

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Eau Claire Community Foundation and Supporting Organization
Eau Claire, Wisconsin

We have audited the accompanying consolidated financial statements of Eau Claire Community Foundation and Supporting Organization (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 Consolidated 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of America. 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 auditors' 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.

Board of Trustees
Eau Claire Community Foundation and Supporting Organization

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eau Claire Community Foundation and Supporting Organization as of December 31, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Eau Claire, Wisconsin
April 25, 2019

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 2,360,317	\$ 1,818,680
Interest Receivable	454	-
Unconditional Promises to Give	1,608,881	2,605,204
Investments	18,117,265	17,441,444
Cash Surrender Value of Life Insurance	23,067	23,585
Prepaid Expenses	3,450	-
Furnishings and Equipment	<u>1,645</u>	<u>3,180</u>
Total Assets	<u><u>\$ 22,115,079</u></u>	<u><u>\$ 21,892,093</u></u>
LIABILITIES AND NET ASSETS		
Grants Payable	\$ 5,200	\$ 5,324
Accounts Payable	4,449	4,719
Accrued Expenses	19,837	13,678
Agency Endowment and Flow-Through Funds	<u>3,170,334</u>	<u>2,456,624</u>
Total Liabilities	3,199,820	2,480,345
Net Assets Without Donor Restrictions	9,716,649	10,067,107
Net Assets With Donor Restrictions	<u>9,198,610</u>	<u>9,344,641</u>
Total Net Assets	<u>18,915,259</u>	<u>19,411,748</u>
Total Liabilities and Net Assets	<u><u>\$ 22,115,079</u></u>	<u><u>\$ 21,892,093</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	\$ 985,354	\$ 2,629,406	\$ 3,614,760	\$ 521,592	\$ 3,198,997	\$ 3,720,589
Return on Investments	(635,216)	(429,043)	(1,064,259)	1,341,939	652,811	1,994,750
In-Kind Services	4,649	-	4,649	5,633	-	5,633
Administrative Fee Income	34,603	-	34,603	30,078	-	30,078
Change in Cash Value of Life Insurance	(518)	-	(518)	(400)	-	(400)
Transfers of Funds To (From) Restrictions	868	(868)	-	(24,996)	24,996	-
Net Assets Released from Restrictions	2,345,526	(2,345,526)	-	3,996,948	(3,996,948)	-
Total Revenues, Gains, and Other Support	2,735,266	(146,031)	2,589,235	5,870,794	(120,144)	5,750,650
EXPENSES						
Program and Grants	2,880,694	-	2,880,694	4,500,699	-	4,500,699
Management and General	103,488	-	103,488	80,700	-	80,700
Fundraising	101,542	-	101,542	100,494	-	100,494
Total Expenses and Grants	3,085,724	-	3,085,724	4,681,893	-	4,681,893
CHANGE IN NET ASSETS	(350,458)	(146,031)	(496,489)	1,188,901	(120,144)	1,068,757
Net Assets - Beginning of Year	10,067,107	9,344,641	19,411,748	8,878,206	9,464,785	18,342,991
NET ASSETS - END OF YEAR	<u>\$ 9,716,649</u>	<u>\$ 9,198,610</u>	<u>\$ 18,915,259</u>	<u>\$ 10,067,107</u>	<u>\$ 9,344,641</u>	<u>\$ 19,411,748</u>

See accompanying Notes to Consolidated Financial Statements.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grants	\$ 2,721,422	\$ -	\$ -	\$ 2,721,422	\$ 4,341,003	\$ -	\$ -	\$ 4,341,003
Payroll	96,070	73,308	51,438	220,816	84,557	59,689	60,940	205,186
Project Expense	1,324	-	-	1,324	28,893	-	-	28,893
Professional Fees	5,797	4,348	3,030	13,175	5,324	3,993	2,783	12,100
Rent	5,814	4,361	3,039	13,214	5,645	4,234	2,950	12,829
Equipment	19,172	14,379	10,022	43,573	5,731	4,042	4,127	13,900
Insurance	906	679	474	2,059	1,474	1,105	770	3,349
Conferences	-	2,923	-	2,923	-	3,036	-	3,036
Supplies	2,031	1,523	1,061	4,615	1,986	1,490	1,038	4,514
Printing and Publications	8,049	-	-	8,049	5,625	-	-	5,625
Awareness	2,623	-	-	2,623	5,201	-	-	5,201
Telephone	1,034	776	540	2,350	973	730	509	2,212
Community Events	5,730	-	5,854	11,584	3,938	-	5,854	9,792
Fund Event Expense	-	-	25,254	25,254	-	-	19,863	19,863
Postage	912	684	477	2,073	803	602	420	1,825
Dues to Other Organizations	4,888	-	-	4,888	7,090	-	-	7,090
Other Expenses	4,247	-	-	4,247	84	-	-	84
Total Before Depreciation	<u>2,880,019</u>	<u>102,981</u>	<u>101,189</u>	<u>3,084,189</u>	<u>4,498,327</u>	<u>78,921</u>	<u>99,254</u>	<u>4,676,502</u>
Depreciation Expense	<u>675</u>	<u>507</u>	<u>353</u>	<u>1,535</u>	<u>2,372</u>	<u>1,779</u>	<u>1,240</u>	<u>5,391</u>
Total Expenses and Grants	<u><u>\$ 2,880,694</u></u>	<u><u>\$ 103,488</u></u>	<u><u>\$ 101,542</u></u>	<u><u>\$ 3,085,724</u></u>	<u><u>\$ 4,500,699</u></u>	<u><u>\$ 80,700</u></u>	<u><u>\$ 100,494</u></u>	<u><u>\$ 4,681,893</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (496,489)	\$ 1,068,757
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	1,967,052	(1,396,158)
Contributions for Funds Held in Perpetuity	(87,128)	(18,881)
Depreciation	1,535	5,391
Change in Cash Value of Life Insurance	518	400
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(3,450)	651
Interest Receivable	(454)	-
Unconditional Promises to Give	996,323	438,431
Increase (Decrease) in Operating Liabilities:		
Grants and Accounts Payable	(394)	3,970
Accrued Expenses	6,159	3,155
Agency Endowment Funds	713,710	452,238
Net Cash Provided by Operating Activities	<u>3,097,382</u>	<u>557,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	9,679,725	5,108,584
Purchase of Investments	<u>(12,322,598)</u>	<u>(7,771,353)</u>
Net Cash Used by Investing Activities	<u>(2,642,873)</u>	<u>(2,662,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for Funds Held in Perpetuity	<u>87,128</u>	<u>18,881</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	541,637	(2,085,934)
Cash and Cash Equivalents - Beginning of Year	<u>1,818,680</u>	<u>3,904,614</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,360,317</u></u>	<u><u>\$ 1,818,680</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Eau Claire Community Foundation (the Foundation) is a nonprofit community foundation that is supported by public contributions, which are used to enhance and support the quality of life in the Eau Claire area.

Basis of Consolidation

The accompanying consolidated financial statements of the Foundation are prepared including the financial activity of the Eau Claire Public Schools Foundation, Inc. (ECPSF) and ECCF Realty LLC. The Foundation has an economic relationship with these entities. The Foundation established an agreement to manage the finances of ECPSF in exchange for an administration fee effective December 1, 2011. If the ECPSF dissolves, the Foundation would maintain those funds. ECCF Realty, LLC is wholly owned by the Foundation and was set up to accept real estate gifts and sell those gifts with the funds being given to the Foundation.

ECPSF is a public foundation under Internal Revenue Code (IRC) Section 501(c)(3). The ECPSF's mission is to serve as a catalyst in creating long-term impact in promoting education.

Net Asset Classifications

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are separated into classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. If the restrictions expire in the fiscal year in which the contributions are recognized, the contributions are reported as increases in net assets without donor restrictions. When a restriction does not expire in the current fiscal year the contributions are recorded as with donor restrictions and then reclassified to net assets without donor restrictions when a restriction is satisfied or the proper time period has expired.

**EAU CLAIRE COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid investments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits.

Furnishings and Equipment

Purchased equipment is valued at cost and donated equipment is valued at its estimated fair value at the date of the gift. Equipment costing \$500 or more with a useful life greater than one year is capitalized. Maintenance and repair costs are charged to expense as incurred.

Donated Services

Donated services meeting the requirements for recognition have been reflected in the financial statements. The value of such services was determined using market value for similar services. In addition, a substantial number of volunteers have donated significant amounts of their time in the Foundation's support services and fundraising effort. The value of that time has not been reflected in the consolidated financial statements.

Advertising Costs

The Foundation expenses the costs of advertising as they are incurred. Advertising expenses incurred for the years ended December 31, 2018 and 2017 were \$2,623 and \$5,201 respectively.

Allocation of Functional Expenses

The costs of various activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, management and general, and fundraising.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uniform Prudent Management of Institutional Funds Act

During fiscal 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of Wisconsin. UPMIFA provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted. The consolidated financial statements impact for implementation is detailed in Note 9.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Foundation emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value.

Fair Value Hierarchy

The Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that The Foundation has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in nonactive markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

**EAU CLAIRE COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Fair Value Hierarchy (Continued)

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, and split-interest agreements).

Investments

Investments are recorded at fair value on a recurring basis on the consolidated statements of financial position. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security’s credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include brokered certificates of deposit and corporate debt securities that are valued based quoted prices for securities with similar risk, interest rate, and maturities. The Foundation does not have any securities that are valued using Level 3 inputs.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Income Tax Status

The Foundation and ECPSF has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Wisconsin Statute. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Foundation and ECPSF has evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2018.

Adoption of Accounting Principle

The Foundation adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Foundation’s financial position as of December 31, 2018 and 2017, or the changes in its net assets or cash flows for the years then ended.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on previously reported net assets or changes in net asset amounts.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 25, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using three-year treasury rate which was 2.67% and 1.58% as of December 31, 2018 and 2017, respectively. These promises are due as follows:

	2018	2017
Receivable Within One Year	\$ 711,211	\$ 926,736
Receivable Within One to Five Years	966,146	1,793,344
Receivable Within Five to Ten Years	196,400	100,000
Adjustments to Net Realizable Value		
Allowance for Doubtful Accounts	(160,000)	(110,000)
Unamortized Discount	(104,876)	(104,876)
Total Promises to Give	<u>\$ 1,608,881</u>	<u>\$ 2,605,204</u>

NOTE 3 INVESTMENTS

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 INVESTMENTS (CONTINUED)

The Foundation's investments at December 31, 2018 and 2017 are summarized below:

	2018		
	Fair Value	Original Value	Unrealized Gain (Loss)
Mutual Funds - Equities	\$ 10,936,138	\$ 10,449,322	\$ 486,816
Mutual Funds - Fixed Income	5,096,011	5,134,608	(38,597)
Corporate Bonds	421,344	419,803	1,541
Stocks	1,663,772	1,851,397	(187,625)
Total	<u>\$ 18,117,265</u>	<u>\$ 17,855,130</u>	<u>\$ 262,135</u>

	2017		
	Fair Value	Original Value	Unrealized Gain
Mutual Funds - Equities	\$ 13,014,202	\$ 10,384,404	\$ 2,629,798
Mutual Funds - Fixed Income	4,427,242	4,407,848	19,394
Total	<u>\$ 17,441,444</u>	<u>\$ 14,792,252</u>	<u>\$ 2,649,192</u>

Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

Assets Measured at Fair Value on a Recurring Basis

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds - Equities	\$ 10,936,138	\$ -	\$ -	\$ 10,936,138
Mutual Funds - Fixed Income	-	5,096,011	-	5,096,011
Corporate Bonds	-	421,344	-	421,344
Stocks	1,663,772	-	-	1,663,772
Total	<u>\$ 12,599,910</u>	<u>\$ 5,517,355</u>	<u>\$ -</u>	<u>\$ 18,117,265</u>

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds - Equities	\$ 13,014,202	\$ -	\$ -	\$ 13,014,202
Mutual Funds - Fixed Income	-	4,427,242	-	4,427,242
Total	<u>\$ 13,014,202</u>	<u>\$ 4,427,242</u>	<u>\$ -</u>	<u>\$ 17,441,444</u>

**EAU CLAIRE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; which along with investment income without donor restrictions and appropriated earnings from gifts with donor restrictions, funds annual program needs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) and Women's Giving Circle Grant team meet semi-annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee. The Foundation limits maximum distribution to 4% of the fund balance annually and administrative fees of are approximately 1% to 2% of the annual fund balance and transferred to the Foundation's general operating funds.

**EAU CLAIRE COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 LIQUIDITY AND AVAILABILITY (CONTINUED)

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

<u>Description of Financial Asset</u>	<u>Gross Amount</u>	<u>Less Amounts Unavailable for General Expenditures</u>	<u>Available to Meet Cash Needs Within One Year</u>
Cash and Cash Equivalents	\$ 2,360,317	\$ 1,993,797	\$ 366,520
Operating Investments	18,117,265	17,222,769	894,496
Accounts Receivable	454	-	454
Promises to Give	1,608,881	1,608,881	-
			<u>\$ 1,261,470</u>

NOTE 5 FURNISHINGS AND EQUIPMENT

Furnishings and equipment at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Furnishings and Equipment	\$ 47,717	\$ 47,717
Leasehold Improvements	4,147	4,147
Less: Accumulated Depreciation	(50,219)	(48,684)
Total	<u>\$ 1,645</u>	<u>\$ 3,180</u>

NOTE 6 AGENCY ENDOWMENT AND FLOW-THROUGH FUNDS

The Foundation, when accepting cash or other financial assets from a nonprofit organization, recognizes the fair value of those assets as a liability to the specified beneficiary (generally the same nonprofit organization) concurrent with recognition of the assets received from the nonprofit organization if the Foundation agrees to any of the following (1) use those assets on behalf of the nonprofit organization, (2) transfer those assets to the nonprofit organization, (3) use the return on those assets to benefit the nonprofit organization, (4) apply any of the above to an unaffiliated specified beneficiary determined by the nonprofit organization.

**EAU CLAIRE COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 AGENCY ENDOWMENT AND FLOW-THROUGH FUNDS (CONTINUED)

When a third-party donor explicitly grants the Foundation variance power over contributions to an agency or flow through funds, the Foundation will continue to recognize the fair value of any assets it receives as a contribution on the consolidated statements of activities.

Agency endowment funds are valued at carrying value, which approximates fair value, based on the percentage of the agencies' contributions compared to the total pool of investments held at the Foundation. The Foundation withholds management fees of 1.5% annually. Contributions held for other as of December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Young Men's Christian Association of Eau Claire	\$ 896,914	\$ 962,285
Boy Scouts of America - Chippewa Valley Council	237,679	270,196
Landmark Conservancy Fund	496,699	-
Friends of United Cerebral Palsy of West Central Wisconsin, Inc.	97,208	143,413
Feed My People, Inc.	46,742	122,248
Family Promise of the Chippewa Valley, Inc.	101,581	115,011
Friends of Paul Bunyan Logging Camp	98,301	102,819
Higbee Family Fund	94,773	102,283
Play Forever Fund	121,907	82,026
Flying Eagles Ski Club	84,550	81,112
Hayward Library Foundation Fund	87,826	-
Friends of Beaver Creek Reserve, Inc.	77,680	77,143
Literacy Chippewa Valley	70,455	76,220
Chippewa Valley Health Clinic, Inc.	758	58,495
Endowment for the American Birkebeiner	415,912	48,979
Bolton Refuge House, Inc.	41,029	44,386
L.E. Phillips Memorial Public Library	9,101	33,560
L.E. Phillips Senior Center, Inc.	20,560	22,242
Lac Courte Oreilles Legacy Fund	25,352	21,802
Longfellow JRLC Fund	46,213	-
Bidwell Engebretson Tusen Takk Volunteer Support Fund	20,161	-
Goodwill Industries of North Central Wisconsin, Inc.	18,199	19,688
Sculpture Tour Eau Claire	-	17,976
Jim Schwiebert Butterfly House Fund	17,485	15,713
Mega Charities	11,676	12,426
Eau Claire Children's Theatre	11,059	11,964
Hope Gospel Mission, Inc.	10,740	11,619
Other Agency Funds	9,774	3,018
Total	<u>\$ 3,170,334</u>	<u>\$ 2,456,624</u>

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NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consist of the following:

	2018	2017
Subject to Expenditure for Specified Purpose:		
Arts Programs and Initiatives	\$ 1,935,228	\$ 3,552,794
Schools, Education, and Literacy	3,575,430	2,310,343
Eau Claire Public Schools Foundation	1,582,892	1,403,167
Women's and Children's Programs	530,244	610,538
Basic Needs	396,587	426,292
Health and Wellness	207,970	227,207
Designated Pass Thru Funds	192,826	123,995
Total	8,421,177	8,654,336
Subject to Endowment Spending Policy and Appropriation:		
L.E. Phillips Memorial Public Library	339,893	327,568
Women's Giving Circle Endowment	295,206	245,971
Eau Claire Public School Foundation Endowment	142,334	116,766
Total	777,433	690,305
Total Net Assets with Donor Restrictions	\$ 9,198,610	\$ 9,344,641

NOTE 8 DONOR ADVISED FUNDS

The Foundation accepts funds from donors wishing to reserve the right to make recommendations about the charitable use of the funds. In agreement with the donors, such recommendations are advisory only and will not be binding on the Foundation, which will retain final responsibility for all distributions made from the Foundation. These funds are classified as net assets without donor restrictions since the Foundation retains the final decision about the charitable use of the funds.

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NOTE 9 ENDOWMENT

The Foundation has several donor restricted endowment funds established for the purposes of providing income to support various programs. As required by accounting principles generally accepted in the United States of America (GAAP), net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of the Foundation has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets restricted for perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation considers all earning on endowment funds to be restricted for operations of the specified programs.

The Foundation's endowment is invested in accordance with the investment policy of the Foundation, which includes investments in marketable debt and equity securities.

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of (UPMIFA) for the years ended December 31, 2018 and 2017.

	Net Assets With Donor Restrictions		
	Earnings	Endowment Restricted	Total
Endowment Fund Balance - December 31, 2016	\$ 142,214	\$ 425,453	\$ 567,667
Transfer Women's Giving Circle			
Endowment	114,399	245,971	360,370
Contributions	-	18,881	18,881
Distributions	(14,860)	-	(14,860)
Return on Investments	79,000	-	79,000
Endowment Fund Balance - December 31, 2017	320,753	690,305	1,011,058
Contributions	-	87,128	87,128
Disbursements	(48,422)	-	(48,422)
Return on Investments	(66,337)	-	(66,337)
Endowment Fund Balance - December 31, 2018	<u>\$ 205,994</u>	<u>\$ 777,433</u>	<u>\$ 983,427</u>

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NOTE 9 ENDOWMENT (CONTINUED)

Fund with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. No deficiencies occurred for the years ended December 31, 2018 and 2017.

Investment Objectives and Strategies

The Foundation has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Investment Committee of the board of trustees, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the Foundation follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds.

Spending Policy

The Foundation has a policy of appropriating endowment earnings for distribution each year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Approved distributions that are not used for a calendar year will accumulate and be available for distribution in subsequent years. At no time will the distributions reduce the value of the endowment below donor contributions, unless approved by the donor.

NOTE 10 OPERATING LEASE

The Foundation has a noncancelable operating lease for office space that expires on December 31, 2019. Rental expense for the years ended December 31, 2018 and 2017 was \$13,214 and \$12,829, respectively.

The future minimum lease payments under the operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	<u>\$ 13,610</u>

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NOTE 11 RETIREMENT PLAN

The Foundation established a SIMPLE IRA plan for all employees who are at least 21 years of age and have completed two months of service. Eligible employees who elect to participate in the Foundation's SIMPLE IRA plan can contribute up to the maximum allowed by the Internal Revenue Code. The Foundation matches contributions up to 3% of salary. Retirement plan expense for the years ending December 31, 2018 and 2017 was \$4,443 and \$-0-, respectively.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist principally of unconditional promises to give, cash deposits in excess of insured limits, and investments of marketable equity and debt securities.