Incourage Community Foundation, Inc. and Affiliate

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

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

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, 2019 and 2018, and the related consolidated statements of activities, functional expenses, 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 that 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 Incourage Community Foundation, Inc. and Affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

September 22, 2020
Green Bay, Wisconsin

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets	**2019**	**2018**
Current assets:		
Cash and cash equivalents	$ 58,103	$ 184,304
Unconditional promises to give - Less allowance for uncollectible promises to give of $0 at December 31, 2019 and 2018, respectively	-	250
Other assets	33,183	43,858
Total current assets	91,286	228,412
Investments	22,755,960	20,819,558
Notes receivable	603,673	501,271
Property and equipment:		
Land	281,316	444,140
Buildings and improvements	1,041,075	1,041,075
Office equipment, furnishings, and technology	490,537	514,710
Totals	1,812,928	1,999,925
Less - Accumulated depreciation	577,442	540,703
Net depreciated value	1,235,486	1,459,222
Capital additions in progress	1,462,718	1,450,202
Total property and equipment	2,698,204	2,909,424
Other assets:		
Beneficial interest in pooled income funds	126,148	119,084
Other	5,014	5,191
Total other assets	131,162	124,275
TOTAL ASSETS	$ 26,280,285	$ 24,582,940

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Financial Position (Continued)

December 31, 2019 and 2018

Liabilities and Net Assets		**2019**		**2018**
Current liabilities:				
Grants payable	$	65,425	$	77,087
Accounts payable		32,057		31,473
Accrued payroll and benefits		59,921		80,402
Accrued interest		686		686
Funds held for other agencies		1,326,360		1,155,685
Total current liabilities		1,484,449		1,345,333
Long-term liabilities:				
Notes payable		263,500		413,500
Accrued interest		-		21,140
Charitable gift annuities		26,882		29,452
Total long-term liabilities		290,382		464,092
Total liabilities		1,774,831		1,809,425
Net assets:				
Without donor restrictions:				
Designated		14,980,768		13,511,857
Donor advised		1,306,465		1,228,923
Field of interest/scholarships		5,755,729		5,075,191
Undesignated		2,153,607		2,668,978
Total net assets without donor restrictions		24,196,569		22,484,949
With donor restrictions		308,885		288,566
Total net assets		24,505,454		22,773,515
TOTAL LIABILITIES AND NET ASSETS	$	26,280,285	$	24,582,940

Incourage Community Foundation, Inc. and Affiliate
Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Revenue and other support:		
Contributions	$ 759,310	$ 444,197
Interest and dividends	427,274	583,923
Rent	21,080	30,840
Program and facilitation services	1,398	-
Net assets released from donor restrictions	250	250
Total revenue and other support	1,209,312	1,059,210
Functional expenses:		
Program services:		
Distributions approved for charitable purposes	917,474	773,845
Direct program services	1,659,554	1,768,190
Management and general	233,922	282,972
Fund-raising	92,137	131,380
Total functional expenses	2,903,087	2,956,387
Other income (loss):		
Net realized and unrealized gain (loss) on investments	3,389,368	(2,207,794)
Forgiveness of interest obligation	26,959	-
Loss on disposal of property and equipment	(12,824)	-
Other miscellaneous income	739	600
Total other income (loss)	3,404,242	(2,207,194)
Change in net assets without donor restrictions	1,710,467	(4,104,371)
Net assets with donor restrictions:		
Net assets released from donor restrictions	(250)	(250)
Net realized and unrealized gain (loss) on investments	20,569	(32,582)
Change in net assets with donor restrictions	20,319	(32,832)
Change in net assets	1,730,786	(4,137,203)
Net assets at beginning, as previously reported	22,773,515	26,910,718
Prior-period adjustment	1,153	-
Net assets at beginning, as restated	22,774,668	26,910,718
Net assets at end	$ 24,505,454	$ 22,773,515

See accompanying notes to consolidated financial statements.

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services*	Management and General	Fund-Raising	Total Expenses
Distributions approved for charitable purposes	$ 917,474	$ -	$ -	$ 917,474
Wages	667,853	122,203	43,081	833,137
Retirement plan	30,853	5,742	1,969	38,564
Employee benefits	139,340	26,033	8,369	173,742
Payroll taxes	58,843	10,689	3,293	72,825
Professional fees for services	376,478	34,282	20,254	431,014
Advertising and promotion	31	-	-	31
Office expenses	15,724	3,550	4,773	24,047
Information technology	80,801	13,354	6,416	100,571
Travel	23,830	959	402	25,191
Meeting, training program, and conference costs	14,714	431	318	15,463
Interest	6,174	-	-	6,174
Occupancy	104,040	1,909	657	106,606
Depreciation	52,218	6,468	2,226	60,912
Insurance	3,003	3,599	184	6,786
Fund program-related activities	79,847	-	-	79,847
Communications and sponsorships	263	-	-	263
Dues, subscriptions, and books	5,542	1,574	195	7,311
Other expenses	-	3,129	-	3,129
Total functional expenses	$ 2,577,028	$ 233,922	$ 92,137	$ 2,903,087

*See Note 1 - Nature of Activities.

See accompanying notes to consolidated financial statements.

Incourage Community Foundation, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services*	Management and General	Fund-Raising	Total Expenses
Distributions approved for charitable purposes	$ 773,845	$ -	$ -	$ 773,845
Wages	852,583	156,096	52,146	1,060,825
Retirement plan	36,547	7,038	2,156	45,741
Employee benefits	167,320	31,403	10,625	209,348
Payroll taxes	75,533	13,968	4,280	93,781
Professional fees for services	233,309	43,334	43,808	320,451
Advertising and promotion	3,188	518	172	3,878
Office expenses	23,887	4,886	4,184	32,957
Information technology	65,406	8,152	4,475	78,033
Travel	38,394	824	1,321	40,539
Meeting, training program, and conference costs	53,725	404	4,455	58,584
Interest	6,367	-	-	6,367
Occupancy	99,166	2,307	766	102,239
Depreciation	55,068	6,884	2,285	64,237
Insurance	5,273	4,001	321	9,595
Fund program-related activities	39,135	-	-	39,135
Communications and sponsorships	5,052	3	1	5,056
Dues, subscriptions, and books	8,301	1,608	385	10,294
Credit for uncollectible receivables and promises to give	(64)	-	-	(64)
Other expenses	-	1,546	-	1,546
Total functional expenses	$ 2,542,035	$ 282,972	$ 131,380	$ 2,956,387

*See Note 1 - Nature of Activities.

See accompanying notes to consolidated financial statements.

Incourage Community Foundation, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	$ 1,730,786	$ (4,137,203)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	60,912	64,237
Forgiveness of interest obligation	(26,959)	-
Net realized and unrealized (gain) loss on investments	(3,409,937)	2,240,376
Loss on disposal of property and equipment	12,824	-
Contribution of marketable equity securities and services	(120,421)	(11,922)
Change in present value of beneficial interest in pooled income funds	(7,064)	15,036
Change in present value of charitable gift annuities	(2,570)	(2,659)
Provision for uncollectible receivables and promises to give	-	(64)
Changes in operating assets and liabilities:		
Unconditional promises to give	250	314
Other assets	10,852	2,387
Grants payable	(11,662)	(27,863)
Accounts payable	584	(40,402)
Accrued payroll and benefits	(20,481)	(45,301)
Accrued interest	5,819	6,000
Funds held for other agencies	171,828	(139,958)
Total adjustments	(3,336,025)	2,060,181
Net cash flows from operating activities:	(1,605,239)	(2,077,022)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	8,036,069	7,101,210
Payment for purchase of investments	(6,442,113)	(4,927,350)
Acquisition of property and equipment	(12,516)	(25,931)
Net cash flows from investing activities	1,581,440	2,147,929
Cash flows from financing activities - Notes receivable	(102,402)	-
Net change in cash and cash equivalents	(126,201)	70,907
Cash and cash equivalents at beginning	184,304	113,397
Cash and cash equivalents at end	$ 58,103	$ 184,304

Noncash operating and investing activities:

For the years ended December 31, 2019 and 2018, the Organization received $120,421 and $11,922, respectively, in gifts of noncash investments and services.

For the year ended December 31, 2019, the Organization had $26,959 in noncash forgiveness of accrued interest on a note payable.

For the year ended December 31, 2019, the Organization returned land to an original owner in exchange for satisfaction of a note payable in the amount of $150,000.

Supplemental schedule of financing activities:

Cash paid for interest was $12,516 and $13,016 during 2019 and 2018, respectively.

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Incourage Community Foundation, Inc. (the "Organization"), commonly referred to as Incourage, is a not-for-profit community foundation incorporated under the laws of the state of Wisconsin in 1993. Utilizing a values-led, user-centered, place-based approach, its primary mission involves promoting community-led philanthropy in furtherance of building community in southern Wood County and the surrounding area. It receives and maintains funds to be utilized for philanthropic activities that meet the requirements of the Organization's governing documents.

Guided by values of equity, opportunity, and shared stewardship, the Organization partners with residents, businesses, and civic leaders in rural Central Wisconsin to co-create an inclusive, adaptive and sustainable community, and realize a community that works well for all people. The Organization operates from a central belief that people are its most important asset and positive community change happens when systemic barriers to participation and engagement are eliminated, so every person and the community can realize the power of their full potential. This includes the belief that residents who feel a sense of belonging, ownership, shared responsibility, and shared destiny by virtue of a shared place are essential in shaping healthy, sustainable, and inclusive economic growth. Recognizing that grants alone cannot support the needs of an innovative, emerging economy, the Organization has committed to align and leverage all its capitals, including moral, human, social, intellectual, reputational, natural, and financial to advance its mission.

In addition to the traditional community foundation grant-making role, the Organization directly organizes, develops, and leads programs and community initiatives aimed at rebuilding and diversifying its local economy. The Organization is a leader in rural community and economic development with programs in collaborative development practices, community information, civility, adaptive skills, resident engagement, workforce development, and grassroots grant making. It has a history of joining with local, regional, state, and national funders in both the public and private sectors, who are committed to: prudent and transparent efforts to take existing and emerging models further, promoting adaptive leadership skills, relationship building, collaboration, convening, advocacy, mission/impact investing and financing, stewarding resources, proactive and unbiased research, capacity building, a shared learning environment, and the effective exchange of relevant information in the process.

Examples of community initiatives include participating as a rural project site in the National Fund for Workforce Solutions' pursuit to promote community prosperity built on valuing workers, supporting local employers, and investing in economic growth; participating in the John S. and James L. Knight Foundation's Community Information Challenge, focusing on user-centered processes to create a more informed, engaged, and connected community; and finalizing the results of the second community survey in five years to understand residents' current hopes and concerns and identify today's priorities for the community.

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

The Organization's commitment to user-centered decision making for southern Wood County's future is symbolized by the planned redevelopment of the former *Daily Tribune* (the "Tribune") building. The Organization purchased this historic local property located on the Wisconsin River and engaged over 2,000 residents in planning and decision making. The Tribune has been designed to reflect resident priorities and capitalize on community and regional assets. The redeveloped facility will be an economic and community hub to serve as a laboratory for innovation for southern Wood County and Central Wisconsin, with a particular focus on the needs of rural communities. It will serve as an entrepreneurial and workforce support center, a focal point of regional collaboration and innovation among major institutional drivers of economic change, and a dynamic community place for work, play, and commerce. At its core, the Tribune will be a true social enterprise focused on cultivating entrepreneurs and growing a sustainable local economy.

The Organization is committed to learn, reflect, and act on what it means to be an authentically user-centered, values-led, place-based philanthropic institution that recognizes that tangible changes within the community culture and its supporting systems take persistence, patience, and time; because it believes that when it knows better, it does better.

Community Property, Inc. (the "Affiliate") was formed to acquire, accept, hold, lease, manage, administer and/or liquidate in an orderly fashion, contributions and property for the benefit and/or purpose of Incourage Community Foundation, Inc. as a supporting organization.

Principles of Consolidation

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) for the nonprofit industry. Collectively, the entities are referred to as the "Organization."

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* are subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary or designation, such contributions must be classified as net assets without donor restrictions. The Organization's Board of Directors (the "Board") has that ability (variance power); however, the Board would intend to exercise this authority only if the stated purpose of the contribution becomes no longer applicable and/or incapable of fulfillment. Accordingly, the Organization's consolidated financial statements classify substantially all funds, including the principal of endowment funds, as net assets without donor restrictions, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available. In addition, to ensure the Organization observes the designations and/or restrictions placed on the funds by the donors, the Organization's accounts are managed as individual charitable funds.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in accordance with 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.

Cash and Cash Equivalents

The Organization 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 Organization's policy to capitalize all asset additions over $5,000 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 3 to 7 years for office equipment, furnishings, and technology, 15 to 40 years for buildings and improvements, and if appropriate, life of the lease for leasehold 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 support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations regarding 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.

The Organization 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 undiscounted 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 Organization would recognize an impairment loss. The Organization determined no evaluations of carrying value were necessary during 2019 and 2018.

Asset Retirement Obligation

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 on its existing properties such as asbestos removal. The Organization believes there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Organization may settle the obligation is unknown and cannot be estimated. As a result, the Organization cannot reasonably estimate the liability related to these asset retirement activities as of December 31, 2019 and 2018.

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization reports contributions as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions 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 net assets with donor restrictions. Promises to give without donor restrictions to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported as current assets at net realizable value. Promises to give that are expected to be collected in future years are reported as long-term assets 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 balances of unconditional promises to give and estimates the portion, if any, 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.

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 revenue without donor restrictions unless the income or loss is restricted by the donor or by law. Investment fees, including direct internal investment expenses, if any, are netted with realized and unrealized gain (loss) on investments on the consolidated statements of activities.

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received when an asset is sold or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs where little or no market data exists, thus requiring an entity to develop its own assumptions. The fair value measurement of assets and liabilities within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Notes Receivable

Notes receivable consist of amounts loaned to not-for-profit organizations in the region for community lending pool purposes. Notes receivable are 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. The Organization 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 Organization considers the notes receivable and related interest to be fully collectible; 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.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Organization receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally over the remaining life of the donor. Contributed assets are recorded at fair value at the date of receipt, and a liability is established for the present value of future annuity payments. Assets to fund these liabilities are included in investments on the accompanying consolidated statements of financial position.

At the date into which the annuity is entered, the excess of contributed assets over the annuity liability is recorded as contribution revenue without donor restrictions. Any subsequent gain or loss resulting from the computation of the liability for the present value of future annuity payments performed on an annual basis is recorded as a change in the value of charitable gift annuities and is presented in contribution revenue without donor restrictions on the consolidated statements of activities. Upon termination of the annuity contract, any remaining liability is recognized as contribution revenue without donor restrictions on the accompanying consolidated statements of activities.

Note 1: Summary of Significant Accounting Policies (Continued)

Beneficial Interest in Pooled Income Funds

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

Funds Held for Other Agencies

The Organization recognizes a liability when it receives a transfer of assets and the resource provider (i.e., a not-for-profit organization) specifies itself or an affiliate as the beneficiary, even if the resource provider explicitly grants the Organization variance power. The Organization, when accepting cash or other financial assets from a not-for-profit organization, recognizes the fair value of those assets as a liability to the specified beneficiary (generally the same not-for-profit organization) concurrent with recognition of the assets received from the not-for-profit organization if the Organization agrees to any of the following: (1) use of those assets on behalf of the not-for-profit organization, (2) transfer of those assets to the not-for-profit organization, or (3) use of the return on those assets to benefit the not-for-profit organization.

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.

Functional Allocation of Expenses

The costs of providing the Organization's various programs, activities, and supporting services have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs, activities, and supporting services benefited. Personnel costs are allocated based on estimations of time and effort, by employee. Where not specific to a program, activity, or supporting service, expenses such as occupancy, depreciation, office, and information technology are allocated in proportion to the allocation of personnel costs.

Note 1: Summary of Significant Accounting Policies (Continued)

Tax Status

Incourage Community Foundation, Inc. and Community Property, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, both organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2) of the Code. The organizations are also exempt from state income taxes on related income.

The Organization is required to assess 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 that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization's primary sources of revenue are classified as contributions, which are explicitly excluded from the scope of the new guidance. The adoption of this update did not have an impact on the Organization's financial statements.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The entity has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets, and no prior period results were restated. The amendments in this ASU also apply to both resources received by a recipient and resources given by a resource provider. Note that for transactions in which the entity serves as a resource provider, the effective date for the amendments in ASU 2018-08 are effective for fiscal years beginning after December 15, 2019.

Note 2: Liquidity and Availability of Financial Resources

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash, cash equivalents, and money market funds for at least two months of anticipated functional expenses. These amounts are reflected within the cash and cash equivalents and investments of the consolidated statements of financial position. Contributions and grants are received in support of its programs, activities, and supporting services that may or may not be subject to donor-imposed designations such as what areas of work the funds are designated to support. Contributions and grants may be for expenditures in the current fiscal year or over a period of time. The Organization also receives contributions into endowment funds that will exist for the long term; the spending policy amounts generated from such endowment funds are also used to fund its programs, activities, and supporting services.

Financial assets available for general expenditure, that is without donor restrictions or designations limiting their use, within one year of the statement of financial position date, are estimated at $700,000 and $1,500,000 as of December 31, 2019 and 2018, respectively, and are reflected within the cash and cash equivalents, unconditional promises to give, and investments of the consolidated statements of financial position. This estimated balance available for general expenditure is based on the Organization's approved spending policy, fund balances that are designated as available for general expenditure, and estimated service revenue from the funds that is available for general expenditure. Financial assets on hand at December 31, 2019 and 2018, also include assets that are available for expenditure within one year in support of the Organization's programs, activities, and supporting services in accordance with the designations indicated by the donor, that are not included in the amount available for general expenditure. For example, if a donor indicates its contribution is to be designated toward a scholarship, that amount would be available for supporting scholarships rather than for general expenditure.

As noted in Note 1, Classification of Net Assets section, the Organization's Board has the ability (variance power) to redirect the use of a donor's contributions, resulting in the Organization's consolidated financial statements classifying substantially all funds, including the principal of endowment funds, as net assets without donor restrictions. The calculation of financial assets available for general expenditure stated above assumes that all donor designations are observed, and variance power is not exercised.

Note 3: Investments

Investments, stated at fair value, consisted of the following at December 31:

	2019	2018
Certificates of deposit	$ 77,479	$ 76,140
Money market funds	2,274,030	1,454,487
Fixed income mutual funds	2,668,663	3,159,763
Fixed income commingled funds	663,835	618,196
Equities	8,067,439	6,136,665
Equity mutual funds	7,046,482	7,208,815
Equity commingled funds	1,424,377	1,133,419
Private equity collective investment funds	466,455	410,158
Limited investment partnership	67,200	621,915
Total investments	$ 22,755,960	$ 20,819,558

Note 3: Investments (Continued)

The Organization uses the services of various investment managers to administer its investment portfolio. Investment expenses relating to the management of the Organization's investment portfolio totaled $122,173 and $138,076 for the years ended December 31, 2019 and 2018, 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 such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

At December 31, 2019 and 2018, the total net unrealized gain was $3,642,609 and $1,000,749, respectively.

Note 4: Fair Value Measurements

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

Money market funds are valued at historical cost which approximates fair value. Mutual funds and equities are valued at quoted market prices from active markets. The limited investment partnership, fixed income commingled funds, equity commingled funds, and private equity collective investment funds are valued at estimated fair value based on meaningful third-party transactions and/or comparable public market valuations which represent the net asset value of shares held by the Organization 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. Charitable gift annuities are valued using the actuarial present value of amounts due under annuity agreements using inputs payable over various periods, generally the life of the donor. 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 Organization 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 Organization's assets and liability measured at fair value on a recurring basis as of December 31:

	Fair Value Measurements Using				
2019	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value**	**Total**
Assets:					
Money market funds	$ 43,436	$ 2,230,594	$ -	$ -	$ 2,274,030
Fixed income mutual funds:					
U.S. intermediate term bonds	1,699,434	-	-	-	1,699,434
U.S. inflation protected bonds	960,159	-	-	-	960,159
U.S. high yield bonds	4,726	-	-	-	4,726
Emerging markets bonds	4,344	-	-	-	4,344
Equities	8,067,439	-	-	-	8,067,439
Equity mutual funds:					
U.S. large cap growth	8,757	-	-	-	8,757
U.S. large cap blend	119,327	-	-	-	119,327
U.S. large cap value	10,712	-	-	-	10,712
U.S. mid cap blend	541,912	-	-	-	541,912
U.S. small cap growth	2,155	-	-	-	2,155
U.S. small cap value	2,091	-	-	-	2,091
International developed large cap blend	5,143,003	-	-	-	5,143,003
International emerging markets diversified	1,218,525	-	-	-	1,218,525
Investments measured at net asset value	-	-	-	2,621,867	2,621,867
Total investments	17,826,020	2,230,594	-	2,621,867	22,678,481
Beneficial interest in pooled income funds	-	-	126,148	-	126,148
Total assets	$ 17,826,020	$ 2,230,594	$ 126,148	$ 2,621,867	$ 22,804,629
Liability - Charitable gift annuities	$ -	$ -	$ 26,882	$ -	$ 26,882

Note 4: Fair Value Measurements (Continued)

2018	Fair Value Measurements Using Level 1	Level 2	Level 3	Net Asset Value	Total
Assets:					
Money market funds	$ 36,248	$ 1,418,239	$ -	$ -	$ 1,454,487
Fixed income mutual funds:					
U.S. short-term bonds	33,961	-	-	-	33,961
U.S. intermediate term bonds	2,006,544	-	-	-	2,006,544
U.S. inflation protected bonds	1,009,343	-	-	-	1,009,343
U.S. high yield bonds	4,360	-	-	-	4,360
Global bonds	97,981	-	-	-	97,981
Emerging markets bonds	7,574	-	-	-	7,574
Equities	6,136,665	-	-	-	6,136,665
Equity mutual funds:					
U.S. large cap growth	161,724	-	-	-	161,724
U.S. large cap blend	203,660	-	-	-	203,660
U.S. large cap value	161,880	-	-	-	161,880
U.S. mid cap growth	7,864	-	-	-	7,864
U.S. mid cap blend	462,372	-	-	-	462,372
U.S. mid cap value	104,427	-	-	-	104,427
U.S. small cap growth	59,842	-	-	-	59,842
U.S. small cap value	55,051	-	-	-	55,051
International developed large cap growth	142,379	-	-	-	142,379
International developed large cap blend	4,493,090	-	-	-	4,493,090
International developed large cap value	141,762	-	-	-	141,762
International emerging markets diversified	1,214,764	-	-	-	1,214,764
Investments measured at net asset value	-	-	-	2,783,688	2,783,688
Total investments	16,541,491	1,418,239	-	2,783,688	20,743,418
Beneficial interest in pooled income funds	-	-	119,084	-	119,084
Total assets	$ 16,541,491	$ 1,418,239	$ 119,084	$ 2,783,688	$ 20,862,502
Liability - Charitable gift annuities	$ -	$ -	$ 29,452	$ -	$ 29,452

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Notes to Consolidated Financial Statements

Note 4: Fair Value Measurements (Continued)

Reconciliation of the fair value hierarchy tables to the financial statements is as follows:

	2019	2018
Investments	$ 22,755,960	$ 20,819,558
Less - Certificates of deposit	77,479	76,140
Total assets per the fair value hierarchy table	$ 22,678,481	$ 20,743,418

Charitable Gift Annuities - Liability

The present value of the Organization's future obligation related to its charitable gift annuities as of December 31 is summarized as follows:

	2019	2018
Beginning balance	$ 29,452	$ 32,111
Actuarial change in value	(2,570)	(2,659)
Totals	$ 26,882	$ 29,452

Beneficial Interest in Pooled Income Funds

The discounted present value of cash flows of the Organization's estimated irrevocable remainder interest related to its beneficial interest in pooled income funds as of December 31 is summarized as follows:

	2019	2018
Beginning balance	$ 119,084	$ 134,120
Assets released from donor restrictions	-	(23,444)
Actuarial change in value	7,064	8,408
Totals	$ 126,148	$ 119,084

Note 4: Fair Value Measurements (Continued)

The following tables set forth additional disclosures of the Organization's investments whose fair values are estimated using net asset value per share as of December 31:

2019	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income commingled funds (a)	$ 663,835	$ -	Daily	10 days
Equity commingled funds (b)	1,424,377	-	Monthly	15-45 days
Private equity collective investment funds (c)	466,455	125,257	N/A	N/A
Limited investment partnership (d)	67,200	-	Annually	95 Days
Total	$ 2,621,867	$ 125,257		

2018	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income commingled funds (a)	$ 618,196	$ -	Daily	10 days
Equity commingled funds (b)	1,133,419	-	Monthly	15-45 days
Private equity collective investment funds (c)	410,158	163,378	N/A	N/A
Limited investment partnership (d)	621,915	-	Annually	95 Days
Total	$ 2,783,688	$ 163,378		

(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 10 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 to 45 days. In addition, the fund has a $50,000 minimum withdrawal requirement.

(c) These funds were established to provide certain eligible organizations with cost-effective access to private equity investments and managers operating in the United States and abroad. The objective is to generate returns in excess of the S&P 500 over the long term. These funds do not permit redemptions, and the private equity fund lives run to December 31, 2021, and October 4, 2027, with cash distributions from time to time as determined by the funds.

(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 95 days. There is also a holding period requirement that must be met prior to redemption, which was satisfied September 30, 2014.

Note 5: Split-Interest Agreements

Some donors enter into trusts or other arrangements under which the Organization 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. Amounts are payable either quarterly or monthly. Assets received under a gift annuity contract are held as general assets of the Organization, and the annuity liability is a general obligation of the Organization. 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 Organization's other investments.

Irrevocable split-interest agreements in which the Organization controls the trust assets are recognized in the Organization's consolidated 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 Organization 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.

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

	2019	2018
Assets held under charitable gift annuities included in investments	$ 41,016	$ 48,988
Beneficial interest in pooled income funds	126,148	119,084
Liabilities to other beneficiaries	26,882	29,452

As was previously required by the State of Wisconsin, the Organization has established a segregated account of at least $100,000 related to the charitable gift annuities. As of December 31, 2019 and 2018, the segregated account totaled $168,602 and $149,696, respectively, and is included in investments on the consolidated statements of financial position.

Included as a change in net assets with donor restrictions on the consolidated statements of activities for the years ended December 31, 2019 and 2018, was $20,569 and ($32,582), respectively, from changes in the value of split-interest agreements.

Note 6: Notes Receivable

Notes receivable are amounts loaned to not-for-profit organizations in the region and consist of the following at December 31:

	2019	2018
Forward Community Investments, Inc., entire balance due October 7, 2023, interest payable semiannually at 2.5% through October 7, 2020, and at a maximum of 4.5% thereafter through October 7, 2023	$ 250,531	$ 250,531
Community Assets for People, LLC, entire balance due October 3, 2023, interest payable annually at 2.0% through October 3, 2020, and at a maximum of 4.0% thereafter through October 3, 2023	150,740	150,740
Community Assets for People, Inc., entire balance due December 31, 2021, interest payable annually at 3.5%	100,000	100,000
Wisconsin Women's Business Initiative Corporation, entire balance due January 13, 2026, interest payable annually at 2.5%	102,402	-
Long-term notes receivable	$ 603,673	$ 501,271

All notes receivable are considered to be for community development purposes. The Organization regularly evaluates various attributes of loans 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 Organization’s community development class of loans is generally evaluated based on whether the loan is performing according to its contractual terms. The Organization has not identified any nonperforming loans. In addition, the Organization has not identified any loans that are past due according to the contractual terms; therefore, no loans have been placed on nonaccrual status. The Organization has not had to grant any concessions to the borrowers as troubled debt restructurings due to financial difficulties and has not individually evaluated any loans for impairment. As stated in Note 1, no allowance for doubtful accounts is necessary given the Organization’s analysis of the credit quality of its portfolio.

Note 7: Notes Payable

The Organization has a $263,500 note payable that is due in June 2021. Monthly interest-only payments bear a rate of 4.75% until June 12, 2020, and 5% thereafter. The proceeds were utilized to purchase the historic Tribune building, which is the collateral for the note payable.

The Organization had a $150,000 note payable with principal and accrued interest at a rate of 4.00% due in full in June 2035. No monthly payments of principal or interest were due. The note was issued to finance land purchased from the holder of the note payable.

On December 20, 2019, by mutual agreement of the parties, the land subject to the note payable was reverted to the holder of the note payable, and the note payable and accrued interest were satisfied.

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets that are restricted by time at December 31, as follows:

	2019	2018
Unconditional promises to give	$ -	$ 250
Beneficial interest in pooled income funds	126,148	119,084
Charitable gift annuities	182,737	169,232
Total net assets with donor restrictions	$ 308,885	$ 288,566

In 2019 and 2018, net assets released from donor restrictions due to the receipt of payment for unconditional promises to give were $250.

Note 9: Major Contributors

There were no major contributors during the year ended December 31, 2019. For the year ended December 31, 2018, one donor accounted for $100,000 (23%) of contributions.

Note 10: Retirement Plan

The Organization sponsors a 401(k) defined contribution retirement plan that 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 Organization, the employer may make contributions to the plan. For the years ended December 31, 2019 and 2018, the amount of retirement plan expense was $38,564 and $45,741, respectively.

Note 11: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the FDIC for up to $250,000. At times throughout the year, balances may exceed the FDIC-insured limit. Management has assessed the creditworthiness of the financial institutions and deems the risk of loss to be minimal.

Note 12: Subsequent Events

Subsequent events have been evaluated through September 22, 2020, which is the date the consolidated financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the consolidated financial statements, the Organization had not yet suffered material adverse impact from the CV19 Crisis. In response to the CV19 Crisis, the Organization applied for and received a loan in the amount of $156,254 pursuant to the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA). The loan bears interest at a rate of 1.00% with monthly payments of principal and interest beginning November 2020 and a final payment due April 2022. If certain criteria are met, the SBA may forgive all or a portion of the loan. As of the date of the issuance of the consolidated financial statements, no determination of forgiveness can be made. The future impact of the CV19 Crisis on the Organization cannot be reasonably estimated at this time.