

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

### **Opinion**

We have audited the accompanying financial statements of Fort Atkinson Community Foundation which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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***

Fort Atkinson, WI  
November 17, 2022

**Fort Atkinson Community Foundation**  
**Statements of Financial Position**  
**As of June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,839,829	\$ 1,897,318
Pledges receivable	57,000	57,000
<b>Total Current Assets</b>	<u>2,896,829</u>	<u>1,954,318</u>
<b>Other Assets</b>		
Investments	29,320,898	33,704,161
Pledges receivable - long-term	87,000	153,000
<b>Total Other Assets</b>	<u>29,407,898</u>	<u>33,857,161</u>
<b>Total Assets</b>	<u>\$ 32,304,727</u>	<u>\$ 35,811,479</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Grants payable	\$ 441,400	\$ 90,315
Scholarships payable	515,345	494,640
<b>Total Current Liabilities</b>	<u>956,745</u>	<u>584,955</u>
<b>Long-Term Liabilities</b>		
Scholarships payable - long-term	237,900	190,500
<b>Total Long-Term Liabilities</b>	<u>237,900</u>	<u>190,500</u>
<b>Total Liabilities</b>	1,194,645	775,455
<b>Net Assets</b>		
Without donor restrictions	4,779,177	5,887,764
With donor restrictions	26,330,905	29,148,260
<b>Total Net Assets</b>	<u>31,110,082</u>	<u>35,036,024</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 32,304,727</u>	<u>\$ 35,811,479</u>

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, 2022 and 2021**

<b>2022</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Support, and Gains</b>			
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)	-
<b>Total Revenue, Support, and Gains</b>	<b>67,230</b>	<b>(2,817,355)</b>	<b>(2,750,125)</b>
<b>Expenses</b>			
<b>Program Services</b>			
Grants	636,326	-	636,326
Scholarships	398,483	-	398,483
<b>Total Program Services</b>	<b>1,034,809</b>	<b>-</b>	<b>1,034,809</b>
<b>Supporting Services</b>			
Staff compensation	97,877	-	97,877
Technology fees	23,940	-	23,940
Professional fees	7,549	-	7,549
Office costs	11,642	-	11,642
<b>Total Supporting Services</b>	<b>141,008</b>	<b>-</b>	<b>141,008</b>
<b>Total Expenses</b>	<b>1,175,817</b>	<b>-</b>	<b>1,175,817</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(1,108,587)</b>	<b>(2,817,355)</b>	<b>(3,925,942)</b>
<b>Net Assets - Beginning of Year</b>	<b>5,887,764</b>	<b>29,148,260</b>	<b>35,036,024</b>
<b>Net Assets - End of Year</b>	<b>\$ 4,779,177</b>	<b>\$ 26,330,905</b>	<b>\$ 31,110,082</b>

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, 2022 and 2021**

<b>2021</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Support, and Gains</b>			
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)	-
<b>Total Revenue, Support, and Gains</b>	<b>1,873,985</b>	<b>6,427,622</b>	<b>8,301,607</b>
<b>Expenses</b>			
<b>Program Services</b>			
Grants	322,701	-	322,701
Scholarships	333,325	-	333,325
<b>Total Program Services</b>	<b>656,026</b>	<b>-</b>	<b>656,026</b>
<b>Supporting Services</b>			
Staff compensation	85,102	-	85,102
Technology fees	19,720	-	19,720
Professional fees	8,578	-	8,578
Office costs	10,429	-	10,429
<b>Total Supporting Services</b>	<b>123,829</b>	<b>-</b>	<b>123,829</b>
<b>Total Expenses</b>	<b>779,855</b>	<b>-</b>	<b>779,855</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,094,130</b>	<b>6,427,622</b>	<b>7,521,752</b>
<b>Net Assets - Beginning of Year</b>	<b>4,793,634</b>	<b>22,720,638</b>	<b>27,514,272</b>
<b>Net Assets - End of Year</b>	<b>\$ 5,887,764</b>	<b>\$ 29,148,260</b>	<b>\$ 35,036,024</b>

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, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ (3,925,942)	\$ 7,521,752
Adjustments to reconcile net assets to net cash provided by operating activities:		
Investment return (net)	4,400,326	(6,496,083)
Changes in assets:		
Pledges receivable	66,000	57,000
Changes in liabilities:		
Grants payable	351,085	(307,570)
Scholarships payable	68,105	(1,375)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>959,574</b>	<b>773,724</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(2,065,076)	(4,993,196)
Proceeds from sales of investments	2,048,013	3,859,305
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(17,063)</b>	<b>(1,133,891)</b>
<b>Net Increase (Decrease) in Cash</b>	942,511	(360,167)
<b>Cash - Beginning of Year</b>	<b>1,897,318</b>	<b>2,257,485</b>
<b>Cash - End of Year</b>	<b>\$ 2,839,829</b>	<b>\$ 1,897,318</b>

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



**Fort Atkinson Community Foundation**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

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**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, 2022 and 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, 2022 and 2021**

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**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, 2022 or 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 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, 2022 and 2021**

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**Note A – Summary of Significant Accounting Policies, continued**

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.

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, 2022 and 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; and workers compensation. 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 November 17, 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, 2022 and 2021, cash and investments exposed to a concentration of credit risk was \$31,159,864 and \$34,601,479, respectively.

**Fort Atkinson Community Foundation**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

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**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.

<b>Financial assets at year end:</b>	<u><b>June 30, 2022</b></u>	<u><b>June 30, 2021</b></u>
Cash and cash equivalents	\$ 2,839,829	\$ 1,897,318
Investments	<u>29,320,898</u>	<u>33,704,161</u>
<b>Total financial assets</b>	<b>32,160,727</b>	<b>35,601,479</b>
 Less those unavailable for general expenditures within one year:		
Donor restricted funds	<u>26,330,905</u>	<u>29,148,260</u>
<b>Total unavailable for use within one year:</b>	<b><u>26,330,905</u></b>	<b><u>29,148,260</u></b>
 <b>Financial assets available to meet cash needs for general expenditures within one year</b>	 <b><u>\$ 5,829,822</u></b>	 <b><u>\$ 6,453,219</u></b>

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.

For the year ended June 30, 2021, the Foundation had \$6,453,219 of financial assets available to meet cash needs for general expenditure within one year of the balance sheet date. \$29,148,260 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 – Pledges Receivable**

The pledges receivable balances as of June 30, 2022 and 2021 are expected to be collected according to the following schedule:

	<u><b>June 30, 2022</b></u>	<u><b>June 30, 2021</b></u>
Within One Year	\$ 57,000	\$ 57,000
In One to Five Years	87,000	153,000
Less: Allowance for Uncollectible Promises to Give	-	-
<b>Total</b>	<b><u>\$ 144,000</u></b>	<b><u>\$ 210,000</u></b>

**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, 2022 and 2021 totaled \$1,194,645 and \$775,455, respectively.

**Fort Atkinson Community Foundation**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

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**Note E – Grants and Scholarships Payable (continued)**

The Foundation's grant and scholarships payable are due over the following periods as of June 30, 2022:

2023	\$ 956,745
2024	118,950
2025	79,300
2026	39,650
Total	<u>\$ 1,194,645</u>

**Note F - 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.

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, 2022 or 2021.

<b>Description</b>	<b>6/30/2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Common Stock: Equities	\$ 2,405,932	\$ 2,405,932	\$ -	\$ -
Debt Securities: Corporate 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	-	-
<b>Total</b>	<u>\$ 29,320,898</u>	<u>\$ 29,320,898</u>	<u>\$ -</u>	<u>\$ -</u>

**Fort Atkinson Community Foundation**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

**Note F - Fair Value Measurements (continued)**

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	-	-
<b>Total</b>	<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 each of the years ended June 30, 2022 and 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, 2022 and 2021 totaled \$128,447 and \$111,015, respectively.

**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 years ended June 30, 2022 and 2021 were \$2,393 and \$2,039, respectively.

**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.

**Fort Atkinson Community Foundation**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

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**Note J – Endowment Fund (Continued)**

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>

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	-	29,088,447	29,088,447
Endowment Net Assets– End of Year	<u>\$ 5,887,764</u>	<u>\$ 29,088,447</u>	<u>\$ 34,976,211</u>

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, 2022 and 2021, 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.

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**Note J – Endowment Fund (Continued)**

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, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ 4,779,177</u>	<u>\$ 26,703,408</u>	<u>\$ 30,482,585</u>

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	\$ 22,452,526	\$ 27,246,160
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)	(488,427)	(479,215)
Endowment Net Assets – End of Year	<u>\$ 5,887,764</u>	<u>\$ 29,088,447</u>	<u>\$ 34,976,211</u>

**Note K – Concentrations**

The Foundation received approximately 33% of its contributions from one donor for the year ended June 30, 2022 and 83% for the year ended June 30, 2021 from the same donor.

**Note L – Change in Accounting Principle**

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The update is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit. The Foundation has implemented ASU 2020-07 using the full retrospective approach. The adoption of this standard did not result in significant changes to the Foundation's accounting policies, business processes, systems or controls, or have a material impact on its financial position, results of operations or cash flows. As such, prior period financial statements were not restated.



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**Note M – New Accounting Pronouncements**

During February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; and ASU 2018-11, Targeted Improvements, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. During 2019, the FASB also issued ASU No. 2019-01, Leases (Topic 842): Codification Improvements, which delayed the effective date for certain entities. During 2020, the FASB also issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective dates for Certain Entities, which delayed the effective date for certain entities. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Foundation is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position, and cash flows.