accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The 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 conformity with GAAP.

Basis of Presentation

Net assets and support are classified based on the existence or absence of donor-imposed restrictions. Donors generally give to the Foundation knowing that their wishes will be respected, but they also rely on the Foundation to prevent their gift from becoming obsolete or meaningless. Accordingly, the Foundation is allowed some discretion over this type of gift in order to continue to provide a maximum benefit to the community. Net assets are reported as follows:

- Unrestricted net assets of the Foundation are those assets which are neither temporarily nor permanently restricted by donor imposed stipulations. These net assets are unrestricted since the Foundation has variance power. Included in this category of net assets are:
 - Designated - Unrestricted net assets set aside for one or more agencies as long as they satisfy the intentions specified by donors.
 - Donor Advised - Donated resources for which the donor retains the right to recommend preferred charitable recipients to the Foundation. The Foundation has the final authority on the disposition of these net assets in accordance with its charitable purpose and, therefore, they are shown as unrestricted net assets.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Basis of Presentation (Continued)

- Field of Interest/Scholarships - Unrestricted net assets donated with the intent to benefit a particular area of interest.
- Undesignated - Unrestricted net assets over which the Board of Directors has full discretion in making distributions for charitable purposes.
- 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 that 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.

At December 31, 2011 and 2010, the Foundation had no permanently restricted net assets.

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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at the date received if contributed. It is the policy of the Foundation to capitalize all asset additions over \$1,000 in value with an estimated useful life in excess of one year. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Estimated useful lives range from three to seven years for office equipment and furnishings and 40 years for building and improvements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are included in revenue, 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 or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service and the funds are received.

Impairment

The Foundation periodically evaluates the recoverability of its long-lived assets, which consist of property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. No impairment loss was recognized in 2011 or 2010.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports contributions as 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 to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

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. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted promises to give 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.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years 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 amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due unconditional promises to give balances and estimates the portion, if any, of the balances that will not be collected. The carrying amounts of unconditional promises to give are reduced by allowances that reflect management's estimate of uncollectible accounts.

Permanently restricted contributions represent the principal amount of gifts and pledges accepted with the donor's stipulation that the principal remain intact in perpetuity.

For the years ended December 31, 2011 and 2010, the Foundation did not receive any permanently restricted contributions.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Contributions and Promises to Give (Continued)

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Investments and Investment Income

Investments are measured at fair value in the accompanying statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in unrestricted revenue unless the income or loss is restricted by donor or law.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Foundation measures fair value of its financial instruments using a three-tier hierarchy, which 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 Foundation has the ability to access.

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. See Note 3 for further disclosures regarding fair value measurements of financial instruments.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Note Receivable

The note receivable consists of amounts loaned to an area not-for-profit organization recorded at the amount of unpaid principal and related accrued interest. Interest is calculated using the annual interest rate multiplied by the unpaid principal amount. Management evaluated collectability of the note receivable based on collection history and the overall financial position of the payor. The Foundation considers the note receivable and related interest to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Beneficial Interest in Pooled Income Funds

The Foundation is the beneficiary of irrevocable pooled income gifts that are managed as a trust by a third-party trustee. The value of the Foundation's estimated irrevocable remainder interest is the discounted present value of cash flows and is shown as a beneficial interest in pooled income funds.

Unemployment Compensation

The Foundation has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Foundation has obtained a letter of credit of \$10,000 to meet state funding requirements.

Grant Revenue

Grant revenue is recorded based on criteria contained in the grant award. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as deferred revenue.

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.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly certain costs have been allocated between program services, management and general services, and fund-raising activities.

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 tax on related income pursuant to Section 501(a) of the Code. The Foundation is also exempt from state income tax on related income.

In order to account for any uncertain tax positions, the Foundation assesses 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 the tax position is not recognized in the financial statements.

The Foundation recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits in 2011 or 2010. Federal returns for the years ended December 31, 2008 and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events

Subsequent events have been evaluated through June 21, 2012, which is the date the consolidated financial statements were available to be issued.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 2 Investments

The investments held at December 31 are as follows:

	Fair Value	
	2011	2010
Certificates of deposit	\$ 254,834	\$ 65,526
Money market funds	1,938,772	2,618,150
Fixed income mutual funds	4,907,452	5,406,278
Fixed income commingled funds	568,083	527,556
Equity mutual funds	12,477,406	14,483,372
Equities	-	54,820
Equity commingled funds	2,383,180	2,318,289
Private equity collective investment funds	52,050	14,362
Limited investment partnership	709,486	724,268
Totals	\$ 23,291,263	\$ 26,212,621

The Foundation uses the services of various investment managers for the purpose of administering its investment portfolio. Investment expenses relating to the management of the Foundation's investment portfolio totaled \$158,351 and \$148,972 for the years ended December 31, 2011 and 2010, respectively.

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.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 2 Investments (Continued)

At December 31, 2011 and 2010, the unrealized losses and related fair value of the investments for which fair value is less than cost, aggregated by investment type, is as follows:

	2011					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed income mutual funds	\$ 1,003,521	\$ (40,797)	\$ 810,610	\$ (13,006)	\$ 1,814,131	\$ (53,803)
Fixed income commingled funds	-	-	568,083	(22,484)	568,083	(22,484)
Equity mutual funds	2,912,999	(121,512)	1,140,692	(51,319)	4,053,691	(172,831)
Equity commingled funds	1,305,569	(171,223)	-	-	1,305,569	(171,223)
Private equity collective investment funds	-	-	52,050	(2,162)	52,050	(2,162)
Totals	\$ 5,222,089	\$ (333,532)	\$ 2,571,435	\$ (88,971)	\$ 7,793,524	\$ (422,503)

	2010					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed income mutual funds	\$ 1,952,991	\$ (15,152)	\$ 1,065,149	\$ (10,795)	\$ 3,018,140	\$ (25,947)
Fixed income commingled funds	527,556	(26,427)	-	-	527,556	(26,427)
Equity mutual funds	-	-	1,857,507	(81,169)	1,857,507	(81,169)
Private equity collective investment funds	14,362	(1,282)	-	-	14,362	(1,282)
Equities	27,920	(348)	-	-	27,920	(348)
Totals	\$ 2,522,829	\$ (43,209)	\$ 2,922,656	\$ (91,964)	\$ 5,445,485	\$ (135,173)

At December 31, 2011 and 2010, the Foundation's total net unrealized gain was \$563,759 and \$2,411,720, respectively.

The Foundation believes the unrealized losses on individual investments in its investment portfolio are temporary.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements

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

Certificates of deposit and money market funds are valued at historical cost which approximates fair value. Quoted market prices are used to determine the fair value of investments in equities. Equity and fixed income mutual funds are valued at quoted market prices which represent the net asset value (NAV) of shares held by the Foundation at year-end. The limited investment partnership, fixed income commingled funds, equity commingled funds, and private equity collective investment fund are valued at estimated fair value based on meaningful third-party transactions, comparable public market valuations, and/or the income approach which represents the NAV of shares held by the Foundation at year-end. Split-interest agreements are valued using the estimated fair market value of the underlying financial instruments in the agreements and then discontinuing this value for the time restrictions embedded in the agreements. An investment may be carried at cost if deemed the most appropriate estimate of fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its 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.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31:

	2011			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 254,834	\$ -	\$ 254,834
Money market funds	24,011	1,914,761	-	1,938,772
Fixed income mutual funds:				
U.S. short-term government	210,604	-	-	210,604
U.S. intermediate term government	151,491	-	-	151,491
U.S. intermediate term bonds	2,877,262	-	-	2,877,262
U.S. inflation protected bonds	1,155,848	-	-	1,155,848
Global bonds	512,247	-	-	512,247
Fixed income commingled funds - Global bonds	-	568,083	-	568,083
Equity mutual funds:				
U.S. large cap growth	769,201	-	-	769,201
U.S. large cap blend	3,809,229	-	-	3,809,229
U.S. large cap value	760,940	-	-	760,940
U.S. mid cap growth	318,183	-	-	318,183
U.S. mid cap blend	848,612	-	-	848,612
U.S. mid cap value	316,954	-	-	316,954
U.S. small cap growth	322,124	-	-	322,124
U.S. small cap value	318,866	-	-	318,866
International developed large cap growth	1,155,178	-	-	1,155,178
International developed large cap blend	2,644,091	-	-	2,644,091
International emerging markets diversified	1,214,028	-	-	1,214,028
Equity commingled funds:				
U.S. small cap blend	-	1,077,611	-	1,077,611
International developed growth	-	1,305,569	-	1,305,569
Private equity collective investment funds	-	-	52,050	52,050
Limited investment partnership	-	-	709,486	709,486
Beneficial interest in pooled income funds	-	112,944	-	112,944
Totals	\$ 17,408,869	\$ 5,233,802	\$ 761,536	\$ 23,404,207

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

	2010			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 65,526	\$ -	\$ 65,526
Money market funds	-	2,618,150	-	2,618,150
Fixed income mutual funds:				
U.S. short-term government	457,875	-	-	457,875
U.S. intermediate term government	488,266	-	-	488,266
U.S. intermediate term bonds	2,608,806	-	-	2,608,806
U.S. inflation protected bonds	1,218,926	-	-	1,218,926
Global bonds	632,405	-	-	632,405
Fixed income commingled funds - Global bonds	-	527,556	-	527,556
Equity mutual funds:				
U.S. large cap growth	970,326	-	-	970,326
U.S. large cap blend	4,097,289	-	-	4,097,289
U.S. large cap value	963,630	-	-	963,630
U.S. mid cap growth	412,840	-	-	412,840
U.S. mid cap blend	877,573	-	-	877,573
U.S. mid cap value	403,192	-	-	403,192
U.S. small cap growth	408,080	-	-	408,080
U.S. small cap value	408,440	-	-	408,440
International developed large cap growth	1,479,131	-	-	1,479,131
International developed large cap blend	3,020,895	-	-	3,020,895
International emerging markets diversified	1,441,976	-	-	1,441,976
Equities	54,820	-	-	54,820
Equity commingled funds:				
U.S. small cap blend	-	1,038,544	-	1,038,544
International developed growth	-	1,279,745	-	1,279,745
Private equity collective investment funds	-	-	14,362	14,362
Limited investment partnership	-	-	724,268	724,268
Beneficial interest in pooled income funds	-	130,582	-	130,582
Totals	\$ 19,944,470	\$ 5,660,103	\$ 738,630	\$ 26,343,203

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

The following tables set forth a summary of changes in the value of the Foundation's Level 3 assets for the year ended December 31:

	2011	
	Private Equity Collective Investment Funds	Limited Investment Partnership
Balance, January 1, 2011	\$ 14,362	\$ 724,268
Purchases	40,000	-
Management fees	(1,923)	-
Dividend income	247	-
Realized gains	244	-
Unrealized losses	(880)	(14,782)
Balance, December 31, 2011	\$ 52,050	\$ 709,486

	2010	
	Private Equity Collective Investment Funds	Limited Investment Partnership
Balance, January 1, 2010	\$ -	\$ 669,224
Purchases	17,500	-
Management fees	(1,856)	-
Unrealized gains (losses)	(1,282)	55,044
Balance, December 31, 2010	\$ 14,362	\$ 724,268

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the Foundation's Level 2 and 3 investments whose fair values are estimated using NAV per share as of December 31, 2011.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income commingled funds (a)	\$ 568,083	\$ -	Daily	10 days
Equity commingled funds (b)	2,383,180	-	Monthly	0-45 days
Limited investment partnership (c)	709,486	-	Quarterly	60 days
Private equity collective investment funds (d)	52,050	192,500	N/A	N/A

(a) This investment category strives to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities. This investment can be sold and purchased daily with ten business days of written notice.

(b) This investment category has a primary objective of capital appreciation through the investment in common stocks of small and medium capitalization companies, both foreign and domestic. These investments can be sold and purchased on a daily or monthly basis and have redemption notice periods ranging from 0-45 days. In addition, one fund has a \$50,000 minimum withdrawal requirement.

(c) This limited investment partnership seeks to provide investors with maximum appreciation of capital while incurring reasonable risk by investing primarily with a diversified group of smaller and emerging investment managers that are believed to be highly skilled in long and short equity investing. These investments can be sold and purchased quarterly and have a redemption notice period of 60 days. There is also a holding period requirement that must be met prior to redemption that will be satisfied September 30, 2014.

(d) This fund was established to provide certain eligible organizations with cost-effective access to private equity investments and managers operating in the U.S. and abroad. The objective is to generate returns in excess of the S&P 500 over the long term. This fund does not permit redemptions, and the private equity fund life runs to December 31, 2021, with cash distributions from time to time as determined by the fund.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 4 Unconditional Promises to Give - Net

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

	2011	2010
Receivable in less than one year	\$ 583,461	\$ 626,017
Receivable in two to five years	2,052,750	2,081,760
Receivable in six to ten years	-	500,000
Total unconditional promises to give	2,636,211	3,207,777
Less:		
Discounts to net present value	148,960	206,913
Allowance for uncollectible promises to give	10,000	20,000
Unconditional promises to give - Net	2,477,251	2,980,864
Less - Current portion	565,407	602,998
Noncurrent unconditional promises to give - Net	\$ 1,911,844	\$ 2,377,866

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5 Split-Interest Agreements

Some donors enter into trust or other arrangements under which the Foundation receives benefits that are shared with other beneficiaries. These types of arrangements, known as split-interest agreements, include pooled (life) income funds and charitable gift annuities. Provisions for the various donor trust agreements are as follows:

- Pooled Income Funds - All income of the pooled fund is distributed to its participants on a pro rata basis.
- Charitable Gift Annuities - Donors receive a fixed percentage rate of income based on the initial value of the gift annuity, payable quarterly. Assets received under a gift annuity contract are held as general assets of the Foundation, and the annuity liability is a general obligation of the Foundation. All assets received under a gift annuity contract are pooled with other gift annuity contract funds and invested in equity and fixed income mutual funds and in cash equivalents. Those investments are held in an account segregated from the Foundation's other investments.

Irrevocable split-interest agreements in which the Foundation does control the trust assets are recognized in the Foundation's financial statements when the trust is executed. The fair value of the trust assets and the present value of the expected future payments to be made to other beneficiaries are recorded as assets and liabilities, respectively, and the difference is recorded as contribution revenue.

On an annual basis, the Foundation revalues the liability to reflect distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate and applicable mortality tables.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5 Split-Interest Agreements (Continued)

Amounts included in the accompanying consolidated statements of financial position at December 31 from these types of agreements are as follows:

	2011	2010
Assets held under charitable gift annuities included		
in investments	\$ 89,521	\$ 97,975
Beneficial interest in pooled income funds	112,944	130,582
Liabilities to other beneficiaries	42,899	45,333

As required by the State of Wisconsin, the Foundation has established a segregated account of at least \$100,000 related to the charitable gift annuities. As of December 31, 2011 and 2010, the segregated account totaled \$117,197 and \$113,257, respectively, and is included in investments on the consolidated statements of financial position.

Included as a change in revenue on the statements of activities for the years ended December 31, 2011 and 2010 were \$19,718 and \$1,436 of loss, respectively, from changes in the value of split-interest agreements.

Note 6 Note Receivable

The note receivable represents a note from Community Assets for People, Inc. at 4% interest, due in its entirety on December 31, 2014. Interest payments are due annually. The note receivable balance at December 31, 2011 and 2010 was \$104,000 and \$89,853, respectively.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 7 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of remainder interests in split-interest agreements and unconditional promises to give, which are restricted by time at December 31, as follows:

	2011	2010
Unconditional promises to give - Net - Time restricted	\$ 2,448,330	\$ 2,941,555
Beneficial interest in pooled income funds	112,944	130,582
Charitable gift annuities	163,819	165,899
Totals	\$ 2,725,093	\$ 3,238,036

Note 8 Net Assets Released from Restrictions

In 2011 and 2010, \$538,225 and \$478,003 of net assets were released from restriction due to the receipt of payment for unconditional promises to give.

Note 9 Major Contributors

For the year ended December 31, 2011, one contribution accounted for \$500,000 (36%) of contributions.

Note 10 Retirement Plan

The Foundation sponsors a 401(k) deferred contribution retirement plan which covers all eligible employees. Employees become eligible after meeting hours of service and minimum age requirements. Employees may make elective contributions to the plan and, at the discretion of the Foundation, the employer may make contributions to the plan. For the years ended December 31, 2011 and 2010 the amount of retirement plan expense was \$28,475 and \$28,520, respectively.

Note 11 Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 classifications.

Supplementary Information

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses

Year Ended December 31, 2011

	Program Services*	Management and General	Fund- Raising	Total Expenses
Distributions approved for charitable purposes	\$ 1,732,692	\$ -	\$ -	\$ 1,732,692
Wages	584,658	235,912	53,389	873,959
Retirement plan	18,122	8,640	1,713	28,475
Employee benefits	108,407	48,595	10,290	167,292
Payroll taxes	50,368	20,691	4,612	75,671
Professional fees for services	244,584	105,898	15,423	365,905
Investment management and trust fees	-	158,351	-	158,351
Advertising and promotion	2,487	1,397	-	3,884
Office expenses	33,863	16,532	8,436	58,831
Information technology	44,742	25,439	13,268	83,449
Travel	34,869	2,880	3,196	40,945
Meeting, workshop and conference costs	34,782	10,496	303	45,581
Occupancy	30,932	3,375	875	35,182
Depreciation	30,756	5,551	1,439	37,746
Insurance	4,313	4,508	457	9,278
Fund program-related activities	225,199	-	-	225,199
Communications	11,071	4,008	2,685	17,764
Dues, subscriptions, and books	6,197	3,561	1,114	10,872
Provision for uncollectible receivables and promises to give	2,548	(10,000)	-	(7,452)
Other expenses	-	2,156	-	2,156
Total operating expenses	\$ 3,200,590	\$ 647,990	\$ 117,200	\$ 3,965,780

*See Note 1 - Nature of Activities

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses (Continued)

Year Ended December 31, 2010

	Program Services*	Management and General	Fund- Raising	Total Expenses
Distributions approved for charitable purposes	\$ 1,004,146	\$ -	\$ -	\$ 1,004,146
Wages	479,140	212,320	59,525	750,985
Retirement plan	16,312	9,512	2,696	28,520
Employee benefits	89,068	40,165	11,832	141,065
Payroll taxes	41,635	18,982	5,304	65,921
Professional fees for services	192,912	32,797	203	225,912
Investment management and trust fees	-	148,972	-	148,972
Advertising and promotion	9,317	4,093	898	14,308
Office expenses	37,170	15,752	9,089	62,011
Information technology	29,717	15,069	6,055	50,841
Travel	36,838	4,269	3,402	44,509
Meeting, workshop and conference costs	29,849	8,113	1,271	39,233
Occupancy	-	31,096	-	31,096
Depreciation	1,059	29,533	-	30,592
Insurance	1,630	6,189	251	8,070
Fund program-related activities	133,989	-	-	133,989
Communications	13,834	7,449	5,175	26,458
Dues, subscriptions, and books	4,299	5,839	1,287	11,425
Provision for uncollectible promises to give	-	4,500	-	4,500
Other expenses	665	37	-	702
Total operating expenses	\$ 2,121,580	\$ 594,687	\$ 106,988	\$ 2,823,255

*See Note 1 - Nature of Activities