

**COMMUNITY FOUNDATION  
OF SOUTHERN WISCONSIN, INC.**

**FINANCIAL STATEMENTS**

June 30, 2013 and 2012

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Wegner CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Foundation of Southern Wisconsin, Inc.  
Janesville, Wisconsin

We have audited the accompanying financial statements of Community Foundation of Southern Wisconsin, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Southern Wisconsin, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wegner CPAs, LLP

Wegner CPAs, LLP  
Janesville, Wisconsin  
October 8, 2013

Janesville Office:  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

Baraboo Office:  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

Pewaukee Office:  
W239 N3490 Pewaukee Road  
Suite 200  
Pewaukee, WI 53072  
P: (262) 522-7555  
F: (262) 522-7550

Madison Office:  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash	\$ 97,723	\$ 132,320
Restricted asset - certificate of deposit	4,400	3,600
Investments	32,272,060	27,498,651
Beneficial interest in remainder trusts	2,499,386	2,596,254
Accounts receivable	-	12,322
Pledges receivable	327,178	88,468
Other assets	10,322	6,510
Equipment - net	9,095	13,311
<b>Total assets</b>	<u>\$ 35,220,164</u>	<u>\$ 30,351,436</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,106	\$ 3,149
Accrued payroll and employee benefits	14,775	12,500
Grants and scholarships payable	1,377,806	1,480,854
Liability to life beneficiary	7,870	6,723
Discount for future interest	81,475	1,928
Unearned revenue	13,895	-
Funds held for benefit of others	2,504,355	2,206,937
<b>Total liabilities</b>	4,003,282	3,712,091
<b>NET ASSETS</b>		
Undesignated	3,690,408	3,195,907
Field of interest	1,998,557	1,787,856
Donor advised	4,260,983	3,931,225
Donor designated	18,200,127	14,917,714
<b>Total unrestricted</b>	28,150,075	23,832,702
<b>Temporarily restricted</b>	3,066,807	2,806,643
<b>Total net assets</b>	<u>31,216,882</u>	<u>26,639,345</u>
<b>Total liabilities and net assets</b>	<u>\$ 35,220,164</u>	<u>\$ 30,351,436</u>

See accompanying notes.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 2,905,063	\$ 539,654	\$ 3,444,717	\$ 3,182,618	\$ 48,368	\$ 3,230,986
Grants from foundations	965,401	-	965,401	465,403	-	465,403
Special events	69,501	-	69,501	61,575	-	61,575
Program fees	406,190	-	406,190	351,418	-	351,418
Interest income	76,627	-	76,627	81,240	-	81,240
Dividend income	594,024	-	594,024	544,281	-	544,281
Realized gain on investments	640,356	-	640,356	761,459	-	761,459
Unrealized gain (loss) on investments	1,590,084	-	1,590,084	(1,172,688)	-	(1,172,688)
Beneficial interest in remainder trusts	-	(96,868)	(96,868)	-	79,887	79,887
Total support and revenue	7,247,246	442,786	7,690,032	4,275,306	128,255	4,403,561
<b>EXPENSES</b>						
Program	2,742,476	-	2,742,476	2,463,122	-	2,463,122
Management and general	288,269	-	288,269	269,304	-	269,304
Fundraising	81,750	-	81,750	76,884	-	76,884
Total expenses	3,112,495	-	3,112,495	2,809,310	-	2,809,310
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of time restrictions	182,622	(182,622)	-	67,964	(67,964)	-
<b>Change in net assets</b>						
Net assets - beginning of the year	4,317,373	260,164	4,577,537	1,533,960	60,291	1,594,251
<b>Net assets - end of the year</b>	<u>\$28,150,075</u>	<u>\$3,066,807</u>	<u>\$31,216,882</u>	<u>\$23,832,702</u>	<u>\$2,806,643</u>	<u>\$26,639,345</u>

See accompanying notes.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended June 30, 2013 and 2012

<b>2013</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Conference	\$ -	\$ 3,594	\$ -	\$ 3,594
Depreciation	-	4,216	-	4,216
Donor/fund expense	513,499	-	-	513,499
Organizational dues	-	3,415	-	3,415
Employee benefits	4,907	8,911	4,131	17,949
Technology costs	-	20,816	-	20,816
Executive salary	18,478	36,153	25,709	80,340
Fees	-	2,367	-	2,367
Grants to organizations	1,604,930	-	-	1,604,930
Insurance	-	3,895	-	3,895
Meeting	-	3,694	-	3,694
Occupancy	1,540	41,292	3,030	45,862
Salaries and wages	54,732	105,562	34,528	194,822
Office supplies	-	2,131	506	2,637
Payroll taxes	5,516	10,592	4,491	20,599
Postage and printing	1,323	10,008	5,605	16,936
Professional fees	-	16,807	-	16,807
Scholarships/tuition	532,263	-	-	532,263
Telephone	1,147	2,464	637	4,248
Travel	3,645	3,069	2,878	9,592
Workers' compensation	-	1,734	-	1,734
Other expenses	496	7,549	235	8,280
<b>Total expenses</b>	<b>\$ 2,742,476</b>	<b>\$ 288,269</b>	<b>\$ 81,750</b>	<b>\$ 3,112,495</b>
<b>2012</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Conference	\$ -	\$ 4,666	\$ -	\$ 4,666
Depreciation	-	4,570	-	4,570
Donor/fund expense	433,555	-	-	433,555
Organizational dues	-	5,680	-	5,680
Employee benefits	4,653	8,742	3,922	17,317
Technology costs	-	17,595	-	17,595
Executive salary	18,515	36,225	25,760	80,500
Fees	-	2,017	-	2,017
Grants to organizations	1,377,999	-	-	1,377,999
Insurance	-	3,674	-	3,674
Meeting	-	2,203	-	2,203
Occupancy	1,540	38,704	3,031	43,275
Salaries and wages	50,146	99,503	31,388	181,037
Office supplies	-	2,103	266	2,369
Payroll taxes	5,154	10,129	4,212	19,495
Postage and printing	1,696	10,009	5,090	16,795
Professional fees	-	12,503	-	12,503
Scholarships/tuition	561,117	-	-	561,117
Telephone	989	2,124	549	3,662
Travel	3,080	2,593	2,431	8,104
Workers' compensation	-	1,454	-	1,454
Other expenses	4,678	4,810	235	9,723
<b>Total expenses</b>	<b>\$ 2,463,122</b>	<b>\$ 269,304</b>	<b>\$ 76,884</b>	<b>\$ 2,809,310</b>

See accompanying notes.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,577,537	\$ 1,594,251
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	4,216	4,570
Unrealized (gain) loss on investments	(1,590,084)	1,172,688
Realized gain on investments	(640,356)	(761,459)
Change in beneficial interest in remainder trusts	96,868	(79,887)
Donated life insurance	-	(420,369)
Donated stock	(497,813)	(106,615)
Amortization of discount on pledges receivable	4,322	(644)
Change in assets and liabilities		
Restricted asset-certificate of deposit	(800)	-
Accounts receivable	12,322	3,709
Pledges receivable	(243,032)	21,699
Other assets	(3,812)	(4,930)
Accounts payable	(43)	(5,441)
Accrued payroll and employee benefits	2,275	(5,489)
Grants and scholarships payable	(103,048)	62,583
Liability to life beneficiary	1,147	736
Discount for future interest	79,547	(1,929)
Unearned revenue	13,895	-
<b>Net cash flows from operating activities</b>	1,713,141	1,473,473
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	13,666,641	19,589,281
Purchases of investments	(15,711,797)	(20,945,492)
<b>Net cash flows from investing activities</b>	(2,045,156)	(1,356,211)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funds held for benefit of others	297,418	(99,571)
<b>Change in cash</b>	(34,597)	17,691
Cash - beginning of the year	132,320	114,629
<b>Cash - end of the year</b>	<u>\$ 97,723</u>	<u>\$ 132,320</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash investing and financing transactions		
Donated stock	\$ 497,813	\$ 106,615
Donated life insurance	-	420,369

See accompanying notes.



**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

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Community Foundation of Southern Wisconsin, Inc. (Foundation) is a tax-exempt, not-for-profit, autonomous, publicly supported, philanthropic institution comprised primarily of funds donated by many separate donors for the long-term benefit of the residents of Crawford, Green, Iowa, Lafayette, Grant, Rock, Sauk, Vernon, and Walworth Counties of Wisconsin.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity.

**Pledges Receivable**

When pledges are received, they are recorded as an asset and as temporarily restricted income due to the restriction of receipt in the future. Upon receipt of funds in fulfillment of the pledge, net assets are released from temporarily restricted to unrestricted. No allowance for doubtful pledges is considered necessary.

**Investments**

Investments are carried at fair value as quoted on major stock exchanges. Investments with limited marketability are recorded at their estimated realizable value. The Foundation records donated securities at their fair value at the date of donation. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair value and cost.

**Equipment, Depreciation, and Amortization**

Equipment and software are stated at cost when acquired. Property acquired by gift is carried at the fair value at the date of contribution. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated assets are placed in service. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income where appropriate. Depreciation is computed over the estimated useful life of the respective asset using the straight-line method. Amortization of computer software is computed over an estimated useful life of 5 years using the straight-line method.



**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Funds Held for Benefit of Others**

The Foundation records the receipt of an asset from a resource provider for the benefit of the resource provider or its affiliate as a liability and not a contribution. The Foundation has variance power over the assets, but due to the reciprocal nature of the transaction, the receipt is recorded as a liability called funds held for others in the statement of financial position.

**Grants**

Unconditional grants are recorded as expense when approved by the Foundation's Board of Directors. Grants which are subject to conditions are recorded when the conditions have been substantially met.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Expense Allocations**

The costs of providing programs and activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**Estimates**

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenue and expenses. Actual results could vary from the estimates that were used.

**Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Foundation is no longer subject to such examinations for tax years before 2009.

**Date of Management's Review**

Management has evaluated subsequent events through October 8, 2013, the date which the financial statements were available to be issued.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable consist of following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 335,814	\$ 92,782
Less discount	<u>(8,636)</u>	<u>(4,314)</u>
Pledges receivable - net	<u>\$ 327,178</u>	<u>\$ 88,468</u>

Pledges receivable are reflected at present value of estimated future cash flows using a discount rate of 2%. Pledges to be received are as follows for the years ending June 30:

2014	\$ 96,258
2015	91,524
2016	81,450
2017	55,391
2018	1,673
Thereafter	<u>882</u>
Pledges receivable	<u>\$ 327,178</u>

**NOTE 3 – RESTRICTED ASSET – CERTIFICATE OF DEPOSIT**

The Foundation has elected to use the reimbursement method for financing possible state of Wisconsin unemployment benefit cost. Under this method, the Foundation reimburses the state for benefits paid on its behalf. In addition, the Foundation is responsible for maintaining an assurance of reimbursement account equal to 4% of defined payroll. A certificate of deposit has been established in the assurance amount. As of June 30, 2013 and 2012, the balance in the assurance account was \$4,400 and \$3,600. At this time however, no estimate can be made of any possible future liability. In the event the Foundation revokes its election to use the reimbursement method of financing possible state of Wisconsin unemployment benefit costs, it would have a right to the balance in the assurance account two years after the year of revocation.

**NOTE 4 – SPLIT-INTEREST AGREEMENTS**

The Foundation is the beneficiary of five split-interest agreements. Three agreements are charitable remainder trusts in which the Foundation recorded contributions equal to the present value of the contribution based on the donors' life expectancies. The amounts are shown as beneficial interest in remainder trusts in the statements of financial position. The Foundation annually evaluates the expected trust income return (6% at June 30, 2013 and 2012) and the discount rate of future payments (3.25% at June 30, 2013 and 2012) and other assumptions for measuring the beneficial interest.

The final two agreements were for pooled-income funds in which the Foundation recorded a contribution for the present value of the contribution based on the donor's life expectancy. In addition, the Foundation has recorded a discount for future interests that will be amortized over

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 4 – SPLIT-INTEREST AGREEMENTS (continued)**

the life of the donor and a liability to life beneficiary account to reflect earnings on the fund that will be paid to the beneficiary in future periods.

**NOTE 5 – EQUIPMENT**

Equipment consisted of the following at June 30, 2013 and 2012:

	Useful Lives	2013	2012
Office equipment and software	5- 7 years	\$ 50,720	\$ 51,680
Leasehold improvements	7 years	1,431	1,431
Less accumulated depreciation		(43,056)	(39,800)
Equipment - net		<u>\$ 9,095</u>	<u>\$ 13,311</u>

**NOTE 6 – INVESTMENTS**

Investments consisted of the following at June 30, 2013 and 2012:

	2013	2012
Money market funds	\$ 1,942,993	\$ 1,287,966
Marketable equity funds	12,674,818	10,511,119
Marketable bond funds	8,322,292	7,018,152
Marketable equity securities	6,225,022	5,766,162
Marketable debt securities	3,106,935	2,915,252
Investments	<u>\$ 32,272,060</u>	<u>\$ 27,498,651</u>

**NOTE 7 – GRANTS AND SCHOLARSHIPS PAYABLE**

Grants and scholarships payable are to be paid as follows during the years ending June 30:

2014	\$ 971,506
2015	241,300
2016	108,500
2017	56,500
Grants and scholarships payable	<u>\$ 1,377,806</u>

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of pledges receivable of \$327,178 and \$88,468, beneficial interest in remainder trusts of \$2,499,386 and \$2,596,254, pooled-income funds of \$211,511 and \$96,981, and other investment funds of \$28,732 and \$24,940 at June 30, 2013 and 2012, which are restricted due to receipt in a future period.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

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**NOTE 9 – FUNDS HELD FOR BENEFIT OF OTHERS**

The Foundation has adopted accounting standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Accounting standards specifically require that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability has been established for the present value of the future payments expected to be made to the not-for-profit organizations, which is generally equivalent to the fair value of the funds.

At June 30, 2013 and 2012, the Foundation was the owner of 43 and 42 agency endowment funds with a combined fair value of \$2,504,355 and \$2,206,937. All financial activity for the years then ended related to these funds is segregated in the statements of activities and has been classified as a liability in the statements of financial position.

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

At June 30, 2013 and 2012, the carrying amount (book balance) of the Foundation's cash was \$97,723 and \$132,320 and the financial institutions' balance (bank statements) was \$122,573 and \$138,585, which is fully covered by FDIC insurance. The financial institution also had a balance of \$1,175,546 and \$675,356 deposited in a money market account backed by government securities as of June 30, 2013 and 2012. This account is not covered by FDIC insurance. This amount is included in the Foundation's investments.

Financial instruments that potentially subject the Foundation to credit risk consist of cash, accounts receivable, investments, and pledges receivable.

**NOTE 11 – LEASE COMMITMENT**

The Foundation is the lessee of office space under a seven year operating lease that expires August 2015. Minimum future rent payments are as follows for the years ending June 30:

2014	\$ 30,987
2015	30,987
2016	5,165
	<u>\$ 67,139</u>

Lease expense for the years ended June 30, 2013 and 2012 was \$30,987 annually.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 12 – PENSION PLAN**

The Foundation sponsors a defined contribution pension plan covering employees with three years of service. Contributions are 6% of each covered employee's salary. Contributions to the plan were \$12,596 and \$12,668 for the years ended June 30, 2013 and 2012.

**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Assets and liabilities measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,942,993	\$ -	\$ 1,942,993	\$ -
Marketable equity funds	12,674,818	12,674,818	-	-
Marketable bond funds	8,322,292	8,322,292	-	-
Marketable equity securities	6,225,022	6,225,022	-	-
Marketable debt securities	3,106,935	-	3,106,935	-
Total investments	<u>\$ 32,272,060</u>	<u>\$ 27,222,132</u>	<u>\$ 5,049,928</u>	<u>\$ -</u>
Beneficial interest in remainder trusts	<u>\$ 2,499,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,499,386</u>

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,287,966	\$ -	\$ 1,287,966	\$ -
Marketable equity funds	10,511,119	10,511,119	-	-
Marketable bond funds	7,018,152	7,018,152	-	-
Marketable equity securities	5,766,162	5,743,460	22,702	-
Marketable debt securities	2,915,252	105,067	2,810,185	-
Total investments	<u>\$ 27,498,651</u>	<u>\$ 23,377,798</u>	<u>\$ 4,120,853</u>	<u>\$ -</u>
Beneficial interest in remainder trusts	<u>\$ 2,596,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,596,254</u>

The following assumptions were used to estimate the fair value of each class of financial instruments:

Money market funds – are highly liquid debt instruments purchased with original maturities of three months or less.

Marketable equity securities and marketable debt securities – These investments consist entirely of publicly-traded securities that are priced by an investment manager with reference to available quotations for identical assets.

Marketable equity funds and marketable bond funds – These investments hold traded securities priced by independent sources and the investment manager provides a high level of transparency into those funds. The Foundation is able to test and verify much of that pricing which provides the basis for the net asset valuation (NAV) calculation for each fund. The NAV is used to provide the valuation for these funds. The Foundation and the investment manager have had investments in to and redemptions out of these funds on a regular basis throughout the year, and at the June 30 measurement date.

The Foundation's beneficial interest in remainder trusts represents the present value of the beneficial interest described in Note 4. The beneficial interest is not actively traded and significant other observable inputs are not available. The present value of the estimated future benefits is calculated using the applicable discount rates and estimated investment return. The estimated value does not necessarily represent the amount that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

**COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2013</u>	<u>2012</u>
	Beneficial Interest in Remainder Trusts	Beneficial Interest in Remainder Trusts
Beginning balance	\$ 2,596,254	\$ 2,516,367
Change in value of beneficial interest	<u>(96,868)</u>	<u>79,887</u>
Ending balance	<u>\$ 2,499,386</u>	<u>\$ 2,596,254</u>

**NOTE 14 – SUPPORTING ORGANIZATION**

The Karl Hausner Farms Foundation, Ltd. is a supporting organization to the Foundation. The IRS approved the application of this supporting organization during the year ended June 30, 2008. The Karl Hausner Farms Foundation, Ltd. will be capitalized with a 100% ownership of Karl Hausner Farms, LLC upon the death of the donor, Mrs. Hermine Hausner. The Foundation appoints board representatives to the supporting organization, but does not exercise control of the board. No financial transactions from this supporting organization are included in the accompanying financial statements.