

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

FINANCIAL STATEMENTS

June 30, 2012 and 2011

CONTENTS

| | |
|---|---|
| Independent Auditor's Report..... | 1 |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses | 4 |
| Statements of Cash Flows..... | 5 |
| Notes to Financial Statements..... | 6 |



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Community Foundation of Southern Wisconsin, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

| | 2012 | 2011 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 132,320 | \$ 114,629 |
| Restricted asset - certificate of deposit | 3,600 | 3,600 |
| Investments | 27,498,651 | 26,026,685 |
| Beneficial interest in remainder trusts | 2,596,254 | 2,516,367 |
| Accounts receivable | 12,322 | 16,031 |
| Pledges receivable | 88,468 | 109,523 |
| Other assets | 6,510 | 1,580 |
| Equipment - net | 13,311 | 17,881 |
| Total assets | \$ 30,351,436 | \$ 28,806,296 |
| LIABILITIES | | |
| Accounts payable | \$ 3,149 | \$ 8,590 |
| Accrued payroll and employee benefits | 12,500 | 17,989 |
| Grants and scholarships payable | 1,480,854 | 1,418,271 |
| Liability to life beneficiary | 6,723 | 5,987 |
| Discount for future interest | 1,928 | 3,857 |
| Funds held for benefit of others | 2,206,937 | 2,306,508 |
| Total liabilities | 3,712,091 | 3,761,202 |
| NET ASSETS | | |
| Undesignated | 3,195,907 | 2,974,188 |
| Field of interest | 1,787,856 | 1,879,995 |
| Donor advised | 3,931,225 | 3,716,814 |
| Donor designated | 14,917,714 | 13,727,745 |
| Total unrestricted | 23,832,702 | 22,298,742 |
| Temporarily restricted | 2,806,643 | 2,746,352 |
| Total net assets | 26,639,345 | 25,045,094 |
| Total liabilities and net assets | \$ 30,351,436 | \$ 28,806,296 |

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
STATEMENTS OF ACTIVITIES
Years ended June 30, 2012 and 2011

| | 2012 | | | 2011 | | |
|--|---------------------|------------------------|----------------------|---------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 3,182,618 | \$ 48,368 | \$ 3,230,986 | \$ 1,425,023 | \$ 90,609 | \$ 1,515,632 |
| Grants from foundations | 465,403 | - | 465,403 | 352,189 | - | 352,189 |
| Special events | 61,575 | - | 61,575 | 83,307 | - | 83,307 |
| Program fees | 351,418 | - | 351,418 | 319,377 | - | 319,377 |
| Interest income | 81,240 | - | 81,240 | 103,980 | - | 103,980 |
| Dividend income | 544,281 | - | 544,281 | 548,147 | - | 548,147 |
| Realized gain on investments | 761,459 | - | 761,459 | 589,746 | - | 589,746 |
| Unrealized gain (loss) on investments | (1,172,688) | - | (1,172,688) | 2,558,580 | - | 2,558,580 |
| Beneficial interest in remainder trusts | - | 79,887 | 79,887 | - | 312,309 | 312,309 |
| Total support and revenue | 4,275,306 | 128,255 | 4,403,561 | 5,980,349 | 402,918 | 6,383,267 |
| EXPENSES | | | | | | |
| Program | 2,463,122 | - | 2,463,122 | 2,214,725 | - | 2,214,725 |
| Management and general | 269,304 | - | 269,304 | 252,217 | - | 252,217 |
| Fundraising | 76,884 | - | 76,884 | 63,903 | - | 63,903 |
| Total expenses | 2,809,310 | - | 2,809,310 | 2,530,845 | - | 2,530,845 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | |
| Satisfaction of time restrictions | 67,964 | (67,964) | - | 98,360 | (98,360) | - |
| Change in net assets | 1,533,960 | 60,291 | 1,594,251 | 3,547,864 | 304,558 | 3,852,422 |
| Net assets - beginning of the year | 22,298,742 | 2,746,352 | 25,045,094 | 18,750,878 | 2,441,794 | 21,192,672 |
| Net assets - end of the year | <u>\$23,832,702</u> | <u>\$2,806,643</u> | <u>\$ 26,639,345</u> | <u>\$22,298,742</u> | <u>\$2,746,352</u> | <u>\$25,045,094</u> |

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2012 and 2011

| 2012 | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| 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 |
| Total expenses | \$ 2,463,122 | \$ 269,304 | \$ 76,884 | \$ 2,809,310 |

| 2011 | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Conference | \$ - | \$ 915 | \$ - | \$ 915 |
| Depreciation | - | 4,066 | - | 4,066 |
| Donor/fund expense | 393,377 | - | - | 393,377 |
| Organizational dues | - | 5,240 | - | 5,240 |
| Employee benefits | - | 14,120 | - | 14,120 |
| Technology costs | (17) | 25,268 | - | 25,251 |
| Executive salary | 16,744 | 32,760 | 23,296 | 72,800 |
| Fees | - | 1,927 | - | 1,927 |
| Grants to organizations | 1,065,592 | - | - | 1,065,592 |
| Insurance | - | 3,599 | - | 3,599 |
| Meeting | - | 1,319 | 1,712 | 3,031 |
| Occupancy | 1,540 | 33,935 | 2,508 | 37,983 |
| Salaries and wages | 41,521 | 93,188 | 23,488 | 158,197 |
| Office supplies | - | 1,926 | - | 1,926 |
| Payroll taxes | 4,357 | 9,023 | 3,416 | 16,796 |
| Postage and printing | 1,666 | 8,111 | 9,066 | 18,843 |
| Professional fees | - | 8,809 | - | 8,809 |
| Scholarships/tuition | 669,367 | - | - | 669,367 |
| Telephone | 752 | 1,616 | 417 | 2,785 |
| Travel | 5,495 | 2,586 | - | 8,081 |
| Workers' compensation | - | 1,546 | - | 1,546 |
| Other expenses | 14,331 | 2,263 | - | 16,594 |
| Total expenses | \$ 2,214,725 | \$ 252,217 | \$ 63,903 | \$ 2,530,845 |

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,594,251 | \$ 3,852,422 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 4,570 | 4,066 |
| Unrealized (gain) loss on investments | 1,172,688 | (2,558,580) |
| Realized gain on investments | (761,459) | (589,746) |
| Change in beneficial interest in remainder trusts | (79,887) | (312,309) |
| Donated life insurance | (420,369) | - |
| Donated stock | (106,615) | (306,577) |
| Change in assets and liabilities | | |
| Accounts receivable | 3,709 | (14,431) |
| Pledges receivable | 21,055 | 12,795 |
| Other assets | (4,930) | (1,434) |
| Accounts payable | (5,441) | 5,587 |
| Accrued payroll and employee benefits | (5,489) | 6,894 |
| Grants and scholarships payable | 62,583 | 29,789 |
| Liability to life beneficiary | 736 | 79 |
| Discount for future interest | (1,929) | (1,929) |
| Net cash flows from operating activities | 1,473,473 | 126,626 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of equipment | - | (3,024) |
| Proceeds from sales of investments | 19,589,281 | 16,288,009 |
| Purchases of investments | (20,945,492) | (16,823,076) |
| Net cash flows from investing activities | (1,356,211) | (538,091) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Funds held for benefit of others | (99,571) | 345,985 |
| Change in cash | 17,691 | (65,480) |
| Cash - beginning of the year | 114,629 | 180,109 |
| Cash - end of the year | \$ 132,320 | \$ 114,629 |
| SUPPLEMENTAL INFORMATION | | |
| Donated stock | \$ 106,615 | \$ 306,577 |
| Donated life insurance | 420,369 | - |

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the various programs and other 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 in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenues and expenses. Actual results could vary from the estimates that were used.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2008.

Date of Management's Review

Management has evaluated subsequent events through October 1, 2012, the date which the financial statements were available to be issued.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of following at June 30, 2012 and 2011:

| | 2012 | 2011 |
|--------------------------|-----------|------------|
| Pledges receivable | \$ 92,782 | \$ 114,481 |
| Less discount | (4,314) | (4,958) |
| Pledges receivable - net | \$ 88,468 | \$ 109,523 |

Pledges receivable are reflected at present value of estimated future cash flows using a discount rate of 5%. Pledges to be received are as follows for the years ending June 30:

| | |
|--------------------|-----------|
| 2012 | \$ 40,579 |
| 2013 | 24,204 |
| 2014 | 13,611 |
| 2015 | 7,592 |
| 2016 | 772 |
| Thereafter | 1,710 |
| Pledges receivable | \$ 88,468 |

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, 2012 and 2011, the balance in the assurance account was \$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.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 – SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of four 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, 2012 and 2011) and the discount rate of future payments (3.25% at June 30, 2012 and 2011) and other assumptions for measuring the beneficial interest.

The fourth agreement was for a pooled-income fund 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 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, 2012 and 2011:

| | <u>Useful Lives</u> | <u>2012</u> | <u>2011</u> |
|-------------------------------|---------------------|------------------|------------------|
| Office equipment and software | 5- 7 years | \$ 51,680 | \$ 51,680 |
| Leasehold improvements | 7 years | 1,431 | 1,431 |
| Less accumulated depreciation | | <u>(39,800)</u> | <u>(35,230)</u> |
| Equipment - net | | <u>\$ 13,311</u> | <u>\$ 17,881</u> |

NOTE 6 – INVESTMENTS

Investments consisted of the following at June 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|------------------------------|----------------------|----------------------|
| Money market funds | \$ 1,287,966 | \$ 848,243 |
| Marketable equity funds | 10,511,119 | 10,231,699 |
| Marketable bond funds | 7,018,152 | 6,951,626 |
| Marketable equity securities | 5,766,162 | 5,601,776 |
| Marketable debt securities | <u>2,915,252</u> | <u>2,393,341</u> |
| Total | <u>\$ 27,498,651</u> | <u>\$ 26,026,685</u> |

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of pledges receivable of \$88,468 and \$109,523, beneficial interest in remainder trusts of \$2,596,254 and \$2,516,367, an investment in a pooled-income fund of \$96,981 and \$95,323, and other investment funds of \$24,940 and \$25,139 at June 30, 2012 and 2011, which are restricted due to receipt in a future period.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 – 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, 2012 and 2011, the Foundation was the owner of 42 agency endowment funds with a combined fair value of \$2,206,937 and \$2,306,508. 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 9 – CONCENTRATION OF CREDIT RISK

At June 30, 2012 and 2011, the carrying amount (book balance) of the Foundation's cash was \$132,320 and \$114,629 and the financial institutions' balance (bank statements) was \$138,635 and \$148,790, which is fully covered by FDIC insurance. The financial institution also had a balance of \$675,356 and \$518,256 deposited in a money market account backed by government securities as of June 30, 2012 and 2011. 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 10 – 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:

| | |
|------|------------------|
| 2013 | \$ 30,987 |
| 2014 | 30,987 |
| 2015 | 30,987 |
| 2016 | <u>5,165</u> |
| | <u>\$ 98,126</u> |

Lease expense for the years ended June 30, 2012 and 2011 was \$30,987 annually.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11 – 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 \$12,668 and \$10,329 for the years ended June 30, 2012 and 2011.

NOTE 12 – 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, 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> |

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair values of assets measured on a recurring basis at June 30, 2011 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 | \$ 848,243 | \$ - | \$ 848,243 | \$ - |
| Marketable equity funds | 10,231,699 | 10,231,699 | - | - |
| Marketable bond funds | 6,951,626 | 6,951,626 | - | - |
| Marketable equity securities | 5,601,776 | 5,580,776 | 21,000 | - |
| Marketable debt securities | 2,393,341 | - | 2,393,341 | - |
| Total investments | \$ 26,026,685 | \$ 22,764,101 | \$ 3,262,584 | \$ - |
| Beneficial interest in remainder trusts | \$ 2,516,367 | \$ - | \$ - | \$ 2,516,367 |

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 – 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:

| | 2012 | 2011 |
|--|--|--|
| | Beneficial Interest in Remainder Trusts | Beneficial Interest in Remainder Trusts |
| Beginning balance | \$ 2,516,367 | \$ 2,204,058 |
| Change in value of beneficial interest | 79,887 | 312,309 |
| Ending balance | \$ 2,596,254 | \$ 2,516,367 |

NOTE 13 – GRANTS AND SCHOLARSHIPS PAYABLE

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

| | |
|---------------------------------|--------------|
| 2013 | \$ 993,304 |
| 2014 | 256,350 |
| 2015 | 177,700 |
| 2016 | 53,500 |
| Grants and scholarships payable | \$ 1,480,854 |

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.