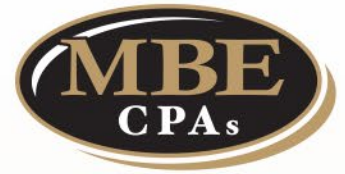


Fort Atkinson Community Foundation
Financial Statements
Years Ended June 30, 2023 and 2022

Fort Atkinson Community Foundation

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Independent Auditor's Report

To the Board of Directors of
Fort Atkinson Community Foundation (a nonprofit organization)
Fort Atkinson, WI

Opinion

We have audited the accompanying financial statements of Fort Atkinson Community Foundation which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Atkinson Community Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fort Atkinson Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Atkinson Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fort Atkinson Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Atkinson Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MBE CPAs, LLP

Baraboo, WI
January 5, 2024

Fort Atkinson Community Foundation
Statements of Financial Position
As of June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,498,526	\$ 2,839,829
Pledges receivable	39,000	57,000
Total Current Assets	2,537,526	2,896,829
Other Assets		
Investments	32,277,044	29,320,898
Pledges receivable - long-term	42,000	87,000
Operating lease right-of-use asset	5,916	-
Total Other Assets	32,324,960	29,407,898
Total Assets	\$ 34,862,486	\$ 32,304,727
Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 205,353	\$ 441,400
Scholarships payable	526,200	515,345
Operating lease liability - short-term	2,916	-
Total Current Liabilities	734,469	956,745
Long-Term Liabilities		
Scholarships payable - long-term	229,050	237,900
Operating lease liability - long-term	3,000	-
Total Long-Term Liabilities	232,050	237,900
Total Liabilities	966,519	1,194,645
Net Assets		
Without donor restrictions	5,188,515	4,779,177
With donor restrictions	28,707,452	26,330,905
Total Net Assets	33,895,967	31,110,082
Total Liabilities and Net Assets	\$ 34,862,486	\$ 32,304,727

The notes to the financial statements are an integral part of this statement.

Fort Atkinson Community Foundation
Statements of Activities
For the Years Ended June 30, 2023 and 2022

2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 11,348	\$ 318,154	\$ 329,502
Contributions of nonfinancial assets	2,375	-	2,375
Investment return (net)	479,016	2,747,227	3,226,243
Net assets released from restrictions	688,834	(688,834)	-
Total Revenue, Support, and Gains	1,181,573	2,376,547	3,558,120
Expenses			
Program Services			
Grants	229,671	-	229,671
Scholarships	377,720	-	377,720
Total Program Services	607,391	-	607,391
Supporting Services			
Management and General			
Employee benefits	3,060	-	3,060
Events	1,053	-	1,053
Insurance	2,214	-	2,214
Memberships	2,215	-	2,215
Merchandise	828	-	828
Office expenses	4,342	-	4,342
Payroll wages and taxes	109,801	-	109,801
Professional fees	9,200	-	9,200
Rent	3,000	-	3,000
Software fees	21,303	-	21,303
Website costs	7,828	-	7,828
Total Supporting Services	164,844	-	164,844
Total Expenses	772,235	-	772,235
Increase (Decrease) in Net Assets	409,338	2,376,547	2,785,885
Net Assets - Beginning of Year	4,779,177	26,330,905	31,110,082
Net Assets - End of Year	\$ 5,188,515	\$ 28,707,452	\$ 33,895,967

The notes to the financial statements are an integral part of this statement.

Fort Atkinson Community Foundation
Statements of Activities
For the Years Ended June 30, 2023 and 2022

2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 91,937	\$ 1,558,264	\$ 1,650,201
Investment return (net)	(682,337)	(3,717,989)	(4,400,326)
Net assets released from restrictions	657,630	(657,630)	-
Total Revenue, Support, and Gains	67,230	(2,817,355)	(2,750,125)
Expenses			
Program Services			
Grants	636,326	-	636,326
Scholarships	398,483	-	398,483
Total Program Services	1,034,809	-	1,034,809
Supporting Services			
Management and General			
Employee benefits	2,393	-	2,393
Events	220	-	220
Insurance	2,169	-	2,169
Memberships	2,217	-	2,217
Office expenses	9,065	-	9,065
Payroll wages and taxes	95,483	-	95,483
Professional fees	6,900	-	6,900
Software fees	20,902	-	20,902
Website costs	1,659	-	1,659
Total Supporting Services	141,008	-	141,008
Total Expenses	1,175,817	-	1,175,817
Increase (Decrease) in Net Assets	(1,108,587)	(2,817,355)	(3,925,942)
Net Assets - Beginning of Year	5,887,764	29,148,260	35,036,024
Net Assets - End of Year	\$ 4,779,177	\$ 26,330,905	\$ 31,110,082

The notes to the financial statements are an integral part of this statement.

Fort Atkinson Community Foundation
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 2,785,885	\$ (3,925,942)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Investment return (net)	(3,226,243)	4,400,326
Contributions of securities	(111,321)	-
Amortization of right-of-use asset	3,000	-
Changes in assets:		
Pledges receivable	63,000	66,000
Changes in liabilities:		
Grants payable	(236,047)	351,085
Scholarships payable	2,005	68,105
Lease liability	(3,000)	-
Net Cash Provided by (Used in) Operating Activities	(722,721)	959,574
Cash Flows From Investing Activities:		
Purchases of investments	(4,470,414)	(2,065,076)
Proceeds from sales of investments	4,851,832	2,048,013
Net Cash Provided by (Used in) Investing Activities	381,418	(17,063)
Net Increase (Decrease) in Cash	(341,303)	942,511
Cash - Beginning of Year	2,839,829	1,897,318
Cash - End of Year	\$ 2,498,526	\$ 2,839,829

The notes to the financial statements are an integral part of this statement.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies

Nature of Operations

The purpose of Fort Atkinson Community Foundation (the Foundation), a nonprofit foundation, is to receive and accept funds exclusively for educational, cultural, charitable, or benevolent purposes for the benefit and improvement of residents of the Fort Atkinson, Wisconsin metropolitan area in such a way that the quality of life in the area shall be enhanced. Distributions may be made occasionally to qualified organizations located or operating outside of the Fort Atkinson metropolitan area provided that the Board determines there will be a substantial benefit derived there for the residents of the area.

Basis of Accounting

The financial statements of Fort Atkinson Community Foundation are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and reflect all significant receivables, payables, and other liabilities, accordingly.

Financial Statements Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of Fort Atkinson Community Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Fort Atkinson Community Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Fund Structure

The Foundation maintains its fund structure in two categories of funds: Endowed Funds and Non-Endowed Funds. Endowed Funds are used for long-term funds of a more permanent nature and their assets are pooled and invested. Non-Endowed Funds are used for a shorter term and their assets are held in a money market account. Approximately 98% of fund assets held at June 30, 2023 and 2022 were endowed.

Within each category, the funds are classified according to their nature and purpose. The Foundation currently maintains approximately 99 different funds within the six different fund types listed.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies (continued)

General Fund: Many contributors to the Foundation do not establish a specific fund but contribute to the General Fund of the Foundation for the unrestricted use of the Foundation. Income from this fund is used for administrative costs and grants.

Acorn Fund: Gradually builds into an endowment fund and, upon maturity, is directed toward philanthropic interests.

Designated Fund: Established by a donor who identifies a specific charitable organization to benefit.

Donor-Advised Fund: Established by a donor who recommends awards for local causes they would like to support.

Field of Interest Fund: A donor specifies an area of interest, such as arts or recreation, leaving the Board to choose appropriate projects.

Scholarship Funds: Support educational opportunities for area students.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, including certificates of deposit with an original maturity of 3 months or less and Institutional Money Market Funds. Cash equivalents are valued at cost, which approximates market. The Foundation maintains cash and cash equivalents at two financial institutions.

Pledges Receivable

Pledges are recorded as receivables in the year the pledge is received. Current pledges receivable are expected to be collected during the next year and are recorded at net realizable value. An allowance for uncollectible promises to give is determined based on experience. There was no allowance for uncollectible promises to give for the year ended June 30, 2023 or 2022. The receivable is not discounted because net present value approximates fair value.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Revenue Recognition

Contributions, including pledges receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies (continued)

Leases

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or July 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date or remaining term for leases existing upon the adoption of Topic 842.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies (continued)

Leases (continued)

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately \$8,750 and \$8,750 respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Contributed Nonfinancial Assets

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by a like amount included in assets or expenses. Contributed materials are recorded at the fair market value at the time the donation is received. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

For the years ended June 30, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Services	\$ 2,375	\$ -
Total	<u>\$ 2,375</u>	<u>\$ -</u>

The Foundation recognized contributed nonfinancial assets within revenue, including services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed services recognized comprise of professional services related to website development. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services. Contributed services were used for management and general activities.

Functional Allocation of Expenses

The statements of activities presents the natural classification detail of expenses by function. No costs have been allocated among the programs and supporting services benefited. All expenses are direct expenses which are specifically identifiable with a function and are charged to the function that benefited.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from Federal and Wisconsin income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Foundation does not consider any of its support and revenue to be unrelated business income and, accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

The Foundation has evaluated for uncertain tax positions. Management has determined there are no uncertain tax positions as of June 30, 2023 and 2022. Both Federal and State tax returns remain open for examination by tax jurisdictions through their respective statutes of limitations.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years.

Date of Management’s Review

We have evaluated subsequent events through January 5, 2024, the date the financial statements were available to be issued.

Note B – Uninsured Cash and Investments

For accounts held with investment institutions, the Securities Investor Protection Corporation (SIPC) insures cash and securities accounts at each institution up to \$500,000. At June 30, 2023 and 2022, cash and investments exposed to a concentration of credit risk was \$33,775,019 and \$31,159,864, respectively.

Note C – Liquidity and Availability of Resources

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts restricted by donors for a specified use and endowed funds held in perpetuity.

Financial assets at year end:	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and cash equivalents	\$ 2,498,526	\$ 2,839,829
Investments	<u>32,277,044</u>	<u>29,320,898</u>
Total financial assets	34,775,570	32,160,727
Less those unavailable for general expenditures within one year:		
Donor restricted funds	<u>28,707,452</u>	<u>26,330,905</u>
Total unavailable for use within one year:	<u>28,707,452</u>	<u>26,330,905</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,068,118</u></u>	<u><u>\$ 5,829,822</u></u>

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note C – Liquidity and Availability of Resources (continued)

For the year ended June 30, 2023, the Foundation had \$6,068,118 of financial assets available to meet cash needs for general expenditure within one year of the balance sheet date. \$28,707,452 of the financial assets were subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date

For the year ended June 30, 2022, the Foundation had \$5,829,822 of financial assets available to meet cash needs for general expenditure within one year of the balance sheet date. \$26,330,905 of the financial assets were subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Foundation has a policy that focuses on longevity and structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note D – Net Assets with Donor Restrictions

The Foundation receives donations restricted for various scholarship and grant program funds. As of June 30, 2023, \$28,707,452 of net assets were restricted to use for grant and scholarship programs in total. Of the total restricted assets, \$28,103,265, was held in the endowment fund and \$604,187 was held in investment outside the endowment fund.

As of June 30, 2022, \$26,330,905 of net assets were restricted to use for grant and scholarship programs in total. Of the total restricted assets, \$25,703,408 was held in the endowment fund and \$627,497 was held in investment outside the endowment fund.

Note E – Pledges Receivable

The pledges receivable balances as of June 30, 2023 and 2022 are expected to be collected according to the following schedule:

	June 30, 2023	June 30, 2022
Within One Year	\$ 39,000	\$ 57,000
In One to Five Years	42,000	87,000
Less: Allowance for Uncollectible Promises to Give	-	-
Total	\$ 81,000	\$ 144,000

Note F – Operating Leases

The Foundation signed a three year lease agreement for office space in July 2022. Rent expense for the year ended June 30, 2023 was \$3,000.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30:

	2023
Lease expense	
Operating lease expense	\$3,000
Short-term lease expense	-
Variable lease expense	-
Total	\$3,000

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note F – Operating Leases (continued)

Supplemental information related to leases is as follows for the year ended June 30, 2023:

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$3,000
ROU assets obtained in exchange for new operating lease liabilities	\$8,750
Weighted-average remaining lease term in years for operating leases	2
Weighted-average discount rate for operating leases	2.85%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

Maturity Analysis	<u>Operating</u>
2023	\$ 3,000
2024	3,000
2025	-
2026	-
2027	-
Thereafter	-
Total undiscounted cash flows	<u>6,000</u>
Less: present value discount	<u>(84)</u>
Total lease liabilities	<u>\$ 5,916</u>

Note G – Grants and Scholarships Payable

Grant and scholarship distributions are made in accordance with the stipulations of the various individual funds and as approved by the Board. Distributions authorized but unpaid at year-end are reported as liabilities. Grants and scholarships payable at June 30, 2023 and 2022 totaled \$960,603 and \$1,194,645, respectively.

The Foundation's grant and scholarships payable are due over the following periods as of June 30, 2023:

2023	\$ 731,553
2024	115,400
2025	76,650
2026	37,000
Total	<u>\$ 960,603</u>

Note H - Fair Value Measurements

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2023 and 2022

Note H - Fair Value Measurements (continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that are not corroborated by market data.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table presents by level, within the fair value hierarchy, the Foundation's investment assets at fair value. As required, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the valuation methodologies used at June 30, 2023 or 2022.

Description	6/30/2023	Level 1	Level 2	Level 3
Common Stock: Equities	\$ 2,727,181	\$ 2,727,181	\$ -	\$ -
Debt Securities: Bonds	2,948,812	2,948,812	-	-
Brokerage	109,529	109,529	-	-
Mutual Funds: Fixed	7,633,961	7,633,961	-	-
Equities	18,857,561	18,857,561	-	-
Total	\$ 32,277,044	\$ 32,277,044	\$ -	\$ -

Description	6/30/2022	Level 1	Level 2	Level 3
Common Stock: Equities	\$ 2,405,932	\$ 2,405,932	\$ -	\$ -
Debt Securities: Bonds	2,285,774	2,285,774	-	-
Brokerage	39,951	39,951	-	-
Mutual Funds: Fixed	7,992,374	7,992,374	-	-
Equities	16,596,867	16,596,867	-	-
Total	\$ 29,320,898	\$ 29,320,898	\$ -	\$ -

Note I – License Agreement

The Foundation is the licensee of a specialized software system for monitoring and reporting on its finances and grants. The license agreement expired on September 30, 2019 and was subsequently extended. The monthly fee (including maintenance and support services) for the first three years was \$1,500 and is subject to a small percentage increase for each annual period thereafter. The total amount paid for the license agreement was \$18,360 and \$18,000 for the years ended June 30, 2023 and 2022, respectively.

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Note J – Internal Administrative Fees

The Foundation charges an internal administrative fee to the various funds held based on a variable schedule charged on the dollar value of each fund. This fee helps to cover operating expenses of the Foundation. Since these fees are internal in nature, they are eliminated on the financial statements. Total fees charged to the funds for the years ended June 30, 2023 and 2022 totaled \$116,866 and \$128,447, respectively.

Note K – Retirement Plan

The Foundation provides a SIMPLE IRA plan for the benefit of eligible employees. Employer matching contributions to the plan are required dollar for dollar up to 3% of each participating employee's wages. Contributions for the years ended June 30, 2023 and 2022 were \$3,060 and \$2,393, respectively.

Note L – Endowment Fund

The Foundation utilizes a "total return" method to measure investment performance. Under this concept, investment objectives are established to provide the Foundation with income to meet its current needs and also preserve and enhance the real purchasing power of the principal. To satisfy this long-term objective, the Foundation targets a diversified portfolio. Investment managers are guided by asset allocation guidelines and other criteria. The Foundation's spending policy is based on the type of fund held. Field of interest funds distribution goal is not to exceed 5% annually based on a rolling five-year time frame. Other funds have an annual distribution goal of 3% - 5% of prior year fund balance. These criteria do not apply to Non-Endowed Funds.

Interpretation of Relevant Law - The board of directors 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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. The Foundation does not hold any net assets with donor restrictions in perpetuity. The portion of the endowment fund that is not classified as net assets without donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA as adopted by the State of Wisconsin.

As of June 30, 2023, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 5,188,515	\$ -	\$ 5,188,515
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Accumulated Investment gains	-	28,103,265	28,103,265
Endowment Net Assets– End of Year	<u>\$ 5,188,515</u>	<u>\$ 28,103,265</u>	<u>\$ 33,291,780</u>

As of June 30 2022, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 4,779,177	\$ -	\$ 4,779,177
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Accumulated Investment gains	-	25,703,408	25,703,408
Endowment Net Assets– End of Year	<u>\$ 4,779,177</u>	<u>\$ 25,703,408</u>	<u>\$ 30,482,585</u>

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Note L – Endowment Fund (continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA has been interpreted by the Foundation to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023 and 2022, there were no underwater endowments.

Fund Objectives

The endowment funds are established to assist the Foundation in its mission as a community foundation providing grants for educational, cultural, or other charitable purposes. The endowment funds consist of individual endowment funds with donor restrictions and individual endowment funds without donor restrictions.

Investment Objective and Cash Flow Policy

Generally, the endowment funds with donor restrictions' long-term objectives are, at a minimum, to maintain current real value. The assets are to be invested in a manner to generate investment returns in excess of the annual spending rate combined with inflation.

The endowment funds will make use of a total return-based spending policy, meaning that they will fund required distributions from net investment income, net realized capital gains, and from the proceeds received from the sale of investments, including principal.

Investment Policies

Endowment fund assets will be managed as a portfolio comprised of two major components: equity investments to maximize long-term growth of assets, and fixed income investments to generate current income, provide greater stability of periodic returns, and protect against prolonged decline of the equity markets.

The endowment funds will be invested primarily in marketable financial assets. Therefore, contributions of real estate, personal property or business entities that may from time to time be received, will typically be converted to financial assets in an orderly fashion.

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Invested Assets – Beginning of Year	\$ 4,779,177	\$ 25,703,408	\$ 30,482,585
Investment Return, Net	479,016	2,726,772	3,205,788
Additions	13,723	255,129	268,852
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(83,401)	(582,044)	(665,445)
Endowment Net Assets – End of Year	<u>\$ 5,188,515</u>	<u>\$ 28,103,265</u>	<u>\$ 33,291,780</u>

Fort Atkinson Community Foundation
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Note L – Endowment Fund (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Invested Assets – Beginning of Year	\$ 5,887,764	\$ 29,088,447	\$ 34,976,211
Investment Return, Net	(682,337)	(3,718,061)	(4,400,398)
Additions	91,937	909,436	1,001,373
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(518,187)	(576,414)	(1,094,601)
Endowment Net Assets – End of Year	\$ 4,779,177	\$ 25,703,408	\$ 30,482,585

Note M – Fundraising Expense

For the year ended June 30, 2023 and 2022, the Foundation incurred \$ 0 and \$ 0 of fundraising expenses, respectively.

Note N – Concentrations

The Foundation received approximately 32% of its contributions from one donor for the year ended June 30, 2023 and 33% for the year ended June 30, 2022 from the same donor.

Note O – Reclassification

A reclassification has been made to the June 30, 2022 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

Note P – Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; and ASU 2023-01, Leases (Topic 842): Common Control Arrangements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Foundation elected to adopt these ASUs effective July 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Foundation's balance sheet, but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Foundation to restate amounts as of July 1, 2022, resulting in an increase in operating lease ROU assets of \$8,750, and an increase in operating lease liabilities of \$8,750.