

Incourge Community Foundation, Inc. and Affiliate

Wisconsin Rapids, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2014 and 2013

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

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

Report on the 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, 2014 and 2013, 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; 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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of In courage Community Foundation, Inc. and Affiliate as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted 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 including the consolidated statements of functional expenses appearing on pages 29 and 30 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 26, 2015

Wausau, Wisconsin

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 200,862	\$ 184,618
Unconditional promises to give - Net:		
For the Foundation	4,500	3,642,717
For other agencies	1,525	58,574
Grants receivable	49,372	43,877
Notes receivable	-	104,000
Other assets	46,263	44,584
Total current assets	302,522	4,078,370
Investments	32,129,793	29,043,194
Notes receivable	130,593	26,593
Property and equipment:		
Land	281,316	176,000
Buildings and improvements	1,027,197	585,461
Office equipment, furnishings, and technology	333,049	314,691
Totals	1,641,562	1,076,152
Less - Accumulated depreciation	369,260	301,263
Net depreciated value	1,272,302	774,889
Capital additions in progress	306,573	5,788
Net property and equipment	1,578,875	780,677
Other assets:		
Investment in real estate	-	547,051
Unconditional promises to give - Net	-	1,008
Beneficial interest in pooled income funds	123,257	121,269
Other	2,951	2,951
Total other assets	126,208	672,279
TOTAL ASSETS	\$ 34,267,991	\$ 34,601,113

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities:		
Grants payable	\$ 98,353	\$ 117,136
Note payable	263,500	263,500
Accounts payable	285,334	84,135
Accrued payroll and benefits	181,075	101,925
Accrued interest	446	446
Funds held for other agencies	1,299,982	1,287,015
Total current liabilities	2,128,690	1,854,157
Long-term liability - Charitable gift annuities	36,216	38,946
Total liabilities	2,164,906	1,893,103
Net assets:		
Unrestricted:		
Designated	16,879,229	13,817,295
Donor advised	3,289,018	3,272,788
Field of interest/scholarships	6,401,143	6,285,117
Undesignated	5,238,077	5,402,403
Total unrestricted	31,807,467	28,777,603
Temporarily restricted	295,618	3,930,407
Total net assets	32,103,085	32,708,010
TOTAL LIABILITIES AND NET ASSETS	\$ 34,267,991	\$ 34,601,113

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Activities

Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted net assets:		
Revenue and other support:		
Contributions	\$ 2,177,619	\$ 908,742
Grant revenue	166,965	152,866
Interest and dividends	786,079	671,591
Rent	31,080	31,080
Facilitation services	913	4,700
Net assets released from restriction	3,642,717	20,636
Total revenue and other support	6,805,373	1,789,615
Functional expenses:		
Program services:		
Distributions approved for charitable purposes	727,726	665,661
Direct program services	2,573,536	1,776,100
Management and general	620,134	531,463
Fund-raising	147,177	95,881
Total functional expenses	4,068,573	3,069,105
Other income - Net realized and unrealized gain on investments	293,064	3,594,233
Increase in unrestricted net assets	3,029,864	2,314,743
Temporarily restricted net assets:		
Contributions	5,000	3,642,717
Net assets released from restrictions	(3,642,717)	(20,636)
Net realized and unrealized gain on investments	2,928	359
Increase (decrease) in temporarily restricted net assets	(3,634,789)	3,622,440
Changes in net assets	(604,925)	5,937,183
Net assets at beginning	32,708,010	26,770,827
Net assets at end	\$ 32,103,085	\$ 32,708,010

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	\$ (604,925)	\$ 5,937,183
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation	67,997	66,203
Net realized and unrealized gain on investments	(295,992)	(3,594,592)
Contribution of marketable equity securities	(25,187)	(30,647)
Change in present value of beneficial interest in pooled income funds	(1,988)	(1,009)
Change in present value of charitable gift annuities	(2,730)	(936)
Credit for uncollectible receivables and promises to give	(5,935)	(3,765)
Changes in operating assets and liabilities:		
Unconditional promises to give - Net	3,702,209	(3,605,286)
Grants receivable	(5,495)	(5,954)
Other assets	(1,679)	(14,542)
Grants payable	(18,783)	3,492
Accounts payable	76,832	(35,175)
Accrued interest	-	(23)
Accrued payroll and benefits	79,150	22,175
Funds held for other agencies	12,967	137,688
Total adjustments	3,581,366	(7,062,371)
Net cash provided by (used in) operating activities	2,976,441	(1,125,188)

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	\$ 5,199,214	\$ 1,244,665
Payment for purchase of investments	(7,964,634)	(133,723)
Payment for purchase of improvements to investment in real estate	-	(3,300)
Acquisition of property and equipment	(194,777)	(48,265)
Net cash provided by (used in) investing activities	(2,960,197)	1,059,377
Net increase (decrease) in cash and cash equivalents	16,244	(65,811)
Cash and cash equivalents at beginning	184,618	250,429
Cash and cash equivalents at end	\$ 200,862	\$ 184,618
Supplemental cash flow information:		
Interest paid - Net of amount capitalized	\$ 8,158	\$ 8,563

Noncash operating and investing activities:

For the years ended December 31, 2014 and 2013, the Foundation received \$25,187 and \$30,647, respectively, in gifts of noncash investments.

Included in accounts payable at December 31, 2014 and 2013, is \$136,915 and \$12,548, respectively, for property and equipment.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Activities

Incorporate 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 involves promoting philanthropy in furtherance of building community. The Foundation's vision is a community that works well for all people. Guided by values of equity, inclusion, and opportunity, the Foundation champions leadership, community resilience, and impact investing. 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 for people in Wisconsin's south Wood County area. The Foundation is a leader in rural community development with programs in workforce development, community information, civility, adaptive skills, learning, and grant-making. It has a history of joining with local, regional, and national funders who are committed to prudent and transparent efforts to take existing and emerging models further, promoting adaptive leadership skills, relationship building, collaboration, convening, advocacy, a shared learning environment, and the effective exchange of relevant information in the process. 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 Foundation's 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 Foundation's commitment to resident-centered decision making for south Wood County's future is symbolized by the planned redevelopment of the former *Daily Tribune* building. The Foundation purchased this historic local property on the Wisconsin River and is utilizing a facilitated resident-centered planning process with the intent that the community will determine the building's future uses and will have input into the design of the redeveloped facility.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Nature of Activities (Continued)

The Foundation is committed to learn, reflect, and act on what it means to be an authentically resident-centered, values-led, place-based investment and philanthropic institution. Recognizing that grants alone cannot supply the capital needs of an innovative, emerging economy, the Foundation has committed to align and leverage all of its capitals to advance its mission. This strategy adds local investment of financial assets to the Foundation's ongoing proactive research, resident engagement, strategic grant-making, capacity building, and public-private partnerships.

Principles of Consolidation

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

Classification of Net Assets

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 organizations as long as they satisfy the intentions specified by donors.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Classification of Net Assets (Continued)

- 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.
- 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, 2014 and 2013, 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 generally accepted accounting principles in the United States (GAAP) requires management to make 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

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.

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 40 years for buildings and improvements.

Interest cost incurred on borrowed funds during the construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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 whether events and circumstances have occurred that may affect the carrying value of property and equipment. If such events or circumstances indicate the carrying value may not be recoverable, impairment is determined by comparing the carrying value with the estimated future net discounted cash flows expected to result from the use of the assets, including cash flows from dispositions. Should the sum of the expected future net cash flows be less than the carrying value, the Foundation would recognize an impairment loss at that time. No impairment loss was recognized in 2014 or 2013.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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, 2014 and 2013.

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. 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.

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.

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)

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, 2014 and 2013, the Foundation did not receive any permanently restricted contributions.

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.

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

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Notes Receivable

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. Management does not have a policy to address placing loans on nonaccrual status and has not experienced a loan to be nonperforming or past due.

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 reimbursement assurance requirements.

Grant Revenue

Grant revenue is recorded based on criteria contained in the grant award. For reimbursement-type grants, revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of allowable 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.

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 income tax positions, the Foundation determines whether it is more likely than not that a tax position will be sustained upon examination by the taxing authorities based on 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 has not recorded any assets or liabilities related to uncertain tax positions or unrecognized tax benefits as of December 31, 2014 or 2013.

The Foundation's federal returns for the years ended December 31, 2011, and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events

Subsequent events have been evaluated through June 26, 2015, 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

Investments consisted of the following at December 31:

	Fair Value	
	2014	2013
Certificates of deposit	\$ 82,379	\$ 42,723
Money market funds	6,200,817	2,501,432
Fixed income mutual funds	5,181,415	5,131,363
Fixed income commingled funds	591,971	594,630
Equity mutual funds	17,229,772	16,230,922
Equity commingled funds	1,706,077	3,497,517
Private equity collective investment funds	218,866	160,921
Limited investment partnership	918,496	883,686
Totals	\$ 32,129,793	\$ 29,043,194

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 \$161,739 and \$146,376 for the years ended December 31, 2014 and 2013, 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 accompanying consolidated financial statements.

At December 31, 2014 and 2013, the Foundation's total net unrealized gain was \$5,478,268 and \$6,143,705, respectively.

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 discounting 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 and liabilities measured at fair value on a recurring basis as of December 31:

	2014			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Certificates of deposit	\$ -	\$ 82,379	\$ -	\$ 82,379
Money market funds	2,550	6,198,267	-	6,200,817
Fixed income mutual funds:				
U.S. short-term bonds	229,918	-	-	229,918
U.S. intermediate term bonds	2,952,951	-	-	2,952,951
U.S. inflation protected bonds	1,423,588	-	-	1,423,588
U.S. medium blend	20,183	-	-	20,183
U.S. bank loans	4,704	-	-	4,704
U.S. high yield bonds	6,284	-	-	6,284
U.S. non-traditional bonds	21,865	-	-	21,865
Global bonds	521,922	-	-	521,922
Fixed income commingled funds - Global bonds	-	591,971	-	591,971
Equity mutual funds:				
U.S. large cap growth	765,375	-	-	765,375
U.S. large cap blend	5,236,770	-	-	5,236,770
U.S. large cap value	796,543	-	-	796,543
U.S. mid cap growth	327,043	-	-	327,043
U.S. mid cap blend	1,243,696	-	-	1,243,696
U.S. mid cap value	350,188	-	-	350,188
U.S. small cap growth	341,189	-	-	341,189
U.S. small cap value	313,430	-	-	313,430
International developed large cap growth	1,094,221	-	-	1,094,221
International developed large cap blend	5,303,740	-	-	5,303,740
International emerging markets diversified	1,457,577	-	-	1,457,577
Equity commingled funds - U.S. small cap blend	-	1,706,077	-	1,706,077
Private equity collective investment funds	-	-	218,866	218,866
Limited investment partnership	-	-	918,496	918,496
Total investments	22,413,737	8,578,694	1,137,362	32,129,793
Beneficial interest in pooled income funds	-	-	123,257	123,257
Total assets	\$ 22,413,737	\$ 8,578,694	\$ 1,260,619	\$ 32,253,050
Liability - Charitable gift annuities	\$ -	\$ -	\$ 36,216	\$ 36,216

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

	2013			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Certificates of deposit	\$ -	\$ 42,723	\$ -	\$ 42,723
Money market funds	5,463	2,495,969	-	2,501,432
Fixed income mutual funds:				
U.S. intermediate term government	75,078	-	-	75,078
U.S. short-term bonds	266,222	-	-	266,222
U.S. intermediate term bonds	2,890,248	-	-	2,890,248
U.S. inflation protected bonds	1,313,755	-	-	1,313,755
Global bonds	586,060	-	-	586,060
Fixed income commingled funds - Global bonds	-	594,630	-	594,630
Equity mutual funds:				
U.S. large cap growth	916,666	-	-	916,666
U.S. large cap blend	5,351,441	-	-	5,351,441
U.S. large cap value	918,771	-	-	918,771
U.S. mid cap growth	369,233	-	-	369,233
U.S. mid cap blend	1,283,737	-	-	1,283,737
U.S. mid cap value	381,943	-	-	381,943
U.S. small cap growth	350,855	-	-	350,855
U.S. small cap value	356,979	-	-	356,979
International developed large cap growth	1,318,046	-	-	1,318,046
International developed large cap blend	3,453,957	-	-	3,453,957
International emerging markets diversified	1,529,294	-	-	1,529,294
Equity commingled funds:				
U.S. small cap blend	-	1,635,696	-	1,635,696
International developed growth	-	1,861,821	-	1,861,821
Private equity collective investment funds	-	-	160,921	160,921
Limited investment partnership	-	-	883,686	883,686
<hr/>				
Total investments	21,367,748	6,630,839	1,044,607	29,043,194
<hr/>				
Beneficial interest in pooled income funds	-	-	121,269	121,269
<hr/>				
Total assets	\$ 21,367,748	\$ 6,630,839	\$ 1,165,876	\$ 29,164,463
<hr/>				
Liability - Charitable gift annuities	\$ -	\$ -	\$ 38,946	\$ 38,946
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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 fair value of the Foundation's Level 3 assets and liability for the year ended December 31:

	2014			
	Private Equity Collective Investment Funds	Limited Investment Partnership	Beneficial Interest in Pooled Income Funds	Charitable Gift Annuities Liability
Balance, January 1, 2014	\$ 160,921	\$ 883,686	\$ 121,269	\$ 38,946
Purchases	25,000	-	-	-
Management fees	(1,831)	-	-	-
Withdrawals	(1,852)	-	-	-
Dividend income	1,128	-	-	-
Realized gains	2,845	-	-	-
Unrealized gains	32,655	34,810	-	-
Change in the present value	-	-	1,988	(2,730)
Balance, December 31, 2014	\$ 218,866	\$ 918,496	\$ 123,257	\$ 36,216

	2013			
	Private Equity Collective Investment Funds	Limited Investment Partnership	Beneficial Interest in Pooled Income Funds	Charitable Gift Annuities Liability
Balance, January 1, 2013	\$ 111,670	\$ 785,254	\$ 120,260	\$ 39,882
Purchases	37,971	-	-	-
Management fees	(2,000)	-	-	-
Withdrawals	(2,029)	-	-	-
Dividend income	585	-	-	-
Realized gains	7,369	-	-	-
Unrealized gains	7,355	98,432	-	-
Change in the present value	-	-	1,009	(936)
Balance, December 31, 2013	\$ 160,921	\$ 883,686	\$ 121,269	\$ 38,946

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 assets whose fair values are estimated using NAV per share as of December 31, 2014.

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fixed income commingled funds (a)	\$ 591,971	\$ -	Daily	10 days
Equity commingled funds (b)	1,706,077	-	Monthly	15-45 days
Private equity collective investment funds (c)	218,866	77,500	N/A	N/A
Limited investment partnership (d)	918,496	-	Annually	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 domestic small capitalization companies. These investments can be sold and purchased on a monthly basis and have redemption notice periods ranging from 15-45 days. In addition, the 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 annually and have a redemption notice period of 60 days. There is also a holding period requirement that must be met prior to redemption that was satisfied September 30, 2014.

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:

	2014	2013
Receivable in less than one year	\$ 6,725	\$ 3,707,947
Receivable in two to five years	-	1,125
Total unconditional promises to give	6,725	3,709,072
Less:		
Discounts to net present value	-	138
Allowance for uncollectible promises to give	700	6,635
Unconditional promises to give - Net	6,025	3,702,299
Less - Current portion - Net	6,025	3,701,291
Noncurrent unconditional promises to give - Net	\$ -	\$ 1,008

Unconditional promises to give which are receivable in less than one year are reported as current assets. Promises to give which are receivable for longer than one year are discounted at a rate applicable to the years in which the promises are received and reported as a noncurrent asset.

Note 5 Investment in Real Estate

During 2012, the Foundation purchased a historic building along the Wisconsin Rapids riverfront. Prior to 2014, the Foundation, taking resident input into account, was evaluating the best use of the property for the community. Thus, at December 31, 2013, the investment was valued at a cost of \$547,051 and reflected as an investment in real estate. The investment was funded with issuance of a note payable and investment funds.

During 2014, the Foundation's Board of Directors resolved to retain the building for community development. Thus, the cost of the land and building has been reclassified to property and equipment in 2014.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 6 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.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 6 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:

	2014	2013
Assets held under charitable gift annuities included		
in investments	\$ 66,477	\$ 75,034
Beneficial interest in pooled income funds	123,257	121,269
Liabilities to other beneficiaries	36,216	38,946

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, 2014 and 2013, the segregated account totaled \$137,100 and \$130,334, 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, 2014 and 2013, was \$2,928 and \$359, respectively, from changes in the value of split-interest agreements.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 7 Notes Receivable

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

	2014	2013
Community Assets for People, Inc., entire balance due December 31, 2021, interest payable annually at 4.0% through December 31, 2014, and at 3.5% thereafter through December 31, 2021	\$ 104,000	\$ 104,000
North Central Community Action Program, Inc., entire balance due January 30, 2017, interest payable annually at 2.5%	26,593	26,593
Notes receivable	130,593	130,593
Less - Current portion	-	104,000
Noncurrent notes receivable	\$ 130,593	\$ 26,593

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

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 8 Note Payable

The Foundation has a \$263,500 note payable that was due in December 2014. During 2014, the date was extended to December 2015. Monthly payments are interest only at a rate of 3.25%. The proceeds were utilized to purchase the historic building which is the collateral for the note payable.

Note 9 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:

	2014	2013
Unconditional promises to give - Net - Time restricted	\$ 5,000	\$ 3,642,717
Beneficial interest in pooled income funds	123,257	121,269
Charitable gift annuities	167,361	166,421
Totals	\$ 295,618	\$ 3,930,407

Note 10 Net Assets Released From Restrictions

In 2014 and 2013, \$3,642,717 and \$20,636 of net assets were released from restriction due to the receipt of payment for unconditional promises to give.

Note 11 Major Contributors

For the year ended December 31, 2014, two donors accounted for \$1,437,300 (66%) of contributions. For the year ended December 31, 2013, one contribution accounted for \$3,642,717 (80%) of contributions.

Incorporate Community Foundation, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 12 Retirement Plan

The Foundation sponsors a 401(k) defined 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, 2014 and 2013, the amount of retirement plan expense was \$50,636 and \$45,655, respectively.

Supplementary Information

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses

Year Ended December 31, 2014

	Program Services*	Management and General	Fund- Raising	Total Expenses
Distributions approved for charitable purposes	\$ 727,726	\$ -	\$ -	\$ 727,726
Wages	989,572	245,121	76,017	1,310,710
Retirement plan	38,101	9,650	2,885	50,636
Employee benefits	180,657	48,291	14,743	243,691
Payroll taxes	82,472	20,280	5,751	108,503
Professional fees for services	617,127	77,914	27,490	722,531
Investment management and trustee fees	-	161,739	-	161,739
Advertising and promotion	13,433	2,480	762	16,675
Office expenses	38,734	12,003	7,638	58,375
Information technology	94,536	17,004	8,048	119,588
Travel	63,674	2,132	816	66,622
Meeting, workshop, and conference costs	152,985	3,680	3,564	160,229
Interest	9,752	-	-	9,752
Occupancy	72,027	2,472	758	75,257
Depreciation	55,817	9,317	2,863	67,997
Insurance	4,960	4,232	381	9,573
Fund program-related activities	136,974	-	-	136,974
Communications	11,825	1,320	329	13,474
Dues, subscriptions, and books	10,890	1,961	1,067	13,918
Credit for uncollectible receivables and promises to give	-	-	(5,935)	(5,935)
Other expenses	-	538	-	538
Total functional expenses	\$ 3,301,262	\$ 620,134	\$ 147,177	\$ 4,068,573

*See Note 1 - Nature of Activities

Incorporate Community Foundation, Inc. and Affiliate

Consolidated Statements of Functional Expenses (Continued)

Year Ended December 31, 2013

	Program Services*	Management and General	Fund- Raising	Total Expenses
Distributions approved for charitable purposes	\$ 665,661	\$ -	\$ -	\$ 665,661
Wages	796,584	217,784	58,471	1,072,839
Retirement plan	33,245	10,065	2,345	45,655
Employee benefits	136,096	43,799	11,949	191,844
Payroll taxes	67,202	19,349	4,988	91,539
Professional fees for services	265,962	45,083	654	311,699
Investment management and trustee fees	-	146,376	-	146,376
Advertising and promotion	13,822	2,450	655	16,927
Office expenses	40,659	9,868	3,231	53,758
Information technology	63,453	11,916	4,704	80,073
Travel	57,366	2,648	4,218	64,232
Meeting, workshop, and conference costs	74,327	2,378	2,736	79,441
Interest	10,226	-	-	10,226
Occupancy	71,339	2,516	673	74,528
Depreciation	53,203	10,257	2,743	66,203
Insurance	4,428	4,057	333	8,818
Fund program-related activities	65,509	-	-	65,509
Communications	7,931	527	99	8,557
Dues, subscriptions, and books	13,249	1,940	1,847	17,036
Credit for uncollectible receivables and promises to give	-	-	(3,765)	(3,765)
Other expenses	1,499	450	-	1,949
Total functional expenses	\$ 2,441,761	\$ 531,463	\$ 95,881	\$ 3,069,105

*See Note 1 - Nature of Activities