

THE WISCONSIN FFA FOUNDATION, INC.

FINANCIAL STATEMENTS

July 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Wisconsin FFA Foundation, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of The Wisconsin FFA Foundation, Inc., which comprise the statements of financial position as of July 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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 The Wisconsin FFA Foundation, Inc. as of July 31, 2017 and 2016, 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.

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THE WISCONSIN FFA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
July 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 421,577	\$ 405,186
Pledges receivable	35,893	68,429
Prepaid expenses	632	1,005
Total current assets	458,102	474,620
EQUIPMENT		
Equipment	1,055	1,055
Less accumulated depreciation	(1,055)	(1,055)
Equipment - net	-	-
OTHER ASSETS		
Certificates of deposit	158,347	155,858
Investments	1,091,604	985,263
Cash held for endowment	41,632	67,346
Cash surrender value of life insurance	3,718	3,484
Total other assets	1,295,301	1,211,951
Total assets	\$ 1,753,403	\$ 1,686,571
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 58,820	\$ 35,888
Accrued payroll liabilities	14,706	7,524
Total liabilities	73,526	43,412
NET ASSETS		
Unrestricted	523,133	558,318
Temporarily restricted	379,259	400,871
Permanently restricted	777,485	683,970
Total net assets	1,679,877	1,643,159
Total liabilities and net assets	\$ 1,753,403	\$ 1,686,571

See accompanying notes.

THE WISCONSIN FFA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended July 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 205,863	\$ 250,444	\$ 34,495	\$ 490,802
In-kind contributions	10,016	-	-	10,016
Fundraising events	40,671	-	-	40,671
Investment return	27,889	27,465	-	55,354
Other	2,629	-	-	2,629
	<u>287,068</u>	<u>277,909</u>	<u>34,495</u>	<u>599,472</u>
EXPENSES AND LOSSES				
Program services	346,994	-	-	346,994
Management and general	68,861	-	-	68,861
Fundraising	124,035	-	-	124,035
	<u>539,890</u>	<u>-</u>	<u>-</u>	<u>539,890</u>
Less write off of pledges receivable	22,864	-	-	22,864
	<u>562,754</u>	<u>-</u>	<u>-</u>	<u>562,754</u>
Net assets released from restrictions	240,501	(240,501)	-	-
Net assets reclassified	-	(59,020)	59,020	-
	<u>(35,185)</u>	<u>(21,612)</u>	<u>93,515</u>	<u>36,718</u>
Change in net assets	(35,185)	(21,612)	93,515	36,718
Net assets - beginning of year	558,318	400,871	683,970	1,643,159
	<u>558,318</u>	<u>400,871</u>	<u>683,970</u>	<u>1,643,159</u>
Net assets - end of year	\$ 523,133	\$ 379,259	\$ 777,485	\$1,679,877
	<u><u>\$ 523,133</u></u>	<u><u>\$ 379,259</u></u>	<u><u>\$ 777,485</u></u>	<u><u>\$1,679,877</u></u>

See accompanying notes.

THE WISCONSIN FFA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended July 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 193,472	\$ 313,795	\$ 27,655	\$ 534,922
In-kind contributions	5,050	-	-	5,050
Fundraising events	42,697	-	-	42,697
Investment return	49,101	404	-	49,505
	<u>290,320</u>	<u>314,199</u>	<u>27,655</u>	<u>632,174</u>
EXPENSES				
Program services	316,046	-	-	316,046
Management and general	54,953	-	-	54,953
Fundraising	117,422	-	-	117,422
	<u>488,421</u>	<u>-</u>	<u>-</u>	<u>488,421</u>
Net assets released from restrictions	230,825	(230,825)	-	-
Net assets reclassified	-	(40,000)	40,000	-
	<u>32,724</u>	<u>43,374</u>	<u>67,655</u>	<u>143,753</u>
Change in net assets	32,724	43,374	67,655	143,753
Net assets - beginning of year	<u>525,594</u>	<u>357,497</u>	<u>616,315</u>	<u>1,499,406</u>
Net assets - end of year	<u>\$ 558,318</u>	<u>\$ 400,871</u>	<u>\$ 683,970</u>	<u>\$1,643,159</u>

See accompanying notes.

THE WISCONSIN FFA FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended July 31, 2017 and 2016

	Program Services	Management and General	Fundraising	2017 Total
Personnel	\$ 12,261	\$ 30,652	\$ 79,696	\$ 122,609
Professional fees	-	15,467	-	15,467
Office supplies	430	1,074	2,794	4,298
Telephone	104	258	673	1,035
Printing	886	2,215	5,760	8,861
Postage	360	901	2,341	3,602
Sponsored projects	205,445	-	-	205,445
Scholarships	102,256	-	-	102,256
Travel	797	1,992	5,179	7,968
Advertising	-	-	878	878
Insurance	-	2,120	-	2,120
Occupancy	660	1,650	4,290	6,600
Information technology	802	2,006	5,216	8,024
Conferences and meetings	22,753	-	-	22,753
Golf outing supplies and fees	-	-	15,646	15,646
Investment management fees	-	9,918	-	9,918
Miscellaneous	240	608	1,562	2,410
Total expenses	\$ 346,994	\$ 68,861	\$ 124,035	\$ 539,890
	Program Services	Management and General	Fundraising	2016 Total
Personnel	\$ 11,314	\$ 28,283	\$ 73,538	113,135
Professional fees	-	6,900	-	6,900
Office supplies	133	331	861	1,325
Telephone	108	270	703	1,081
Printing	894	2,234	5,809	8,937
Postage	303	757	1,969	3,029
Sponsored projects	184,655	-	-	184,655
Scholarships	109,262	-	-	109,262
Travel	682	1,706	4,434	6,822
Advertising	-	-	3,871	3,871
Insurance	-	872	-	872
Occupancy	660	1,650	4,290	6,600
Information technology	702	1,753	4,560	7,015
Conferences and meetings	7,136	-	-	7,136
Golf outing supplies and fees	-	-	16,106	16,106
Investment management fees	-	9,705	-	9,705
Miscellaneous	197	492	1,281	1,970
Total expenses	\$ 316,046	\$ 54,953	\$ 117,422	\$ 488,421

See accompanying notes.

THE WISCONSIN FFA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended July 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 36,718	\$ 143,753
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Write off of pledges receivable	22,864	-
Unrealized and realized (gain) loss on investments	12,699	(10,492)
Cash surrender value of life insurance	(234)	(241)
Contributions permanently restricted	(34,495)	(27,655)
(Increase) decrease in assets		
Pledges receivable	9,672	(11,207)
Prepaid expenses	373	-
Increase (decrease) in liabilities		
Accounts payable	22,932	(24,121)
Accrued payroll and expenses	7,182	(4,597)
Net cash flows from operating activities	77,711	65,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest retained in certificates of deposit	(2,489)	(1,794)
Purchases of investments	(908,475)	(379,682)
Proceeds from sale of investments	789,435	312,248
Cash held for endowment	25,714	(7,213)
Net cash flows from investing activities	(95,815)	(76,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions permanently restricted	34,495	27,655
Net change in cash	16,391	16,654
Cash - beginning of year	405,186	388,532
Cash - end of year	\$ 421,577	\$ 405,186

See accompanying notes.

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

The Wisconsin FFA Foundation, Inc. (Foundation) is a not-for-profit organization incorporated in 1983 that is located in Madison, Wisconsin. The Foundation is committed to supporting and expanding the educational activities of the Wisconsin Association of FFA, its members and chapters. It does this through fundraising and communication programs. Other Wisconsin organizations partnering with the Foundation to support the agricultural educational program in the State of Wisconsin are:

Wisconsin Association of FFA, Incorporated provides leadership and technical assistance for primary and high school education as it relates to agricultural education and the FFA organization.

Wisconsin FFA Center, Inc. provides leadership to the individual Wisconsin State FFA Officers and coordinates and implements FFA opportunities for FFA members in local chapters throughout Wisconsin's middle and high schools.

Wisconsin FFA Alumni Association, Inc. provides a membership organization for all persons outside of primary and high school age who are interested in supporting FFA and agricultural education

Wisconsin Association of Agricultural Educators, Inc. provides a membership organization for high school agricultural educators, who may also serve as advisors to students in local FFA chapters throughout Wisconsin's high schools

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Pledges Receivable

Unconditional pledges are recognized as support in the period received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledge become unconditional. All pledges receivable are due within one year.

Uncollectible pledges are written off after management has used reasonable collection efforts and determine the pledges will not be collected. The Foundation considers all pledges to be fully collectible. Accordingly, no allowance for uncollectible pledges is required. If pledges become uncollectible, they will be charged to operations when that determination is made.

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Purchases of equipment are recorded at cost. Donations of equipment are recorded as support at their estimated fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services and Assets

Measurable donated services are recorded in the financial statements as revenue and expense at their estimated fair market value on the date the services are rendered. Donated assets are recorded in the financial statements as assets and revenue at their estimated fair market value on the date the assets are contributed. When the fair market value of the donated services or assets is not ascertainable, those services or assets are not reflected in the financial statements.

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

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through October 20, 2017, the date which the financial statements were available to be issued.

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE 2 - INVESTMENTS

Investments at July 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and money funds	\$ 33,113	\$ 10,183
Mutual funds	823,194	875,550
Exchange-traded funds	<u>235,297</u>	<u>99,530</u>
Investments	<u>\$ 1,091,604</u>	<u>\$ 985,263</u>

Investment return for the years ended July 31, 2017 and 2016 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
Interest and dividends	\$ 36,164	\$ 31,889	\$ 68,053
Unrealized and realized loss on investments	<u>(8,275)</u>	<u>(4,424)</u>	<u>(12,699)</u>
Investment return	<u>\$ 27,889</u>	<u>\$ 27,465</u>	<u>\$ 55,354</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Interest and dividends	\$ 12,980	\$ 26,033	\$ 39,013
Unrealized and realized gain (loss) on investments	<u>36,121</u>	<u>(25,629)</u>	<u>10,492</u>
Investment return	<u>\$ 49,101</u>	<u>\$ 404</u>	<u>\$ 49,505</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at July 31, 2017 and 2016 are as follows:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	
	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 823,194	\$ 875,550
Exchange-traded funds	<u>235,297</u>	<u>99,530</u>
Total	<u>\$ 1,058,491</u>	<u>\$ 975,080</u>

Fair values for mutual funds and exchange-traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE 4 - ENDOWMENT

The Foundation's endowment consists of 31 funds held at Merrill Lynch. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Wisconsin enacted UPMIFA in July 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects 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 Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund scholarships and programs while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains/losses and interest and dividends.

Spending Policy. The Board determines the annual distribution percentage of between 3 and 5 percent based on the average market account values of each endowment fund as of June 30 over the prior twelve quarters. The Foundation will not draw any amount from the historic account value of an endowment account to distribute to programs.

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE 4 - ENDOWMENT (continued)

Endowment net asset composition by type of net assets as of July 31, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - 2017	\$ 32,454	\$ 777,485	\$ 809,939
Donor-restricted endowment funds - 2016	\$ 75,554	\$ 683,970	\$ 759,524

The Foundation has endowment agreements with various donors. Under certain agreements, the donor contributes to an endowment fund periodically. Once the balance of the individual's endowment reaches \$10,000, the donor's contributions are reclassified from temporarily restricted to permanently restricted and the Foundation may not expend the corpus of the fund below the specified amount.

Composition of and changes in endowment net assets for the year ended July 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 75,554	\$ 683,970	\$ 759,524
Contributions	17,200	34,495	51,695
Interest and dividends	31,889	-	31,889
Net depreciation	(4,424)	-	(4,424)
Reclassifications	(59,020)	59,020	-
Amounts appropriated for expenditure	(28,745)	-	(28,745)
Endowment net assets - end of year	\$ 32,454	\$ 777,485	\$ 809,939

Composition of and changes in endowment net assets for the year ended July 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 93,961	\$ 616,315	\$ 710,276
Contributions	48,017	27,655	75,672
Interest and dividends	404	-	404
Reclassifications	(40,000)	40,000	-
Amounts appropriated for expenditure	(26,828)	-	(26,828)
Endowment net assets - end of year	\$ 75,554	\$ 683,970	\$ 759,524

THE WISCONSIN FFA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE 5 - NET ASSETS

Temporarily restricted net assets at July 31, 2017 and 2016 are available for the following purposes:

	2017	2016
Temporarily restricted endowments	\$ 32,454	\$ 75,554
Scholarships	6,487	14,400
Grants	45,610	9,960
Annual sponsored programs	294,708	300,957
Temporarily restricted net assets	\$ 379,259	\$ 400,871

A permanent endowment fund for general operations was established in 1985. The endowment fund is increased with contributions from donors. The corpus of the endowment cannot be spent. The earnings from the endowment are to be used for administrative operations. At July 31, 2017 and 2016, this permanent endowment fund had accumulated \$153,054 and \$137,954 in contributions. The earnings on the remaining \$624,431 and \$546,016 of permanently restricted net assets at July 31, 2017 and 2016 is to be used for scholarships and sponsored projects.

NOTE 6 - RETIREMENT PLAN

The Foundation has a Simple IRA plan for employees. The Foundation made contributions to individual retirement accounts of the participating employees of 3% of qualified compensation. Contributions to the plan for the years ended July 31, 2017 and 2016 were \$1,917 and \$2,510.

NOTE 7 - LEASES

The Foundation leases its office space, which is classified as an operating lease. The term of the lease began July 1, 1993. The lease provides for automatic extension of the lease on an annual basis, either party with 30 days' notice may cancel this lease. Monthly payments of \$550 began in January 2003, and continued at the same amount after moving with the landlord's leasing of space in a new building in December 2005. Rent expense for the years ended July 31, 2017 and 2016 was \$6,600.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at two financial institutions located in Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At July 31, 2017 and 2016, the Foundation's uninsured cash balances totaled \$8,347 and \$96,595.

NOTE 9 - PLANNED GIVING PROGRAM

The Foundation offers a Planned Giving Program. Contributions received are restricted to be used solely to purchase a permanent life insurance policy on the donor's life with the Foundation as owner and beneficiary of the policy. At July 31, 2017 and 2016 the Foundation was the owner and beneficiary of a life insurance policy with a total of \$12,349 and \$12,229 face value. Cash surrender value began accumulating in February 1998 and at July 31, 2017 and 2016 had a balance of \$3,718 and \$3,484.