

FORT ATKINSON COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**FORT ATKINSON COMMUNITY FOUNDATION
TABLE OF CONTENTS
Years Ended June 30, 2019 and 2018**

	Page
INDEPENDENT AUDITORS' REPORT	2 - 3
<u>FINANCIAL STATEMENTS</u>	
Statements of financial position	4
Statements of activities	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Atkinson Community Foundation
Fort Atkinson, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Atkinson Community Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Atkinson Community Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated November 20, 2018, expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin

November 1, 2019

FORT ATKINSON COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,532,706	\$ 1,005,811
Investments at fair value	26,682,144	24,983,662
Contributions receivable	<u>147,000</u>	<u>1,250,231</u>
Total assets	<u>\$28,361,850</u>	<u>\$27,239,704</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 17,475	\$ 0
Grants payable	375,428	155,663
Scholarships payable	<u>665,250</u>	<u>589,715</u>
Total liabilities	<u>1,058,153</u>	<u>745,378</u>
NET ASSETS		
Net assets without donor restrictions	4,726,487	4,566,700
Net assets with donor restrictions	<u>22,577,210</u>	<u>21,927,626</u>
Total net assets	<u>27,303,697</u>	<u>26,494,326</u>
Total liabilities and net assets	<u>\$28,361,850</u>	<u>\$27,239,704</u>

The Notes to Financial Statements are an integral part of these statements.

FORT ATKINSON COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE</u>			
Contributions			
Public	\$ 47,955	\$ 515,499	\$ 563,454
Fort Atkinson School District	0	0	0
Net investment income	<u>209,409</u>	<u>1,013,253</u>	<u>1,222,662</u>
	257,364	1,528,752	1,786,116
Net assets released from restrictions	<u>879,168</u>	<u>(879,168)</u>	<u>0</u>
Total revenue	<u>1,136,532</u>	<u>649,584</u>	<u>1,786,116</u>
<u>EXPENSES</u>			
Program expenditures			
Grants	486,265	0	486,265
Scholarships	369,700	0	369,700
General and administrative			
Staff compensation	57,985	0	57,985
Technology fees	47,071	0	47,071
Professional fees	7,120	0	7,120
Office costs	<u>8,604</u>	<u>0</u>	<u>8,604</u>
Total expenses	<u>976,745</u>	<u>0</u>	<u>976,745</u>
Change in net assets	159,787	649,584	809,371
<u>NET ASSETS</u>			
Beginning of year	<u>4,566,700</u>	<u>21,927,626</u>	<u>26,494,326</u>
End of year	<u>\$ 4,726,487</u>	<u>\$22,577,210</u>	<u>\$27,303,697</u>

The Notes to Financial Statements are an integral part of these statements.

FORT ATKINSON COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE</u>			
Contributions			
Public	\$ 68,918	\$ 423,773	\$ 492,691
Fort Atkinson School District	0	1,161,030	1,161,030
Net investment income	<u>188,968</u>	<u>907,416</u>	<u>1,096,384</u>
	257,886	2,492,219	2,750,105
Net assets released from restrictions	<u>800,992</u>	<u>(800,992)</u>	<u>0</u>
Total revenue	<u>1,058,878</u>	<u>1,691,227</u>	<u>2,750,105</u>
<u>EXPENSES</u>			
Program expenditures			
Grants	460,475	0	460,475
Scholarships	349,935	0	349,935
General and administrative			
Staff compensation	55,755	0	55,755
Technology fees	25,548	0	25,548
Professional fees	13,372	0	13,372
Office costs	<u>9,164</u>	<u>0</u>	<u>9,164</u>
Total expenses	<u>914,249</u>	<u>0</u>	<u>914,249</u>
Change in net assets	144,629	1,691,227	1,835,856
<u>NET ASSETS</u>			
Beginning of year	<u>4,422,071</u>	<u>20,236,399</u>	<u>24,658,470</u>
End of year	<u>\$ 4,566,700</u>	<u>\$21,927,626</u>	<u>\$26,494,326</u>

The Notes to Financial Statements are an integral part of these statements.

FORT ATKINSON COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 809,371	\$ 1,835,856
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net (gains) losses on investments	(748,044)	(711,410)
(Increase) decrease in:		
Contributions receivable	1,103,231	(1,103,231)
Increase (decrease) in:		
Accounts payable	17,475	0
Grants and scholarships payable	<u>295,300</u>	<u>155,342</u>
Net cash flows from operating activities	<u>1,477,333</u>	<u>176,557</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales of investments	10,940,317	21,834,125
Purchases of investments	<u>(11,890,755)</u>	<u>(22,204,329)</u>
Net cash flows from investing activities	<u>(950,438)</u>	<u>(370,204)</u>
Net change in cash and cash equivalents	526,895	(193,647)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	<u>1,005,811</u>	<u>1,199,458</u>
End of year	<u>\$ 1,532,706</u>	<u>\$ 1,005,811</u>

The Notes to Financial Statements are an integral part of these statements.

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Nature of Operations:

The purpose of Fort Atkinson Community Foundation (the Foundation), a not-for-profit organization, 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.

Method of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting wherein revenue and expenses are reflected in the period earned or incurred. Grants and scholarships are recorded as expenses in the year they are approved for payment.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 shorter term and/or temporary purposes and their assets are held in a short-term money market account. Approximately 98% of fund assets held at June 30, 2019 and 2018 were Endowed.

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

Fund Structure: (continued)

Within each category, the funds are classified according to their nature and purpose. The Foundation currently maintains approximately 80 different funds in six different types.

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 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. Cash deposits periodically exceed the Federal Deposit Insurance (FDIC) limit.

Investments:

Investments are held and managed by two financial institutions in south central Wisconsin. The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Gains and investment income that are limited to specific use by donor-imposed restrictions are reported as increases in temporarily restricted net assets.

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

Investments: (continued)

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the accompanying financial statements.

Contributions:

The Foundation records contributions and unconditional promises to give as receivables within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The Foundation recognizes conditional promises to give when the conditions stipulated by the donor are substantially met.

Unconditional promises to give made to the Foundation are recorded in the year the promise is made. Amounts that are expected to be collected after one year have not been discounted due to the minimal terms and interest rate factors and they represent their net present value. An allowance for uncollectible promises to give is determined based on a review of outstanding pledges, historical collection information and existing economic conditions. The Foundation does not believe an allowance for uncollectible promises to give is needed as of June 30, 2019 and 2018.

Income Taxes:

The Foundation has been recognized by the Internal Revenue Service as an organization described in the Internal Revenue Service Code (IRC) 501(c)(3) as a public charity and is exempt from federal income taxes under IRC 501(a). Accordingly, the accompanying financial statements do not include any amounts for capital stock or income taxes.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The statement 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.

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent events:

Management evaluated subsequent events through November 1, 2019, the date the financial statements were available to be issued.

Change in accounting principle:

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Except for the disclosure of liquidity and available resources being reported only for the year ending June 30, 2019, the ASU has been applied retrospectively to all periods presented which had no effect on reported amounts of net assets with or without donor restrictions.

As part of the change in implementation of the new accounting principle, the beginning of year net assets have been restated to conform to classifications adopted in 2019. The restatement had no effect on reported amounts of total net assets.

Recent Guidance:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which becomes effective for annual reporting periods beginning after December 15, 2018. Adoption is to be applied retrospectively. The Foundation is currently evaluating the impact of ASU 2014-09 on the Foundation's financial statements and has not yet determined its method of adoption.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. For resource recipients, the ASU is effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of ASU 2018-08 on the Foundation's financial statements.

FORT ATKINSON COMMUNITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018**

Note 2. Investments

The fair value of investments as of June 30 are summarized as follows:

<u>Investment</u>	2019	2018
Fixed income	\$ 9,605,910	\$ 8,224,759
Equities	17,076,233	13,987,020
Alternatives	0	2,771,882
Miscellaneous	<u>1</u>	<u>1</u>
	<u>\$26,682,144</u>	<u>\$24,983,662</u>

Note 3. Fair Value Measurement

Investments are reported using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Valuation is based upon quoted prices in active markets for identical investments.

Level 2 – Valuation is based upon other significant observable inputs (including quoted prices for similar investments).

Level 3 – Valuation is based upon significant unobservable inputs (including the organization’s assumptions in determining the fair value of investments).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation determined their investments in all securities as of June 30, 2019 and 2018 are level 1 investments. The miscellaneous investment is considered to be a level 3 investment.

Note 4. Contributions Receivable

Contributions receivable (unconditional promises to give) represent amounts due from donors for multiyear promises. Payments on the receivables are expected to be received as follows:

	2019	2018
Amounts due in:		
Less than one year	\$ 57,000	\$1,160,231
One to five years	<u>90,000</u>	<u>90,000</u>
Total contributions receivable	<u>\$147,000</u>	<u>\$1,250,231</u>

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 5. Grant and Scholarship Distributions

Charitable 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. Grant and scholarships payable at June 30, 2019 and 2018 totaled \$1,058,153 and \$745,378, respectively.

The Foundation's grant and scholarships payable are due over the following periods as of June 30, 2019:

2020	\$ 828,928
2021	103,250
2022	71,250
2023	<u>37,250</u>
	<u>\$ 1,040,678</u>

Note 6. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Cash and cash equivalents	\$ 1,532,706
Investments	3,136,781
Contributions receivable	<u>57,000</u>
	<u>\$ 4,726,487</u>

As part of their liquidity, the Foundation invests cash in excess of daily requirements in short-term investments such as money market funds.

Note 7. 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 for three years. The new monthly fee (including maintenance and support services) is \$1,500 and totaled \$24,000 for the years ended June 30, 2019 and 2018.

Note 8. 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, 2019 and 2018 totaled \$91,301 and \$86,516, respectively.

FORT ATKINSON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 9. Endowment

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 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.

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.