

FORT ATKINSON COMMUNITY
FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014

Fort Atkinson Community Foundation

June 30, 2014

Table of Contents

	<u>Page Numbers</u>
Independent Auditor's Report	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

SCRIMA, KABITZKE & Co., S.C.
CERTIFIED PUBLIC ACCOUNTANTS
328 WEST SUNSET DRIVE
WAUKESHA, WISCONSIN 53189

TELEPHONE
(262) 542-8401
FAX 542-8713

MEMBER WISCONSIN
INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Atkinson Community Foundation
Fort Atkinson, Wisconsin

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, 2014, 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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Fort Atkinson Community Foundation's 2013 financial statements, and our report dated September 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Scrima, Kabitzke & Co., S.C.
Waukesha, Wisconsin
September 9, 2014

Fort Atkinson Community Foundation

Statements of Financial Position

June 30, 2014

(with comparable totals for June 30, 2013)

ASSETS

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Current Assets:		
Cash	\$ 2,156,100	\$ 2,976,488
Fees Receivable	3,226	
Investments	21,754,419	18,586,320
Pledges receivable		21,022
Total Current Assets	<u>23,913,745</u>	<u>21,583,830</u>
Fixed Assets:		
Software & License	<u>3,000</u>	
Total Assets	<u><u>\$ 23,916,745</u></u>	<u><u>\$ 21,583,830</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 542	\$ 30
Grant commitments	1,072,500	715,907
Scholarship commitments	107,007	121,539
Total Liabilities	<u>1,180,049</u>	<u>837,476</u>
Net Assets:		
Unrestricted	4,124,024	3,921,473
Temporarily Restricted	18,612,672	16,824,881
Total Net Assets	<u>22,736,696</u>	<u>20,746,354</u>
Total Liabilities and Net Assets	<u><u>\$ 23,916,745</u></u>	<u><u>\$ 21,583,830</u></u>

The accompanying notes are an integral part of these statements.

Fort Atkinson Community Foundation

Statements of Activities

For the Year Ended June 30, 2014

(with comparable totals for June 30, 2013)

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>06-30-2014 Total</u>	<u>06-30-2013 Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:				
Contributions	\$ 11,125	\$ 1,446,062	\$ 1,457,187	\$ 468,237
Interest and dividends	90,019	406,761	496,780	489,931
Program Fees	35,782		35,782	
Net unrealized and realized gain on investments	266,975	1,352,757	1,619,732	1,724,805
Total Revenues, gains, and other support	<u>403,901</u>	<u>3,205,580</u>	<u>3,609,481</u>	<u>2,682,973</u>
GRANTS AND EXPENSES:				
Grants	148,399	1,081,202	1,229,601	356,861
Scholarships		204,758	204,758	200,419
General and administrative	36,881	54,861	91,742	52,514
Investment management fees	16,070	76,968	93,038	86,325
Total Grants and Expenses	<u>201,350</u>	<u>1,417,789</u>	<u>1,619,139</u>	<u>696,119</u>
Increase (Decrease) in Net Assets	202,551	1,787,791	1,990,342	1,986,854
Net Assets at Beginning of Year	<u>3,921,473</u>	<u>16,824,881</u>	<u>20,746,354</u>	<u>18,759,500</u>
Net Assets at End of Year	<u>\$ 4,124,024</u>	<u>\$ 18,612,672</u>	<u>\$ 22,736,696</u>	<u>\$ 20,746,354</u>

The accompanying notes are an integral part of these statements.

Fort Atkinson Community Foundation
Statements of Cash Flows
For the Year Ended June 30, 2014
(with comparable totals for June 30, 2013)

	<u>June 30,</u> 2014	<u>June 30,</u> 2013
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 1,990,342	\$ 1,986,854
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities -		
Net unrealized losses and (gains) on investments	(922,127)	(519,230)
(Increase) Decrease in Assets:		
Fees Receivable	(3,226)	
Pledges receivable	21,022	35,537
Increase (Decrease) in Liabilities:		
Accounts payable	512	30
Grant commitments	356,593	(413,811)
Scholarship commitments	(14,532)	6,365
Net Cash Provided by Operating Activities	<u>1,428,584</u>	<u>1,095,745</u>
Cash Flows From Investing Activities:		
Purchase of fixed assets	(3,000)	
Change in investments	(2,245,972)	(1,148,516)
Net cash used by Investing Activities	<u>(2,248,972)</u>	<u>(1,148,516)</u>
Net (Decrease) in Cash	(820,388)	(52,771)
Cash, Beginning of Year	<u>2,976,488</u>	<u>3,029,259</u>
Cash, End of Year	<u><u>\$ 2,156,100</u></u>	<u><u>\$ 2,976,488</u></u>
 <u>Supplemental Information</u>		
Cash paid during the year for:		
Interest expense	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these statements.

Fort Atkinson Community Foundation

Notes to the Financial Statements

June 30, 2014

Note 1 – Nature of Activities

Organization

The purpose of Fort Atkinson Community Foundation is to receive and accept property 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 from for the residents of the area.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - the Foundation's financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred in accordance with generally accepted accounting principles in the United States of America. For financial statement purposes, the Foundation distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

Net Asset Classifications - In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) Topic 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. FASB ASC Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC Topic 958-205 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Foundation is governed subject to its Articles of Incorporation and Bylaws and further by its adopted investment policy as well as individual gift instruments and agreements. Although the Community Foundation's mission is to build endowed assets, the Foundation has the ability, as stated in its Articles of Incorporation, to distribute all or any part of its net income, principal, or property, in accordance with determination made by the Community Foundation's Board of Directors for the purposes set forth in its Articles of Incorporation. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Investments - Realized gains or losses on investments represent the difference between the original cost of investments and the sales proceeds. Unrealized gains or losses represent the difference between the beginning-of-year value or purchase date during the year and the end-of-year value. Cost is determined on the average-cost basis.

Fort Atkinson Community Foundation

Notes to the Financial Statements

June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Investment Risks - 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 values in the near term could materially affect the amounts reported in the accompanying statement of financial position and statement of activities.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Grants - Grants are recorded as expenses in the year they are approved for payment.

Adoption of New Accounting Pronouncements - In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measures*. The goal of the ASU 2010-06 was to provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. ASU 2010-06 is effective for financial statement periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the Level 3 reconciliations for which the effective date is delayed by one year. The Foundation adopted this guidance for the year ended June 30, 2011. The adoption of this guidance had no impact on the Foundation's financial position or results of operations.

Note 3 - Investments

Cost and market value of investments held as of June 30, 2014 and 2013 were as follows:

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 4,322,895	\$ 4,581,102	\$ 5,125,829	\$ 5,062,616
Stocks	11,608,967	12,271,416	8,935,336	11,827,533
U.S. Gov't debt securities	119,641	111,689	110,098	101,960
Corporate debt securities	4,780,788	4,790,211	1,593,777	1,594,210
Miscellaneous investments	1	1	1	1
Total	<u>\$ 20,832,292</u>	<u>\$ 21,754,419</u>	<u>\$ 15,765,041</u>	<u>\$ 18,586,320</u>

Fort Atkinson Community Foundation

Notes to the Financial Statements

June 30, 2014

Note 4 - Contributions Receivable and Deferred Gifts Receivable

Contributions represent current-year contributions as well as unconditional pledges. Contributions are recorded at fair market value on the date of the donation. Unconditional pledges and deferred gifts are recorded at the present value of expected net proceeds. Contributions receivable are recorded at the estimated value on the date of the gift.

Note 5 - Commitments and Contingencies

There are no rental payments made. The Foundation is receiving free rental space at the Chamber of Commerce.

Note 6 - Tax Status

The Foundation has been recognized by the Internal Revenue Service as an organization described in the Internal Revenue Code (IRC) 501(c)(3) as a public charity and is exempt from federal income taxes under IRC 501(a), and accordingly, no provision has been made for such taxes.

Note 7 - Grants

The Foundation's grants totaled \$1,434,359 and were approved and recognized in the June 30, 2014 statement of activities.

Note 8 - Fair Value Measurements

The Foundation utilizes the provisions of FASB ASC Topic 829, *Fair Value Measurements and Disclosures*, in the preparation of its financial statements and related disclosures. This guidance establishes a framework for measuring fair value and provides a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices for identical assets in active markets. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, or other than quoted prices that are observable for the asset. Level 3 inputs are unobservable inputs that cannot be corroborated by observable market data.

Level 1 classifications consist of common stocks and mutual funds that are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 classifications consist of commingled funds, private placement mutual funds, and limited partnerships where detailed holdings were available and consisted of securities reported on active markets, as well as debt securities valued using inputs of quoted prices for similar assets.

Fort Atkinson Community Foundation

Notes to the Financial Statements

June 30, 2014

Note 8 - Fair Value Measurements (continued)

Level 3 classifications consist of hedge fund of funds and other securities that do not have a readily determinable market value because detailed holdings were unavailable or the securities are not publicly traded. Fair values are based on information provided by the administrators of each underlying fund: the Foundation also takes into consideration consultation with fund investment managers and audited financial information to determine overall reasonableness of the recorded value.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

Note 9 - Subsequent Events

Management of the Foundation has evaluated all subsequent events through September 9, 2014, for possible inclusion as a disclosure in the notes to the financial statements. The Foundation has no subsequent events that require disclosure in the notes to the financial statements.

Note 10 - Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Foundation adopted ASC 740-10 as of July 1, 2011. There was no impact to the Foundation's consolidated financial statements as a result of the implementation of ASC 740-10.

Note 11 - Summarized Financial Information for 2013

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.