

**WAYFORWARD RESOURCES, INC.**

FINANCIAL STATEMENTS

March 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
WayForward Resources, Inc.  
Middleton, Wisconsin

### **Opinion**

We have audited the financial statements of WayForward Resources, Inc., which comprise the statements of financial position as of March 31, 2023 and 2022 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 WayForward Resources, Inc. as of March 31, 2023 and 2022, 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 WayForward Resources, 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.

### **Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, WayForward Resources, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs and ASU No. 2020-07, *Not-for-profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of April 1, 2022. Our opinion is not modified with respect to this manner.

### **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 WayForward Resources, 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 WayForward Resources, 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 WayForward Resources, 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  
July 25, 2023

**WAYFORWARD RESOURCES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
March 31, 2023 and 2022

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| <b>CURRENT ASSETS</b>  |                            |                            |
| Cash   | \$ 792,559                 | \$ 2,002,038               |
| Certificates of deposit  | 145,400                    | 403,068                    |
| Unconditional promises to give                                     | 261,818                    | 189,099                    |
| Accrued interest receivable  | 16,194                     | 1,035                      |
| Other receivables  | 430                        | 1,422                      |
| Prepaid expenses   | 4,231                      | 1,538                      |
| Investments  | <u>1,047,010</u>           | <u>-</u>                   |
| Total current assets   | 2,267,642                  | 2,598,200                  |
| Property and equipment, net  | 1,279,181                  | 1,326,979                  |
| <b>OTHER ASSETS</b>  |                            |                            |
| Investments  | 245,803                    | 1,322                      |
| Financing lease right-of-use assets                                | 32,664                     | -                          |
| Unconditional promises to give                                     | 100,000                    | 3,000                      |
| Beneficial interest in assets held by Madison Community Foundation | <u>57,900</u>              | <u>57,919</u>              |
| Total other assets   | <u>436,367</u>             | <u>62,241</u>              |
| <b>Total assets</b>  | <b><u>\$ 3,983,190</u></b> | <b><u>\$ 3,987,420</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>                                  |                            |                            |
| <b>CURRENT LIABILITIES</b>   |                            |                            |
| Accounts payable   | \$ 16,651                  | \$ 46,641                  |
| Accrued payroll, payroll taxes, and benefits                       | 56,660                     | 57,869                     |
| Current portion of lease liability                                 | <u>8,108</u>               | <u>8,224</u>               |
| Total current liabilities  | 81,419                     | 112,734                    |
| <b>OTHER LIABILITIES</b>   |                            |                            |
| Lease liability less current portion                               | <u>25,318</u>              | <u>30,760</u>              |
| Total liabilities  | 106,737                    | 143,494                    |
| <b>NET ASSETS</b>  |                            |                            |
| Without donor restrictions   | 3,517,104                  | 3,577,591                  |
| With donor restrictions  | <u>359,349</u>             | <u>266,335</u>             |
| Total net assets   | <u>3,876,453</u>           | <u>3,843,926</u>           |
| <b>Total liabilities and net assets</b>                            | <b><u>\$ 3,983,190</u></b> | <b><u>\$ 3,987,420</u></b> |

See accompanying notes.

**WAYFORWARD RESOURCES, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended March 31, 2023 and 2022

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| <b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>                               |                     |                     |
| <b>REVENUES</b>   |                     |                     |
| Contributions   | \$ 1,934,761        | \$ 1,837,098        |
| Donated materials and services  | 2,131,712           | 1,101,229           |
| United Way contributions  | 132,721             | 136,078             |
| Change in value in beneficial interest in assets held by Madison Community Foundation | 19                  | 1,884               |
| Other investment income, net  | 24,580              | 4,718               |
| <b>Total revenues</b>   | <b>4,223,793</b>    | <b>3,081,007</b>    |
| <b>EXPENSES</b>   |                     |                     |
| Program services  |                     |                     |
| Housing stability   | 899,555             | 561,057             |
| Food security (pantry and clothing center)  | 2,624,926           | 1,356,612           |
| Seniors program   | 34,031              | 30,295              |
| Seasonal programs   | 138,338             | 148,863             |
| Advocacy and community education  | 42,483              | 40,040              |
| Supporting activities   |                     |                     |
| Management and general  | 407,779             | 329,380             |
| Fundraising   | 351,364             | 275,917             |
| <b>Total expenses</b>   | <b>4,498,476</b>    | <b>2,742,164</b>    |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>  |                     |                     |
| Expiration of time restrictions   | 205,878             | 84,012              |
| Satisfaction of purpose restrictions  | 8,318               | 31,326              |
| <b>Total net assets released from restrictions</b>                                    | <b>214,196</b>      | <b>115,338</b>      |
| Change in net assets without donor restrictions                                       | (60,487)            | 454,181             |
| <b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>                                  |                     |                     |
| Contributions   | 307,210             | 226,756             |
| Net assets released from restrictions   | (214,196)           | (115,338)           |
| Change in net assets with donor restrictions  | 93,014              | 111,418             |
| <b>Change in net assets</b>   | <b>32,527</b>       | <b>565,599</b>      |
| Net assets at beginning of year   | 3,843,926           | 3,278,327           |
| <b>Net assets at end of year</b>  | <b>\$ 3,876,453</b> | <b>\$ 3,843,926</b> |

See accompanying notes.

**WAYFORWARD RESOURCES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended March 31, 2023

|                                 | Housing<br>Stability | Food Security<br>(Pantry and<br>Clothing Center) | Seniors<br>Program | Seasonal<br>Programs | Advocacy and<br>Community<br>Education | Management<br>and General | Fundraising       | Total<br>Expenses   |
|---------------------------------|----------------------|--|--------------------|----------------------|--|---------------------------|-------------------|---------------------|
| Personnel                       | \$ 361,394           | \$ 257,179                                       | \$ 30,917          | \$ 21,411            | \$ 17,590                              | \$ 233,248                | \$ 228,870        | \$ 1,150,609        |
| Client assistance               | 485,272              | 263  | -                  | 102,023              | -                                      | -                         | -                 | 587,558             |
| Food                            | -                    | 1,672,748  | -                  | -                    | -                                      | -                         | 8,883             | 1,681,631           |
| Clothing                        | -                    | 536,041  | -                  | -                    | -                                      | -                         | -                 | 536,041             |
| Occupancy                       | 6,276                | 41,364   | 500                | 500                  | 1,611                                  | 3,851                     | 4,776             | 58,878              |
| Printing                        | 594                  | 1,132  | 50                 | 100                  | 34                                     | 969                       | 40,922            | 43,801              |
| Professional fees               | 4,566                | 8,581  | 358                | 462                  | 1,274                                  | 84,076                    | 9,627             | 108,944             |
| Postage                         | 91                   | 695  | 68                 | -                    | -                                      | 342                       | 9,335             | 10,531              |
| Insurance                       | 3,553                | 13,772   | 284                | 261                  | 1,103                                  | 1,675                     | 2,656             | 23,304              |
| Telephone                       | 1,966                | 1,413  | 181                | 101                  | 85                                     | 1,038                     | 1,171             | 5,955               |
| Technology                      | 14,230               | 13,949   | 766                | 480                  | 1,079                                  | 11,461                    | 10,021            | 51,986              |
| Depreciation and amortization   | 6,864                | 33,179   | 528                | 528                  | 2,640                                  | 4,224                     | 5,280             | 53,243              |
| Supplies                        | 1,249                | 14,112   | 109                | 12,335               | 68                                     | 6,187                     | 2,257             | 36,317              |
| Banking and administrative fees | -                    | -  | -                  | -                    | -                                      | 31,722                    | -                 | 31,722              |
| Equipment                       | 1,649                | 26,693   | 137                | 137                  | 137                                    | 1,807                     | 1,236             | 31,796              |
| Entertainment                   | -                    | -  | -                  | -                    | -                                      | -                         | 15,220            | 15,220              |
| Other                           | 11,851               | 3,805  | 133                | -                    | 16,862                                 | 27,179                    | 11,110            | 70,940              |
| <b>Total expenses</b>           | <b>\$ 899,555</b>    | <b>\$ 2,624,926</b>                              | <b>\$ 34,031</b>   | <b>\$ 138,338</b>    | <b>\$ 42,483</b>                       | <b>\$ 407,779</b>         | <b>\$ 351,364</b> | <b>\$ 4,498,476</b> |

See accompanying notes.

**WAYFORWARD RESOURCES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended March 31, 2022

|                                 | Housing<br>Stability | Food Security<br>(Pantry and<br>Clothing Center) | Seniors<br>Program | Seasonal<br>Programs | Advocacy and<br>Community<br>Education | Management<br>and General | Fundraising       | Total<br>Expenses   |
|---------------------------------|----------------------|--|--------------------|----------------------|--|---------------------------|-------------------|---------------------|
| Personnel                       | \$ 250,472           | \$ 148,281                                       | \$ 25,063          | \$ 19,817            | \$ 18,207                              | \$ 232,411                | \$ 140,202        | \$ 834,453          |
| Client assistance               | 267,549              | -  | 30                 | 105,835              | -                                      | -                         | 500               | 373,914             |
| Food                            | -                    | 910,868  | -                  | -                    | -                                      | -                         | 5,765             | 916,633             |
| Clothing                        | -                    | 163,217  | -                  | -                    | -                                      | -                         | -                 | 163,217             |
| Occupancy                       | 3,094                | 31,708   | 769                | 704                  | 1,041                                  | 2,921                     | 3,017             | 43,254              |
| Printing                        | 3,408                | 2,038  | 329                | 380                  | 136                                    | 2,150                     | 44,333            | 52,774              |
| Professional fees               | 2,985                | 2,098  | 271                | 90                   | 336                                    | 15,724                    | 5,287             | 26,791              |
| Postage                         | 83                   | 83   | 83                 | -                    | 55                                     | 411                       | 17,255            | 17,970              |
| Insurance                       | 2,027                | 13,314   | 575                | 561                  | 1,061                                  | 1,670                     | 2,683             | 21,891              |
| Telephone                       | 2,066                | 1,157  | 197                | 157                  | 125                                    | 1,249                     | 919               | 5,870               |
| Technology                      | 16,145               | 16,454   | 949                | 826                  | 953                                    | 12,996                    | 18,306            | 66,629              |
| Depreciation and amortization   | 3,726                | 26,282   | 856                | 856                  | 2,469                                  | 2,754                     | 4,594             | 41,537              |
| Supplies                        | 1,264                | 9,725  | 311                | 18,820               | 80                                     | 991                       | 4,418             | 35,609              |
| Banking and administrative fees | 32                   | -  | -                  | -                    | 78                                     | 30,933                    | 26                | 31,069              |
| Equipment                       | 6,238                | 24,034   | 841                | 817                  | 924                                    | 3,990                     | 4,994             | 41,838              |
| Entertainment                   | -                    | -  | -                  | -                    | -                                      | -                         | 12,681            | 12,681              |
| Other                           | 1,968                | 7,353  | 21                 | -                    | 14,575                                 | 21,180                    | 10,937            | 56,034              |
| <b>Total expenses</b>           | <b>\$ 561,057</b>    | <b>\$ 1,356,612</b>                              | <b>\$ 30,295</b>   | <b>\$ 148,863</b>    | <b>\$ 40,040</b>                       | <b>\$ 329,380</b>         | <b>\$ 275,917</b> | <b>\$ 2,742,164</b> |

See accompanying notes.



**WAYFORWARD RESOURCES, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended March 31, 2023 and 2022

|  | 2023        | 2022         |
|--|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |             |              |
| Change in net assets   | \$ 32,527   | \$ 565,599   |
| Adjustments to reconcile change in net assets to net change in cash                  |             |              |
| Depreciation and amortization  | 53,243      | 41,537       |
| Donated materials and services capitalized   | -           | (4,914)      |
| Net realized and unrealized gain on investments                                      | (3,343)     | -            |
| Change in beneficial interest in assets held by Madison Community Foundation         | (1,800)     | (4,251)      |
| (Increase) decrease in assets  |             |              |
| Unconditional promises to give   | (169,719)   | (58,206)     |
| Accrued interest receivable  | (15,159)    | 198          |
| Other receivables  | 992         | 969          |
| Prepaid expenses   | (2,693)     | 5,978        |
| Increase (decrease) in liabilities   |             |              |
| Accounts payable   | (29,990)    | 22,801       |
| Accrued payroll, payroll taxes, and benefits   | (1,209)     | 27,265       |
|  | (137,151)   | 596,976      |
| <b>Net cash flows from operating activities</b>                                      |             |              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |             |              |
| Purchases of equipment   | (35,968)    | (129,329)    |
| Purchases of certificates of deposit   | (45,400)    | (200,000)    |
| Redemptions of certificates of deposit   | 307,212     | 134,095      |
| Interest reinvested in certificates of deposit                                       | (4,144)     | (1,575)      |
| Distribution from beneficial interest in assets held by Madison Community Foundation | 1,819       | 2,367        |
| Purchases of investments   | (1,303,515) | -            |
| Proceeds from sale of investments  | 15,367      | -            |
|  | (1,064,629) | (194,442)    |
| <b>Net cash flows from investing activities</b>                                      |             |              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |             |              |
| Principal payments on finance lease liability  | (7,699)     | (1,395)      |
|  | (1,209,479) | 401,139      |
| <b>Net change in cash</b>  |             |              |
| Cash at beginning of year  | 2,002,038   | 1,600,899    |
| <b>Cash at end of year</b>   | \$ 792,559  | \$ 2,002,038 |
| <b>SUPPLEMENTAL DISCLOSURES</b>  |             |              |
| Cash paid for interest   | \$ 676      | \$ 2         |
| Noncash investing and financing transactions   |             |              |
| Donated materials and services capitalized   | -           | 4,914        |
| Capital lease asset  | -           | 40,379       |

See accompanying notes.

**WAYFORWARD RESOURCES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

WayForward Resources, Inc. (formerly Middleton Outreach Ministry, Inc.) is a nonprofit charitable organization that provides services to people living in Middleton, Cross Plains, and west side of Madison, Wisconsin area communities with our food pantry services expanded to serve all of Dane County. WayForward is supported by contributions from individuals, local businesses, churches, service clubs, the United Way of Dane County, and other grants and foundations.

**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 become unconditional. Contributions to be received over periods longer than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

WayForward provides for probable uncollectible promises through an allowance for doubtful accounts based on its assessment of the current status of individual promises. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance. There was no allowance established at March 31, 2023 and 2022 as all promises were considered collectible.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value of the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

**Certificates of Deposit**

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments.

**Leases**

WayForward does not recognize short-term leases in the statements of financial position. For these leases, WayForward recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. WayForward also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, WayForward uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**WAYFORWARD RESOURCES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investments**

Investments certificates of deposit and government securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**Beneficial Interest in Assets Held by Madison Community Foundation**

WayForward's beneficial interest in assets held by Madison Community Foundation represents an agreement between WayForward and the Foundation in which WayForward transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to WayForward by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

**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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

**Donated Services**

Donated services are recognized at estimated market value if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, printing, professional fees, postage, telephone, technology, supplies, and other, which are allocated on the basis of estimates of staff time and effort; as well as occupancy, insurance, depreciation, and equipment, which are allocated on a square-footage basis.

The following program services and supporting activities are included in the accompanying financial statements:

*Housing stability*—Through the Housing Stability program, case managers assess and provide support to households, including financial housing assistance to help prevent eviction and maintain long-term stable housing. Families receive assistance with rent, security deposits, utilities, and

**WAYFORWARD RESOURCES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

other small emergency grants. In addition, an outreach case manager works with area organizations to facilitate broader access to services for our community. The Connections housing program serves households in doubled-up living arrangements. Doubling-up is when an individual or family lives with another household temporarily or shuffles indefinitely between homes because of economic need. The Connections program supports individuals through case management and funds to ensure households have a place of their own to call home.

*Food security (pantry and clothing center)*—The food pantry re-opened to in-person shopping in July 2022, augmenting the drive-thru pantry which continues on Saturdays. The in-person food pantry operates four days a week, including evening hours, and serves all of Dane County. Guests can visit as often as they need. Deliveries provide access to food for those who struggle with transportation. The food pantry provides access to nutritious food such as produce, protein sources, and dairy year-round. The clothing center provides free clothing and household goods.

*Seniors program*—The seniors program keeps seniors (age 60+) independently living in their own homes by providing transportation, shopping, and home chore assistance. The program also delivers groceries from the food pantry, as well as friendly visitor phone calls and outdoor chore assistance.

*Advocacy and community education*—Advocacy and Community Education is essential for creating upstream solutions to housing instability and food insecurity that respond to systemic inequities. Specifically, racial inequities affect access to food and housing security. This program provides education opportunities for staff, as well as for volunteers, and provides opportunities for community collaboration. Activities include implementing equity focused onboarding for volunteers, as well as organizing an ongoing foundational racial equity training series. Collaborations with area school districts, Joining Forces for Families, area neighborhood centers and other partners create better outcomes for those served.

*Seasonal programs*—Seasonal programs included the Back to School Program, Thanksgiving Basket Distribution, and Winter Wishes Program. The Back to School Program provided backpacks stuffed with school supplies to clients who signed up for the program. Backpacks included additional items such as headphones with microphones. The Thanksgiving basket distribution operated as a choice model, allowing clients to choose from an enhanced variety of food options. For a second year, Winter Wishes operated as a gift card program, allowing donors to continue to give directly to families while still allowing individuals and families the dignity of choosing their own items by shopping on their own.

*Management and General*—Management and general activities relate to the overall direction of WayForward and include activities of the board of directors, business management, finance, and general recordkeeping.

*Fundraising*—Fundraising activities include soliciting contributions from individuals, foundations, and others, and grant-writing activities.

**WAYFORWARD RESOURCES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

WayForward is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**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 July 25, 2023, the date which the financial statements were available to be issued.

**Adoption of New Accounting Guidance**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. 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. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

WayForward adopted the requirements of Topic 842 as of April 1, 2022, using the optional transition method that allows WayForward to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. WayForward's reporting for the year ended March 31, 2022, is in accordance with the previous guidance in Topic 840.

WayForward elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed WayForward to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating right-of-use lease assets of \$41,174 and operating lease liabilities of \$41,125 as of April 1, 2022. The adoption of Topic 842 did not have a material effect on WayForward's change in net assets or cash flows.

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. WayForward adopted the requirements of this Update effective April 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

NOTE 2—CONCENTRATION OF CREDIT RISK

WayForward maintains its cash balances at four financial institutions in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2023 and 2022, WayForward's uninsured cash balances totaled approximately \$39,000 and \$147,000, respectively.

NOTE 3—INVESTMENTS

Investments for the years ended March 31 are comprised of the following:

|                         | 2023         | 2022     |
|-------------------------|--------------|----------|
| Certificates of deposit | \$ 669,886   | \$ -     |
| Government securities   | 621,605      | -        |
| Common stock            | 1,322        | 1,322    |
| Investments             | \$ 1,292,813 | \$ 1,322 |

NOTE 4—FAIR VALUE MEASUREMENT

WayForward's government securities are valued using a market approach that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes, which are Level 2 fair value measurements.

The fair value of the Capital Brewery common stock is based on the trades between individual buyers and sellers as it is not publicly traded. The book value of the common stock is based on the information provided on the stock certificate. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

WayForward's beneficial interest in assets held by Madison Community Foundation represents an agreement between WayForward and the Foundation in which WayForward transfers assets to the Foundation in exchange for future distributions. The beneficial interest and equity securities are not actively traded and significant other observable inputs are not available. All investments are

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NOTE 4—FAIR VALUE MEASUREMENT (continued)

considered Level 3 investments. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to WayForward by the Foundation.

NOTE 5—PROMISES TO GIVE

Unconditional promises to give for the years ended March 31, consist of the following:

|  | <u>2023</u>       | <u>2022</u>       |
|--|-------------------|-------------------|
| Unconditional promises to give in less than one year | \$ 261,818        | \$ 189,099        |
| Unconditional promises to give in one to five years  | <u>100,000</u>    | <u>3,000</u>      |
| Unconditional promises to give                       | <u>\$ 361,818</u> | <u>\$ 192,099</u> |

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment for the years ended March 31 consists of the following:

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| Land   | \$ 324,765          | \$ 324,765          |
| Land improvements                              | 125,715             | 125,715             |
| Building and improvements                      | 985,484             | 985,484             |
| Equipment                                      | 144,547             | 144,547             |
| Vehicles                                       | 99,119              | 99,119              |
| Copiers  | -                   | 40,379              |
| Construction in progress                       | <u>35,960</u>       | <u>-</u>            |
| Property and equipment                         | 1,715,590           | 1,720,009           |
| Less accumulated depreciation and amortization | <u>436,409</u>      | <u>393,030</u>      |
| Property and equipment, net                    | <u>\$ 1,279,181</u> | <u>\$ 1,326,979</u> |

NOTE 7—LEASES

In 2022, WayForward entered into a lease for the use of two copy machines with a term of 60 months through February 15, 2027. The lease requires monthly payments of \$699 with a payment escalation of 3% annually. The leased equipment is included in financing lease right-of-use assets for the year ended March 31, 2023.

Previously these leases were categorized as capital leases. The assets and liabilities under capital leases were recorded at the lower of present value of the minimum lease payments or the fair value of the assets. The assets were amortized over the lesser of their related lease term or their estimated useful lives. Amortization of assets under capital leases was included in depreciation expense and accumulated depreciation. At March 31, 2022, the copier totaled \$40,379 and accumulated depreciation totaled \$1,346.

Total lease expense was \$7,853 for the year ended March 31, 2022.

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NOTE 7 – LEASES (continued)

The components of total lease cost are as follows:

|                                     |          |
|-------------------------------------|----------|
| Finance lease cost                  |          |
| Amortization of right-of-use assets | \$ 8,159 |
| Interest on lease liabilities       | 731      |
|                                     | 8,890    |
| Total lease cost                    | \$ 8,890 |

Other information related to leases is as follows:

|  |            |
|--|------------|
| Cash paid for amounts included in the measurement of lease liabilities |            |
| Operating cash flows from finance leases                               | \$ 676     |
| Financing cash flows from finance leases                               | 7,779      |
| Weighted-average remaining lease term                                  | 3.83 years |
| Weighted-average discount rate   | 1.98%      |

The maturities of lease liabilities as of March 31, 2023, are as follows:

|                              |           |
|------------------------------|-----------|
| Year ending March 31:        |           |
| 2024                         | \$ 8,683  |
| 2025                         | 8,943     |
| 2026                         | 9,212     |
| 2027                         | 7,867     |
|                              | 34,705    |
| Total minimum lease payments | 34,705    |
| Imputed interest             | (1,279)   |
|                              | \$ 33,426 |

NOTE 8—LINE OF CREDIT

WayForward had a \$325,000 line of credit that matured in February 2023, which was unused at March 31, 2023 and 2022. It was renewed and matures in February 2025. Advances on the credit line are payable in a single payment plus accrued monthly interest. The credit line carries a variable interest rate based on prime, which was 8.75% and 3.50% at March 31, 2023 and 2022, respectively. The line is secured by a general business security agreement.

NOTE 9—CONDITIONAL PROMISES TO GIVE

WayForward received \$248,785 of promises to give beginning in April 2023 conditioned upon the food pantry and helping families with children who are at imminent risk of homelessness to remain in their homes and/or to find stable alternative housing and thereby avoid or minimize school mobility for their children. These conditional promises to give will be recognized as revenue when the respective conditions are met.



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NOTE 10—RETIREMENT PLAN

WayForward has a 401(k) plan for all employees who are 21 years of age or older. WayForward will match up to 3% of employees' contributions to the plan. Retirement expense for the years ended March 31, 2023 and 2022 was \$18,470 and \$11,618, respectively.

NOTE 11—DONATED MATERIALS AND SERVICES

Donated materials and services recognized within the statements of activities include:

|                                | 2023                | 2022                |
|--------------------------------|---------------------|---------------------|
| Food                           | \$ 1,658,467        | \$ 836,664          |
| Clothing                       | 382,314             | 163,217             |
| Supplies and other items       | 74,415              | 90,756              |
| Professional fees              | 16,516              | 10,592              |
| Donated materials and services | <u>\$ 2,131,712</u> | <u>\$ 1,101,229</u> |

Food is valued at \$1.92 and \$1.79 per pound for the years ended March 31, 2023 and 2022, respectively, based off a valuation published by Feeding America. Clothing is valued at \$5.83 per pound based off a valuation that WayForward estimated in fiscal year 2020 by comparison to other thrift store prices. In valuing supplies and other items, WayForward estimated the fair value based on estimated fair value that would be received for similar products. Food, clothing, and supplies and other items are used for client assistance and operations. Professional fees were used across all functions and the fair value was based on current rates for similar services provided by the vendors. No donated materials and services received were restricted for use.

In addition, for the year ended March 31, 2023, there were no donated services that were capitalized. For the year ended March 31, 2022, donated services totaling \$4,914 were capitalized.

During the years ended March 31, 2023 and 2022, WayForward received 24,425 and 15,518 hours of volunteer time. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

NOTE 12—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, WayForward received a \$106,900 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On November 4, 2020, the SBA preliminarily approved forgiveness of the loan plus accrued interest of \$107,489, at which time WayForward reclassified the loan to a grant on the statement of activities. WayForward must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review WayForward's good-faith certification concerning the necessity of its loan request, whether WayForward calculated the loan amount correctly, whether WayForward used loan proceeds for allowable uses specified in the CARES Act, and whether WayForward is entitled to loan forgiveness in the amount claimed on its application. If SBA determines, WayForward was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

**WAYFORWARD RESOURCES, INC.**  
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**NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for the years ended March 31 are restricted for the following periods or purposes:

|                                     | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------|-------------------|-------------------|
| For subsequent years' activities    | \$ 308,435        | \$ 257,553        |
| Subject to purpose restrictions:    |                   |                   |
| Food pantry and operations upgrades | 48,676            | -                 |
| Thanksgiving meals                  | -                 | 205               |
| School supplies                     | 1,774             | -                 |
| Food - Hunger Grant                 | -                 | 3,000             |
| Share-a-smile                       | -                 | 5,113             |
| Other                               | 464               | 464               |
|                                     | <u>464</u>        | <u>464</u>        |
| Net assets with donor restrictions  | <u>\$ 359,349</u> | <u>\$ 266,335</u> |

**NOTE 14—NET ASSETS WITHOUT DONOR RESTRICTIONS**

The board of directors has designated net assets without donor restrictions for the years ended March 31 for the following purposes:

|                                       | <u>2023</u>         | <u>2022</u>         |
|---------------------------------------|---------------------|---------------------|
| Undesignated                          | \$ 1,914,865        | \$ 1,932,454        |
| Board-designated                      |                     |                     |
| Capacity building                     | 614,898             | 750,000             |
| Capital reserve                       | 295,179             | 300,378             |
| Operating reserve                     | 634,262             | 536,840             |
| MCF endowment                         | 57,900              | 57,919              |
|                                       | <u>57,900</u>       | <u>57,919</u>       |
| Net assets without donor restrictions | <u>\$ 3,517,104</u> | <u>\$ 3,577,591</u> |

**NOTE 15—BOARD-DESIGNATED ENDOWMENT**

At March 31, 2023 and 2022, WayForward's board of directors has designated \$57,900 and \$57,919, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of WayForward. Since those amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

**WAYFORWARD RESOURCES, INC.**  
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NOTE 15—BOARD-DESIGNATED ENDOWMENT (continued)

WayForward established a fund at the Madison Community Foundation to invest its endowment assets. The agreement between WayForward and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to WayForward. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation’s spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of WayForward if WayForward ceases to exist or if the Foundation’s board of governors votes that support of WayForward either is no longer necessary or is inconsistent with the needs of the community.

The Foundation’s primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through incorporating risk-based assets, including nonmarketable, illiquid alternatives.

Composition of and changes in endowment net assets for the years ended March 31, were as follows:

|  | 2023      | 2022      |
|--|-----------|-----------|
| Board-designated endowment net assets at beginning of the year | \$ 57,919 | \$ 56,035 |
| Change in value of beneficial interest                         | 1,800     | 4,251     |
| Distributions  | (1,819)   | (2,367)   |
| Board-designated endowment net assets at end of the year       | \$ 57,900 | \$ 57,919 |

NOTE 16—COMMUNITY TRUST FUND

WayForward also has a component fund at the Madison Community Foundation (Foundation) that was established in 2019. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving.

Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors’ stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the funds are not included in WayForward’s financial statements.

The amount available for annual distributions represents 5% of a rolling twelve-quarter average. All other interest and appreciation are added to the funds. Principal may not be drawn from the funds except with approval of the Foundation’s board of governors. WayForward received a distribution of \$1,502 and \$1,316 from the fund during the years ended March 31, 2023 and 2022, respectively. The fair value of the fund at March 31, 2023 and 2022 was \$46,865 and \$42,622, respectively.

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NOTE 17—LIQUIDITY AND AVAILABILITY

The table below reflects WayForward'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 statements of financial position dates because of contractual, board designations, or donor-imposed restrictions:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Cash  | \$ 792,559   | \$ 2,002,038 |
| Certificates of deposit   | 145,400      | 403,068      |
| Unconditional promises to give  | 361,818      | 192,099      |
| Accrued interest receivable   | 16,194       | 1,035        |
| Other receivables   | 430          | 1,422        |
| Investments   | 1,292,813    | 1,322        |
| Beneficial interest in assets held by Madison<br>Community Foundation   | 57,900       | 57,919       |
| Financial assets at year-end  | \$ 2,667,114 | \$ 2,658,903 |
| Less those unavailable for general expenditures within<br>one year, due to contractual, board designations, or<br>donor-imposed restrictions: |              |              |
| Board-designated capacity building  | (614,898)    | (750,000)    |
| Board-designated capital reserve  | (295,179)    | (300,378)    |
| Board-designated operating reserve  | (634,262)    | (536,840)    |
| Beneficial interest in assets held by Madison<br>Community Foundation   | (57,900)     | (57,919)     |
| Restricted by donor with purpose or period restrictions   | (359,349)    | (266,335)    |
| Financial assets available to meet cash needs for<br>general expenditures within one year   | \$ 705,526   | \$ 747,431   |

WayForward has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations that come due. Due to the timing of WayForward's contributions, WayForward holds liquid cash balances as working capital to fund its obligations during the year. The rest of WayForward's liquid assets are to fund fluctuations in contributions, unforeseen events, future program needs, and planned and unexpected building maintenance and repairs.

The purpose of the board designated capacity building fund is to finance impending new client programs that align with WayForward's mission, allowing the organization time to create sustainable funding plans for these programs. The fund also supports organizational investment that allows for accelerated capacity building.

The purpose of the board designated capital reserve fund is to fund significant future anticipated capital projects (improvements and maintenance) for its property, building, vehicles, and equipment.

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NOTE 17—LIQUIDITY AND AVAILABILITY (continued)

The purpose of the board designated operating reserve fund is to help ensure the long-term financial stability of WayForward and position it to respond to varying economic conditions and changes affecting WayForward's financial position and ability for WayForward to carry out its mission. The target amount to be maintained in the operating reserve fund is equal to three months of the current operating cash expense budget.

As more fully described in Note 8, WayForward also has a line of credit in the amount of \$325,000, which WayForward could draw upon in the event of an unanticipated liquidity need.

NOTE 18—SUBSEQUENT EVENT

In May 2023, WayForward extended an offer to purchase property in Middleton, Wisconsin for \$635,000. The offer was accepted and the closing is scheduled for September 2023.