

Fort Atkinson Community Foundation

Financial Statements

Year Ended June 30, 2021

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

We have audited the accompanying financial statements of Fort Atkinson Community Foundation, which comprise the statement of financial position as of June 30, 2021, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Atkinson Community Foundation as of June 30, 2021, 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.

MBE CPAs, LLP

Fort Atkinson, WI
April 4, 2022

Fort Atkinson Community Foundation
Statement of Financial Position
As of June 30, 2021

	2021
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,897,318
Pledges receivable	57,000
Total Current Assets	1,954,318
Other Assets	
Investments	33,704,161
Pledges receivable - long-term	153,000
Total Other Assets	33,857,161
Total Assets	\$ 35,811,479
Liabilities and Net Assets	
Current Liabilities	
Grants payable	\$ 90,315
Scholarships payable	494,640
Total Current Liabilities	584,955
Long-Term Liabilities	
Scholarships payable - long-term	190,500
Total Long-Term Liabilities	190,500
Total Liabilities	775,455
Net Assets	
Without donor restrictions	5,887,764
With donor restrictions	29,148,260
Total Net Assets	35,036,024
Total Liabilities and Net Assets	\$ 35,811,479

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

Fort Atkinson Community Foundation
Statement of Activities
For the Year Ended June 30, 2021

2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 56,029	\$ 1,749,495	\$ 1,805,524
Investment return (net)	1,068,889	5,427,194	6,496,083
Net assets released from restrictions	749,067	(749,067)	-
Total Revenue, Support, and Gains	1,873,985	6,427,622	8,301,607
Expenses			
Program Services			
Grants	322,701	-	322,701
Scholarships	333,325	-	333,325
Total Program Services	656,026	-	656,026
Supporting Services			
Staff compensation	85,102	-	85,102
Technology fees	19,720	-	19,720
Professional fees	8,578	-	8,578
Office costs	10,429	-	10,429
Total Supporting Services	123,829	-	123,829
Total Expenses	779,855	-	779,855
Increase (Decrease) in Net Assets	1,094,130	6,427,622	7,521,752
Net Assets - Beginning of Year	4,793,634	22,720,638	27,514,272
Net Assets - End of Year	\$ 5,887,764	\$ 29,148,260	\$ 35,036,024

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

**Fort Atkinson Community Foundation
Statement of Cash Flows
For the Year Ended June 30, 2021**

	2021
Cash Flows From Operating Activities:	
Increase (Decrease) in Net Assets	\$ 7,521,752
Adjustments to reconcile net assets to net cash provided by operating activities:	
Investment return (net)	(6,496,083)
Changes in assets:	
Pledges receivable	57,000
Changes in liabilities:	
Grants payable	(307,570)
Scholarships payable	(1,375)
Net Cash Provided by (Used in) Operating Activities	773,724
 Cash Flows From Investing Activities:	
Purchases of investments	(4,993,196)
Proceeds from sales of investments	3,859,305
Net Cash Provided by (Used in) Investing Activities	(1,133,891)
 Net Increase (Decrease) in Cash	(360,167)
 Cash - Beginning of Year	2,257,485
 Cash - End of Year	\$ 1,897,318

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

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

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 Statement 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 statement 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, 2021 were endowed.

Within each category, the funds are classified according to their nature and purpose. The Foundation currently maintains approximately 86 different funds within the six different fund types listed.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

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, 2021. 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 statement of financial position. Net investment income (loss) is reported in the statement 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 statement of activities as net assets released from restrictions.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

Note A – Summary of Significant Accounting Policies, continued

Functional Allocation of 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.

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.

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, 2021. 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 April 4, 2022, 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, 2021, cash and investments exposed to a concentration of credit risk was \$34,601,479.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

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, 2021</u>
Cash and cash equivalents	\$ 1,897,318
Investments	33,704,161
Total financial assets	<u>35,601,479</u>
Less those unavailable for general expenditures within one year:	
Donor restricted investments	<u>29,148,260</u>
Total unavailable for use within one year:	<u>29,148,260</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,453,219</u>

The Foundation has \$6,453,219 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure. \$29,148,260 of the financial assets are 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 – Pledges Receivable

The pledges receivable balances as of June 30, 2021 are expected to be collected according to the following schedule:

	<u>June 30, 2021</u>
Within One Year	\$ 57,000
In One to Five Years	153,000
Less: Allowance for Uncollectible Promises to Give	-
Total	<u><u>\$ 210,000</u></u>

Note E – 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, 2021 totaled \$775,455.

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

2022	\$ 584,955
2023	89,500
2024	63,500
2025	<u>37,500</u>
Total	<u><u>\$ 775,455</u></u>

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

Note F - Fair Value Measurements

The Foundation's investments are reported at fair value in the accompanying statement 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.

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, 2021.

Description	6/30/2021	Level 1	Level 2	Level 3
Common Stock: Equities	\$ 2,880,133	\$ 2,310,883	\$ 569,250	\$ -
Debt Securities: Corporate Bonds	2,880,288	2,664,200	216,088	-
Brokerage	42,107	42,107	-	-
Mutual Funds: Fixed	7,655,395	7,655,395	-	-
Equities	20,246,238	20,246,238	-	-
Total	<u>\$ 33,704,161</u>	<u>\$ 32,918,823</u>	<u>\$ 785,338</u>	<u>\$ -</u>

Note G – 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 \$18,000 for the year ended June 30, 2021.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

Note H – 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, 2021 totaled \$111,015.

Note I – 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 year ended June 30, 2021 were \$2,039.

Note J – 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, 2021, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 5,887,764	\$ -	\$ 5,887,764
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount			
and Accumulated Investment gains	-	29,548,380	29,548,380
Endowment Net Assets– End of Year	\$ 5,887,764	\$ 29,548,380	\$ 35,436,144

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, 2021, there were no underwater endowments.

Fort Atkinson Community Foundation
Notes to the Financial Statements
June 30, 2021

Note J – Endowment Fund (Continued)

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, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Invested Assets – Beginning of Year	\$ 4,793,634	\$ 23,285,119	\$ 28,078,753
Investment Return, Net	1,068,889	5,427,194	6,496,083
Additions	56,029	1,657,408	1,713,437
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(30,788)	(821,341)	(852,129)
Endowment Net Assets – End of Year	<u>\$ 5,887,764</u>	<u>\$ 29,548,380</u>	<u>\$ 35,436,144</u>

Note K – Concentrations

The Foundation received approximately 83% of its contributions from one donor for the year ended June 30, 2021.