

**FORT ATKINSON COMMUNITY FOUNDATION**

**FINANCIAL REPORT**

**JUNE 30, 2015**

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Winter, Kloman, Moter & Repp, S.C.

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### **Independent Auditor's Report**

To the 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, 2015, 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 audits 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, 2015, 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.

*Winter, Kloman, Matus & Repp, S.C.*

October 28, 2015

**FORT ATKINSON COMMUNITY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

**ASSETS**

Cash and cash equivalents	\$ 1,140,042
Investments at fair value	<u>21,329,412</u>
Total assets	<u>\$22,469,454</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Grants payable	\$ 195,490
Scholarships Payable	<u>477,986</u>
Total liabilities	<u>673,476</u>

**NET ASSETS**

Unrestricted net assets	3,958,883
Temporarily restricted net assets	<u>17,837,095</u>
Total net assets	<u>21,795,978</u>

Total liabilities and net assets	<u>\$22,469,454</u>
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The Notes to Financial Statements are an integral part of these statements.

**FORT ATKINSON COMMUNITY FOUNDATION**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUE</u></b>			
Contributions	\$ 18,770	\$ 554,144	\$ 572,914
Net investment income	<u>72,294</u>	<u>387,032</u>	<u>459,326</u>
Total revenue	<u>91,064</u>	<u>941,176</u>	<u>1,032,240</u>
<b><u>EXPENSES</u></b>			
Grants	43,745	1,254,895	1,298,640
Scholarships	0	272,600	272,600
General and administrative	<u>47,960</u>	<u>39,778</u>	<u>87,738</u>
Total expenses	<u>91,705</u>	<u>1,567,273</u>	<u>1,658,978</u>
Change in net assets	<u>(641)</u>	<u>(626,097)</u>	<u>(626,738)</u>
<b><u>NET ASSETS</u></b>			
Beginning of year, as previously stated	4,124,024	18,612,672	22,736,696
Prior period adjustment	<u>(164,500)</u>	<u>(149,480)</u>	<u>(313,980)</u>
Beginning of year, as restated	<u>3,959,524</u>	<u>18,463,192</u>	<u>22,422,716</u>
End of year	<u>\$3,958,883</u>	<u>\$17,837,095</u>	<u>\$21,795,978</u>

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

**FORT ATKINSON COMMUNITY FOUNDATION**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (626,738)
<b>Adjustments to reconcile change in net assets to net cash flows from operating activities:</b>	
Net (gains) losses on investments	(143,546)
Write-off of software and license	3,000
<b>(Increase) decrease in:</b>	
Fees receivable	3,226
<b>Increase (decrease) in:</b>	
Accounts payable	(542)
Grants and scholarships payable	<u>(820,011)</u>
Net cash flows from operating activities	<u>(1,584,611)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases (proceeds) of investments, net	<u>568,553</u>
Net cash flows from investing activities	<u>568,553</u>

Net change in cash and cash equivalents (1,016,058)

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>2,156,100</u>
End of year	<u>\$ 1,140,042</u>

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

# FORT ATKINSON COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 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 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 for the residents of the area.

#### **Methods 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.

#### **Financial statement presentation:**

Net assets and contribution revenue are classified based on the existence or absence of donor-imposed restrictions. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions as to use.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time. This includes accumulated investment income. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. The Foundation has no permanently restricted net assets at June 30, 2015.

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 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 determinations made by the 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 unrestricted are classified as temporarily restricted net assets for financial statement purposes.

# FORT ATKINSON COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (continued)

#### **Types of Funds:**

Resources for various purposes are classified into funds established according to their nature and purpose. The Foundation maintains six different types of funds.

**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.

**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.

**Pass-Through Funds** – Short-term fund created for the purpose of assisting a local non-profit organization or to facilitate a charitable capital campaign. These funds can be used for either scholarships or other projects.

#### **Cash and cash equivalents:**

Cash equivalents consist of short-term, highly liquid investments with original maturities of less than 90 days, including Institutional Money Market Funds. Cash equivalents are valued at cost, which approximates market. Certificates of deposit are treated as investments. 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.

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 financial statements.

# FORT ATKINSON COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (continued)

#### **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.

The federal and state information tax returns for 2015, 2014 and 2013 are subject to examination by the IRS and the State of Wisconsin, generally for three years after the returns are filed.

The Foundation is not aware of any potential sources of unrelated business taxable income or other potential uncertain tax positions.

#### **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.

#### **Subsequent events:**

Management evaluated subsequent events through October 28, 2015, the date the financial statements were available to be issued.

### Note 2. Investments

The cost and fair value of investments as of June 30, 2015 are summarized as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 6,744,260	\$ 6,653,342
Equities	11,605,417	13,065,856
Other securities	1,620,205	1,610,213
Miscellaneous	<u>1</u>	<u>1</u>
	<u>\$19,969,883</u>	<u>\$21,329,412</u>

Net investment income consists of the following at June 30, 2015:

Interest and dividends	\$ 432,752
Realized gains	675,415
Unrealized losses	(531,869)
Less management fees	<u>(116,972)</u>
	<u>\$ 459,326</u>

# FORT ATKINSON COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 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, 2015 are level 1 investments. The miscellaneous investment is considered to be a level 3 investment.

### Note 4. 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, 2015 totaled \$673,476.

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 intent is to annually distribute 4.5% - 5.0% of the average of the last twelve quarters of the market value of fund assets. This criteria does not apply to pass-through funds or certain other funds.

### Note 5. 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 year ended June 30, 2015 totaled \$71,248.

**FORT ATKINSON COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Prior Year Restatement**

The Foundation's previously issued 2014 financial statements have been restated to adjust grant and scholarship payables that were improperly omitted from or improperly reported on the Foundation's statement of financial position as of June 30, 2014. The restated change in liabilities had a corresponding decrease in total net assets of (\$313,980).