Incourage Community Foundation, Inc. and Affiliate

Wisconsin Rapids, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2012 and 2011

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WIPFLi LLP

Independent Auditor's Report

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

Report of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Incourage Community Foundation, Inc. and Affiliate which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP), 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with GAAP in the United States.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information of consolidated statements of functional expenses appearing on pages 28 and 29 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP

June 24, 2013
Wausau, Wisconsin

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	$ 250,429	$ 151,514
Unconditional promises to give - Net	33,061	565,407
Grant receivable	37,923	104,548
Other assets	28,449	23,112
Total current assets	349,862	844,581
Investments	26,528,897	23,291,263
Notes receivable	130,593	104,000
Property and equipment:		
Land	176,000	176,000
Building and improvements	585,461	581,642
Office equipment, furnishings, and technology	270,617	191,876
Totals	1,032,078	949,518
Less - Accumulated depreciation	235,060	199,606
Net depreciated value	797,018	749,912
Capital additions in progress	-	45,327
Net property and equipment	797,018	795,239
Other assets:		
Investment in real estate	543,751	-
Unconditional promises to give - Net	60,187	1,911,844
Beneficial interest in pooled income funds	120,260	112,944
Other	4,544	2,261
Total other assets	728,742	2,027,049
TOTAL ASSETS	$ 28,535,112	$ 27,062,132

Liabilities and Net Assets	2012	2011
Current liabilities:		
Grants payable	$ 113,644	$ 166,526
Accounts payable	117,713	50,283
Accrued payroll and benefits	79,750	60,277
Accrued interest	469	-
Funds held for other agencies	1,149,327	933,831
Total current liabilities	1,460,903	1,210,917
Long-term liabilities:		
Note payable	263,500	-
Split-interest agreements	39,882	42,899
Total long-term liabilities	303,382	42,899
Total liabilities	1,764,285	1,253,816
Net assets:		
Unrestricted:		
Designated	13,462,039	11,197,722
Donor advised	3,119,422	2,888,396
Field of interest/scholarships	5,429,230	4,648,891
Undesignated	4,452,169	4,348,214
Total unrestricted	26,462,860	23,083,223
Temporarily restricted	307,967	2,725,093
Total net assets	26,770,827	25,808,316
TOTAL LIABILITIES AND NET ASSETS	$ 28,535,112	$ 27,062,132

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Activities

Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted net assets:		
Revenue and other support:		
Contributions	$ 684,045	$ 1,337,678
Grant revenue	174,137	161,579
Interest and dividends	542,684	535,680
Rent	31,080	31,080
Net assets released from restriction	2,437,694	538,225
Total revenue and other support	3,869,640	2,604,242
Functional expenses:		
Program services:		
Distributions approved for charitable purposes	752,203	1,732,692
Direct program services	1,548,972	1,467,898
Management and general	512,723	647,990
Fund-raising	111,757	117,200
Total functional expenses	2,925,655	3,965,780
Other income (expense):		
Net realized and unrealized gain (loss) on investments	2,439,174	(1,262,475)
Loss on disposal of assets	(3,522)	-
Other income	-	10,148
Total other income (expense)	2,435,652	(1,252,327)
Increase (decrease) in unrestricted net assets	3,379,637	(2,613,865)
Temporarily restricted net assets:		
Unconditional promises to give - Net	10,000	45,000
Net assets released from restrictions	(2,437,694)	(538,225)
Net realized and unrealized gain (loss) on investments	10,568	(19,718)
Decrease in temporarily restricted net assets	(2,417,126)	(512,943)
Changes in net assets	962,511	(3,126,808)
Net assets at beginning, as previously reported		29,117,658
Prior period adjustment	-	(182,534)
Net assets at beginning, as restated	25,808,316	28,935,124
Net assets at end	$ 26,770,827	$ 25,808,316

See accompanying notes to consolidated financial statements.

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	$ 962,511	$ (3,126,808)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for depreciation	48,514	37,746
Net realized and unrealized (gain) loss on investments	(2,449,742)	1,282,193
Loss on disposal of assets	3,522	-
Contribution of marketable equity securities	(2,019,997)	(36,636)
Change in the present value of split-interest agreements	(10,333)	15,204
Provision (credit) for uncollectible receivables and promises to give	(308)	(7,452)
Changes in operating assets and liabilities:		
Unconditional promises to give - Net	2,383,603	513,613
Grant receivable	66,625	(97,580)
Other assets	(6,912)	1,842
Grants payable	(52,882)	15,216
Accounts payable	61,550	(11,651)
Accrued interest	469	-
Accrued payroll and benefits	19,473	14,776
Funds held for other agencies	215,496	(154,578)
Total adjustments	(1,740,922)	1,572,693
Net cash used in operating activities	(778,411)	(1,554,115)

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	$ 4,717,693	$ 5,634,570
Payment for purchase of investments	(3,485,588)	(3,958,768)
Payment for purchase of investment in real estate	(543,751)	-
Net change in note receivable	(26,593)	(14,147)
Notes payable	263,500	-
Acquisition of capital assets	(47,935)	(72,219)
Net cash provided by investing activities	877,326	1,589,436
Net increase in cash and cash equivalents	98,915	35,321
Cash and cash equivalents at beginning	151,514	116,193
Cash and cash equivalents at end	$ 250,429	$ 151,514

Noncash operating and investing activities:

For the years ended December 31, 2012 and 2011, the Foundation received $2,019,997 and $36,636, respectively, in gifts of noncash investments.

Included in accounts payable at December 31, 2012 and 2011, is $10,951 and $5,070, respectively, for property and equipment. Also included in accounts payable at December 31, 2012 is $15,721 for investment in real estate.

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.

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.

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 generally accepted accounting principles 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.

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, 2012 and 2011, 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and 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.

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, furnishings, and technology and 15 to 39 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 2012 or 2011.

Note 1 Summary of Significant Accounting Policies (Continued)

Asset Retirement Obligations

Management annually assesses its existing properties to determine if there is a need to recognize a liability for a conditional asset retirement specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. The Foundation believes there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Foundation may settle the obligation is unknown and cannot be estimated. As a result, the Foundation cannot reasonably estimate the liability related to these asset retirement activities as of December 31, 2012 and 2011.

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.

Note 1 Summary of Significant Accounting Policies (Continued)

Contributions and Promises to Give (Continued)

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, 2012 and 2011, the Foundation did not receive any permanently restricted contributions.

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 consolidated 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 the donor or by law.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 1 Summary of Significant Accounting Policies (Continued)

Notes Receivable

The notes receivable consist of amounts loaned to two area not-for-profit organizations 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 notes receivable based on collection history and the overall financial position of the payor. The Foundation considers the notes 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 $11,000 to meet state financial assurance 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, if any.

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.

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's policy is to recognize interest and any penalties related to income tax matters in income tax expense when incurred. In 2012 and 2011, there were no tax penalties or interest related to tax penalties recorded by the Foundation in the financial statements.

The Foundation recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits in 2012 or 2011. Federal returns for the years ended December 31, 2009, and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events

Subsequent events have been evaluated through June 24, 2013, which is the date the consolidated financial statements were available to be issued.

Note 2 Restatement

The Foundation has restated its net assets as of December 31, 2011, to correct funds held for other agencies relating to years prior to 2011, which decreased net assets in the amount of $182,534.

Note 3 Investments

The investments held at December 31 are as follows:

	Fair Value	
	2012	2011
Certificates of deposit	$ 156,317	$ 254,834
Money market funds	3,891,283	1,938,772
Fixed income mutual funds	4,733,875	4,907,452
Fixed income commingled funds	616,303	568,083
Equity mutual funds	13,493,467	12,477,406
Equity commingled funds	2,740,728	2,383,180
Private equity collective investment funds	111,670	52,050
Limited investment partnership	785,254	709,486
Totals	$ 26,528,897	$ 23,291,263

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 $136,028 and $158,351 for the years ended December 31, 2012 and 2011, 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.

At December 31, 2012 and 2011, the Foundation's total net unrealized gain was $2,760,777 and $563,759, respectively.

Note 4 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.

Note 4 Fair Value Measurements (Continued)

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

	2012			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 156,317	$ -	$ 156,317
Money market funds	17,127	3,874,156	-	3,891,283
Fixed income mutual funds:				
U.S. short-term government	-	-	-	-
U.S. intermediate term government	153,221	-	-	153,221
U.S. short-term bonds	216,406	-	-	216,406
U.S. intermediate term bonds	2,638,473	-	-	2,638,473
U.S. inflation protected bonds	1,197,937	-	-	1,197,937
Global bonds	527,838	-	-	527,838
Fixed income commingled funds - Global bonds	-	616,303	-	616,303
Equity mutual funds:				
U.S. large cap growth	777,349	-	-	777,349
U.S. large cap blend	4,199,427	-	-	4,199,427
U.S. large cap value	759,220	-	-	759,220
U.S. mid cap growth	322,528	-	-	322,528
U.S. mid cap blend	960,953	-	-	960,953
U.S. mid cap value	323,054	-	-	323,054
U.S. small cap growth	325,676	-	-	325,676
U.S. small cap value	325,198	-	-	325,198
International developed large cap growth	1,151,581	-	-	1,151,581
International developed large cap blend	2,945,003	-	-	2,945,003
International emerging markets diversified	1,403,478	-	-	1,403,478
Equity commingled funds:				
U.S. small cap blend	-	1,196,984	-	1,196,984
International developed growth	-	1,543,744	-	1,543,744
Private equity collective investment funds	-	-	111,670	111,670
Limited investment partnership	-	-	785,254	785,254
Beneficial interest in pooled income funds	-	120,260	-	120,260
Totals	$ 18,244,469	$ 7,507,764	$ 896,924	$ 26,649,157

Note 4 Fair Value Measurements (Continued)

	2011			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
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

Note 4 Fair Value Measurements (Continued)

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

	2012	
	Private Equity Collective Investment Funds	Limited Investment Partnership
Balance, January 1, 2012	$ 52,050	$ 709,486
Purchases	50,000	-
Management fees	(1,401)	-
Dividend income	274	-
Realized gains	4	-
Unrealized gains	10,743	75,768
Balance, December 31, 2012	$ 111,670	$ 785,254

	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

Note 4 Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the Foundation's Level 2 and 3 assets whose fair values are estimated using NAV per share as of December 31, 2012.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income commingled funds (a)	$ 616,303	$ -	Daily	10 days
Equity commingled funds (b)	2,740,728	-	Monthly	0-45 days
Private equity collective investment funds (c)	111,670	142,500	N/A	N/A
Limited investment partnership (d)	785,254	-	Quarterly	60 days

(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 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.

(d) 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.

Note 5 Unconditional Promises to Give - Net

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

	2012	2011
Receivable in less than one year	$ 36,838	$ 583,461
Receivable in two to five years	67,205	2,052,750
Total unconditional promises to give	104,043	2,636,211
Less:		
Discounts to net present value	395	148,960
Allowance for uncollectible promises to give	10,400	10,000
Unconditional promises to give - Net	93,248	2,477,251
Less - Current portion - Net	33,061	565,407
Noncurrent unconditional promises to give - Net	$ 60,187	$ 1,911,844

Note 6 Investment in Real Estate

During 2012, the Foundation purchased a historic building along the Wisconsin Rapids riverfront. The Foundation is currently evaluating the best use of the property for the community. At December 31, 2012, the investment is valued at cost of $543,751. The investment was funded with issuance of a note payable and investment funds.

Note 7 Split-Interest Agreements

Some donors enter into trusts 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.

Note 7 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:

	2012	2011
Assets held under charitable gift annuities included in investments	$ 82,893	$ 89,521
Beneficial interest in pooled income funds	120,260	112,944
Liabilities to other beneficiaries	39,882	42,899

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, 2012 and 2011, the segregated account totaled $124,060 and $117,197, 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, 2012 and 2011, was $10,568 of gain and $19,718 of loss, respectively, from changes in the value of split-interest agreements.

Note 8 Notes Receivable

The notes receivable are amounts loaned to two area not-for-profit organizations and consist of the following at December 31:

	2012	2011
Community Assets for People, Inc., entire balance due December 31, 2014, interest payable annually at 4%	$ 104,000	$ 104,000
North Central Community Action Program, Inc., entire balance due January 30, 2017, interest payable annually at 2.5%	26,593	-
Notes receivable	$ 130,593	$ 104,000

Note 9 Note Payable

During 2012, the Foundation issued a $263,500 note payable that is due in December 2014. Monthly payments are interest only at a rate of 3.25%. The proceeds were utilized to purchase the investment in real estate which is the collateral for the note payable.

Note 10 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:

	2012	2011
Unconditional promises to give - Net - Time restricted	$ 20,636	$ 2,448,330
Beneficial interest in pooled income funds	120,260	112,944
Charitable gift annuities	167,071	163,819
Totals	$ 307,967	$ 2,725,093

Note 11 Net Assets Released from Restrictions

In 2012 and 2011, $2,437,694 and $538,225 of net assets were released from restriction due to the receipt of payment for unconditional promises to give.

Note 12 Major Contributors

There were no major contributors for the year ended December 31, 2012. For the year ended December 31, 2011, one contribution accounted for $500,000 (36%) of contributions.

Note 13 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, 2012 and 2011, the amount of retirement plan expense was $30,076 and $28,475, respectively.

Note 14 Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 classifications.

Supplementary Information

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses

Year Ended December 31, 2012

	Program Services*	Management and General	Fund-Raising	Total Expenses
Distributions approved for charitable purposes	$ 752,203	$ -	$ -	$ 752,203
Wages	655,359	213,639	53,451	922,449
Retirement plan	20,441	7,795	1,840	30,076
Employee benefits	108,675	39,309	10,691	158,675
Payroll taxes	55,505	17,857	4,567	77,929
Professional fees for services	288,610	34,448	3,097	326,155
Investment management and trustee fees	-	136,028	-	136,028
Advertising and promotion	20,731	1,772	1,772	24,275
Office expenses	69,907	16,612	8,021	94,540
Information technology	54,878	12,817	3,251	70,946
Travel	34,979	3,204	9,401	47,584
Meeting, workshop, and conference costs	44,184	2,611	8,564	55,359
Interest	561	-	-	561
Occupancy	29,359	2,809	720	32,888
Depreciation	39,379	7,271	1,864	48,514
Insurance	5,804	4,638	486	10,928
Fund program-related activities	90,615	-	-	90,615
Communications	18,971	7,859	1,824	28,654
Dues, subscriptions, and books	8,471	3,486	1,808	13,765
Provision (credit) for uncollectible receivables and promises to give	(708)	-	400	(308)
Other expenses	3,251	568	-	3,819
Total functional expenses	$ 2,301,175	$ 512,723	$ 111,757	$ 2,925,655

*See Note 1 - Nature of Activities

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses (Continued)

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 trustee 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 (credit) for uncollectible receivables and promises to give	2,548	(10,000)	-	(7,452)
Other expenses	-	2,156	-	2,156
Total functional expenses	$ 3,200,590	$ 647,990	$ 117,200	$ 3,965,780

*See Note 1 - Nature of Activities