

**THE FIRST UNITARIAN SOCIETY FOUNDATION
OF MADISON, INC.**

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The First Unitarian Society Foundation of Madison, Inc.
Madison, Wisconsin

Opinion

We have audited the financial statements of The First Unitarian Society Foundation of Madison, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The First Unitarian Society Foundation of Madison, Inc. 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 (GAAS). 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 The First Unitarian Society Foundation of Madison, Inc. 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.

Restatement of Net Assets

As discussed in Note 9 to the financial statements, there was a restatement of the previously issued financial statements related to amounts previously reported for net assets with restrictions and net assets without restrictions of June 30, 2020. Accordingly, amounts reported for net assets with restrictions and net assets without restrictions have been restated in the June 30, 2022 and 2021 financial statements now presented. The amount of total net assets remained unchanged. Our opinion is not modified with respect to this matter.

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 The First Unitarian Society Foundation of Madison, Inc.'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 GAAS 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.

In performing an audit in accordance with GAAS, 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 The First Unitarian Society Foundation of Madison, Inc.'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 The First Unitarian Society Foundation of Madison, Inc.'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.



Wegner CPAs, LLP
Madison, Wisconsin
February 22, 2023

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 43,881	\$ 55,068
Promise to give	15,000	-
Notes receivable	30,791	30,040
Investments	3,212,538	3,868,662
Total assets	\$ 3,302,210	\$ 3,953,770
LIABILITIES		
Accounts payable	\$ 1,000	\$ -
Due to FUS	-	2,000
Custodial funds	83,342	97,483
Total liabilities	84,342	99,483
NET ASSETS		
Without donor restrictions	1,204,307	1,373,240
With donor restrictions	2,013,561	2,481,047
Total net assets	3,217,868	3,854,287
Total liabilities and net assets	\$ 3,302,210	\$ 3,953,770

See accompanying notes.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Investment return, net	\$ (271,773)	\$ 335,745
Contributions	<u>86,256</u>	<u>27,626</u>
Total support and revenue without donor restrictions	(185,517)	363,371
EXPENSES		
Program services	174,069	135,465
Supporting activities		
Management and general	<u>13,288</u>	<u>18,775</u>
Total expenses	187,357	154,240
NET ASSETS RELEASED FROM DONOR RESTRICTIONS		
Satisfaction of program restrictions	<u>203,941</u>	<u>84,622</u>
Change in net assets without donor restrictions	(168,933)	293,753
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Investment return, net	(263,545)	586,207
Net assets released from restrictions	<u>(203,941)</u>	<u>(84,622)</u>
Change in net assets with donor restrictions	<u>(467,486)</u>	<u>501,585</u>
Change in net assets	(636,419)	795,338
Net assets at beginning of year - as restated	<u>3,854,287</u>	<u>3,058,949</u>
Net assets at end of year	<u>\$ 3,217,868</u>	<u>\$ 3,854,287</u>

See accompanying notes.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2022 and 2021

	Program Services	Management and General	2022 Total
Distributions to FUS	\$ 174,069	\$ -	\$ 174,069
Administrative support	-	13,288	13,288
Total expenses	\$ 174,069	\$ 13,288	\$ 187,357
	Program Service	Management and General	2021 Total
Distribution to FUS	\$ 135,465	\$ -	\$ 135,465
Administrative support	-	18,775	18,775
Total expenses	\$ 135,465	\$ 18,775	\$ 154,240

See accompanying notes.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (636,419)	\$ 795,338
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Realized and unrealized (gains)/losses	633,836	(879,389)
(Increase) in assets		
Promise to give	(15,000)	-
Accrued interest added to notes receivable	(751)	(733)
Increase (decrease) in liabilities		
Accounts payable	1,000	-
Due to FUS	(2,000)	1,940
Custodial funds	(14,141)	35,547
Net cash flows from operating activities	(33,475)	(47,297)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	419,253	83,853
Purchases of investments	(396,965)	-
Net cash flows from investing activities	22,288	83,853
Net change in cash	(11,187)	36,556
Cash at beginning of year	55,068	18,512
Cash at end of year	<u>\$ 43,881</u>	<u>\$ 55,068</u>

See accompanying notes.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The First Unitarian Society Foundation of Madison was established by the First Unitarian Society of Madison (FUS) at a Parish meeting in 1972 and was incorporated as The First Unitarian Society Foundation of Madison, Inc. (Foundation) in 1973 as a separate legal entity from FUS. The goal of the Foundation is to facilitate tax-exempt gifts and bequests into endowment-type donor funds in support of FUS, to ensure that donor intent is honored, to accept withdrawable custodial funds from entities associated with FUS, and to manage the wise investment of all funds received.

Custodial Funds

The Foundation's policy is to pool funds for purposes of investment, to account separately for each donor and custodial fund's donated principal, earnings and unrealized gains/(losses), and to make regular, quarterly disbursements from donor funds to FUS to support its programs that fulfill the purposes of those funds. The Foundation's policy is to disburse custodial funds when requested, although no such requests were received during the years ended June 30, 2022 and 2021.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises becomes unconditional. At June 30, 2022, the promise to give was due within one year.

Receivables

The Foundation considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments are carried at fair value, with unrealized and realized gains and losses on investments reported as an increase or decrease in net assets without donor restrictions and net assets with donor restrictions. The increase or decrease is included as an element of investment return in the statements of activities. Investment income relating to with or without donor restrictions investments is classified as such in the statements of activities.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction is met, 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.

Expense Allocation

The costs of providing program services and other activities have been summarized in the statements of functional expenses. Generally, distributions to FUS are reported as program services and other costs are reported as management and general.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through February 2, 2023, the date which the financial statements were available to be issued.

NOTE 2—NOTES RECEIVABLE

Notes receivable at June 30, 2022 and 2021 was \$30,791 and \$30,040, respectively, consisting of a note at 2.5% with a maturity date of March 31, 2024.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3—INVESTMENTS

Investments as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Exchange traded funds	\$ 3,212,538	\$ 3,868,662

Fair values for exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. As of June 30, 2022 and 2021, all investments held by the Foundation have readily determinable fair values in active markets and are thus classified as Level 1 investments.

NOTE 4—BOARD DESIGNATED NET ASSETS

Board designated net assets as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Microfinance Match Fund	\$ 10,090	\$ 10,225
Janet Stonecipher Ministry Fund	164,114	160,343
Channing Murray Fund	143,517	175,454
Total board designated net assets	\$ 317,721	\$ 346,022

Board designated net assets are included in net assets without donor restrictions. All other net assets without donor restrictions are undesignated.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Microfinance Donation	\$ 17,939	\$ 17,564
Stonehaulers' Building Preservation and Improvement Fund	895,906	1,096,335
Program Enhancement Fund	192,276	241,991
Betsy Frantz Fund	36,041	44,061
Arnie and Sam Clay Fund	54,204	73,924
Altmeyer Social Concerns	18,894	23,099
Kenney, Gorski, and Fischer Memorial	41,046	50,179
Bicknell-Burgoon Economic and Social Justice Elizabeth Stucki Nicholson Fund	36,731	44,903
	<u>131,630</u>	<u>161,815</u>
	1,424,667	1,753,871
Subject to the expenditure for specified purpose and permanently endowed:		
Bartell Memorial (original gift of \$12,007)	20,796	18,493
Wartmann Music (original gift of \$111,951)	151,821	185,605
Wartmann Human Sexuality Lecture Series (original gift of \$158,820)	217,356	281,143
Wartmann Political and Social Justice (original gift of \$102,090)	136,921	167,389
Vilas Fund (original gift of \$54,132)	62,000	74,546
	<u>588,894</u>	<u>727,176</u>
Total net assets with donor restrictions	<u>\$ 2,013,561</u>	<u>\$ 2,481,047</u>

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6—ENDOWMENTS

Generally accepted accounting principles require disclosures about donor-restricted endowment funds as well as funds without donor restrictions designated by the board of directors to function as endowment funds. A donor's stipulation that requires a gift to be invested in perpetuity or for a specified term creates a donor-restricted endowment fund.

The Foundation is subject to Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

Some of the Foundation's donors have placed restrictions on the use of the investment income resulting from the donor-permanently restricted endowment funds.

The Foundation's Board of Directors has chosen to invest the endowment funds with Vanguard in an attempt to provide a predictable stream of funding to FUS while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation believes that its investment philosophies work to achieve this objective. The Foundation targets an investment mix of 60-75% stocks, 25-40% bonds, and up to 5% cash or cash equivalents.

The Foundation's spending policy calculates the amount of money annually distributed from Foundation to FUS. The current spending policy is to distribute 5% of the previous 3 calendar years' average closing market value.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6—ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

	2022	2021
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 439,000	\$ 439,000
Accumulated investment gains	149,894	288,176
	\$ 588,894	\$ 727,176

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	With Donor Restrictions	Total Net Endowment Assets
June 30, 2020	\$ 583,733	\$ 583,733
Investment return, net	164,358	164,358
Amounts appropriated for expenditures	(20,915)	(20,915)
June 30, 2021	727,176	727,176
Investment return, net	(76,017)	(76,017)
Amounts appropriated for expenditures	(62,265)	(62,265)
June 30, 2022	\$ 588,894	\$ 588,894

NOTE 7—RELATED PARTY TRANSACTIONS

The Foundation pays FUS a quarterly fee for administrative services provided by FUS staff. Total fees paid to FUS for the years ended June 30, 2022 and 2021 were \$8,000 and \$6,000, retrospectively. In addition, there may be miscellaneous amounts paid or collected by one of the organizations on behalf of the other, which are then reimbursed.

THE FIRST UNITARIAN SOCIETY FOUNDATION OF MADISON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8—LIQUIDITY AND AVAILABILITY

The following reflects the Foundation’s financial assets as of the dates of the statements of financial position, reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position because of donor restrictions or board designations:

	2022	2021
Financial assets at end of year	\$ 3,271,419	\$ 3,923,730
Less those unavailable for general expenditures within one year, due to:		
Custodial funds	(83,342)	(97,483)
Donor restrictions	(2,013,561)	(2,481,047)
Board designations	(317,721)	(346,022)
Financial assets available to meet cash needs for general expenditures within one year	\$ 856,795	\$ 999,178

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Board-designated net assets can be made available to meet operating needs if necessary.

NOTE 9—RESTATEMENT OF NET ASSETS

The Foundation’s Board decided in fiscal years 2021 and 2022 to restructure the recording and reporting of its net assets, to disaggregate the Stonehauers’ Building Preservation and Improvement Fund and the Program Enhancement Fund that both contained contributions of more than one restriction class, and to reclassify the resulting single-class funds from board designated to donor restricted. This resulted in a reclassification of \$1,063,493 as of June 30, 2020.

Net effect of overall net assets remained unchanged as shown below:

	Previously Reported	Reclass	As Restated
Net assets without donor restriction	\$ 2,142,980	\$ (1,063,493)	\$ 1,079,487
Net assets with donor restriction	915,969	1,063,493	1,979,462
Total net assets at June 30, 2020	\$ 3,058,949	\$ -	\$ 3,058,949