

**WFT LIQUIDATING TRUST
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021**



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ACCOUNTANTS' COMPILATION REPORT

Trustee
WFT Liquidating Trust
Milwaukee, Wisconsin

Management is responsible for the accompanying financial statements of WFT Liquidating Trust (the Trust), which comprise the statements of net assets available for funeral trust claims as of March 31, 2022 and 2021, and the related statements of changes in net assets available for funeral trust claims and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
July 27, 2022

WFT LIQUIDATING TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS
MARCH 31, 2022 AND 2021
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 949,643	\$ 1,641,823
Accrued Interest Receivable	89,368	88,801
Refunds Receivable	-	254,714
Dividends Receivable	7,187	11,352
Other Receivables	14,041	2,664
Investments at Fair Value	25,824,160	27,460,035
Total Assets	\$ 26,884,399	\$ 29,459,389
LIABILITIES AND NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS		
ACCOUNTS PAYABLE	\$ 31,972	\$ 32,859
NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS		
Due on Funeral Trust Claims at 100%	23,295,047	26,277,568
Due on Remainder Claims at 30%	9,905,861	9,191,785
Total Due on Funeral Trust Claims	33,200,908	35,469,353
Unfunded Funeral Trust Claims	(6,348,481)	(6,042,823)
Total Net Assets Available for Funeral Trust Claims	26,852,427	29,426,530
Total Liabilities and Net Assets Available for Funeral Trust Claims	\$ 26,884,399	\$ 29,459,389

See accompanying Notes to Financial Statements.

WFT LIQUIDATING TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS
YEARS ENDED MARCH 31, 2022 AND 2021
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2022	2021
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Interest and Dividends	\$ 595,706	\$ 751,069
Net Realized Gain on Investments	1,031,864	360,522
Net Unrealized Gain (Loss) on Investments	(1,403,115)	2,685,636
Benefits Forfeited on Remainder Claims	267,631	961,460
Total Additions to Net Assets	492,086	4,758,687
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Funeral Trust Claims Paid	2,464,325	2,836,010
Accrued Interest - Claims	463,511	596,775
Administrative Expense	145,965	147,547
Board and Trustee Fees	64,800	64,800
Investment Advisory Fees	62,701	63,650
Liability Insurance	42,000	42,000
Professional Fees	15,330	26,916
Tax Payments	3,437	1,205
Total Deductions from Net Assets	3,262,069	3,778,903
Change in Net Assets Available for Funeral Trust Claims	(2,769,983)	979,784
Current Year Net Change in Benefits Forfeited and Accrued Interest	195,880	(364,685)
NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS		
Beginning of Year	29,426,530	28,811,431
End of Year	\$ 26,852,427	\$ 29,426,530

See accompanying Notes to Financial Statements.

WFT LIQUIDATING TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2021
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Available for Funeral Trust Claims		
Less Change in Remainder Claims	\$ (2,769,983)	\$ 979,784
Adjustments to Reconcile Change in Net Assets Available for Funeral Trust Claims to		
Net Cash Used by Operating Activities:		
Net Realized Gain on Investments	(1,031,864)	(360,522)
Net Unrealized (Gain) Loss on Investments	1,403,115	(2,685,636)
Benefits Forfeited on Remainder Claims	(267,631)	(961,460)
Accrued Interest - Claims	463,511	596,775
Changes in Assets and Liabilities:		
Accrued Interest Receivable	(567)	(3,732)
Dividends Receivable	4,165	3,977
Other Receivables	243,337	233
Accounts Payable	(887)	176
Total Adjustments	813,179	(3,410,189)
Net Cash Used by Operating Activities	(1,956,804)	(2,430,405)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments and Redemptions	14,154,898	24,845,459
Purchase of Investments	(12,890,274)	(22,977,319)
Net Cash Provided by Investing Activities	1,264,624	1,868,140
NET DECREASE IN CASH AND CASH EQUIVALENTS	(692,180)	(562,265)
Cash and Cash Equivalents - Beginning of Year	1,641,823	2,204,088
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 949,643	\$ 1,641,823

See accompanying Notes to Financial Statements.

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

WFT Liquidating Trust (the Trust) was established in March 1999 as a common master trust account in which funeral homes belonging to Wisconsin Funeral Directors Association, Inc. (WFDA) could invest burial contract funds received from funeral home consumers. The funds were required to be held in trust in accordance with the terms and conditions of Wisconsin burial agreement law. Income from certain activities not directly related to the Trust's tax-exempt purpose may be subject to taxation as unrelated business income. The purpose of the Trust is to provide funeral directors and the families they serve with an investment option for prepaid funeral expenses.

On September 14, 2012, the Wisconsin Department of Financial Institutions (WDFI) filed a complaint (the Complaint) against the Wisconsin Funeral Directors Association, Inc. and Fiduciary Partners, Inc. alleging various violations of securities laws relating to the Trust, including the unlawful offering or sale of unregistered securities under Wisconsin Statutes Section 551.301, failure to register as an agent under Wisconsin Statutes Section 551.402, misrepresentations and omissions under Wisconsin Statutes Section 551.501(2), and fraud and deceit under Wisconsin Statutes Section 551.501(3). In connection with the Complaint, WDFI also requested the court appoint a receiver for the Trust on a temporary basis. A receiver was appointed, the Trust was closed to accepting new burial contracts, and a change to the investment advisor was made. Subsequently a revised Trust Agreement and final report of the Receiver was submitted to the court on May 14, 2015 appointing a new trustee to oversee the winding down of the trust.

Basis of Accounting

The Trust follows the accrual basis of accounting wherein revenues and expenses are recorded in the period earned or incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Trust considers cash held in savings and money market accounts to be cash and cash equivalents.

Investments

Investments are stated at fair value with any realized or unrealized gains or losses reported in the statement of changes in net assets available for funeral trust claims. Realized gains or losses on the sale of investments are recognized using the specific identification method. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets available for funeral trust claims in the accounting period in which they occur.

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments (Continued)

The cost and estimated fair value of investments as of March 31 are as follows:

	2022	
	Cost	Fair Value
Equity Holdings	\$ 4,664,335	\$ 6,181,264
Fixed Income Holdings	18,136,615	17,513,582
Mutual Funds	1,858,973	1,761,591
Alternative Investments	-	367,723
Total	\$ 24,659,923	\$ 25,824,160
	2021	
	Cost	Fair Value
Equity Holdings	\$ 5,415,574	\$ 7,324,899
Fixed Income Holdings	17,511,741	17,867,368
Mutual Funds	1,797,161	1,727,050
Alternative Investments	-	540,718
Total	\$ 24,724,476	\$ 27,460,035

The Trust follows the use of fair value measurements of financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists at the measurement date. Market participants are assumed to be independent, knowledgeable, not under duress, and able and willing to transact an exchange. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

Benefits Forfeited on Remainder Claims

The Trust paid \$136,363 and \$334,747 to retire a portion of the 30% remainder claims, during the years ending March 31, 2022 and 2021, respectively, as requested by interested funeral homes. These retirements at the discounted amount resulted in the Trust recognizing \$267,631 and \$961,460 of additions to net assets during the years ending March 31, 2022 and 2021, respectively.

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Funeral Trust Claims Paid

The Trust paid funeral trust claims totaling \$2,464,325 and \$2,836,010, respectively, during the years ending March 31 consisting of:

	<u>2022</u>	<u>2021</u>
Partial Payments 70%	\$ 2,288,282	\$ 2,466,572
Payments for Out of State Claims at 100%	31,658	31,064
Remainder Claims Retired	136,363	334,747
Partial Payments	<u>8,022</u>	<u>3,627</u>
Total Funeral Trust Claims Paid	<u>\$ 2,464,325</u>	<u>\$ 2,836,010</u>

Accrued Interest – Claims

The Trust accrues interest daily on the balances due on claims. This interest is added to the balances due. The interest rate is 1% greater than the state average three-year certificate of deposit rate. The amount added to claims was \$463,511 and \$596,775 in 2022 and 2021, respectively.

Income Taxes

The Internal Revenue Service has determined that participants of a qualified funeral trust are responsible for any income tax resulting from their calculated share of trust income. Participants are required to report their allocated share of trust income on their individual income tax returns. As of March 31 applicable participants received Form 1099 to report their share of trust income for the prior calendar year.

Participants can elect to have taxes paid automatically by the Trust. The Taxpayers Relief Act of 1977 allows Qualified Funeral Trusts to pay taxes on the participants' behalf at a flat rate regardless of the participants' income tax bracket.

Subsequent Events

The Trustees have evaluated subsequent events through July 27, 2022, the date these financial statements were available to be issued.

NOTE 2 FAIR VALUE OF INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 2 FAIR VALUE OF INVESTMENTS (CONTINUED)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2022 and 2021.

Common Stock & Other Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Government Obligations, Municipal Obligations, Corporate Bonds and Asset-Backed Securities: Valued with an institutional bid evaluation or an institutional mid evaluation. A bid evaluation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). A mid evaluation is the average or the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models which pricing vendors established for these purposes. In some cases, there may be manual sources used when primary price vendors do not supply prices.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Trust are deemed to be actively traded.

WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 2 FAIR VALUE OF INVESTMENTS (CONTINUED)

Limited Partnerships: Valued at NAV per unit (or its equivalent) based upon the fair value of the underlying investments. NAV is used as a practical expedient to estimate fair value. Limited partnerships do not have finite lives or significant restrictions on redemptions.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets at fair value as of March 31:

	2022			
	Level 1	Level 2	Level 3	Total
Equity Holdings:				
Common Stock	\$ 5,377,980	\$ -	\$ -	\$ 5,377,980
American Depositary Receipts	83,720	-	-	83,720
Foreign Domiciled U.S. Equity	395,824	-	-	395,824
Real Estate Investment Trusts	323,740	-	-	323,740
Fixed Income Holdings:				
U.S. Treasury	-	8,981,991	-	8,981,991
Corporate Bonds	-	6,829,686	-	6,829,686
Asset-Backed Securities	-	1,147,725	-	1,147,725
Commercial Mortgage-Backed Securities	-	553,600	-	553,600
Mortgage-Backed Securities	-	580	-	580
Mutual Funds:	1,761,591	-	-	1,761,591
Total Investments in the Fair Value Hierarchy	<u>\$ 7,942,855</u>	<u>\$ 17,513,582</u>	<u>\$ -</u>	25,456,437
Investments Measured at Net Asset Value				367,723
Total Investments at Fair Value				<u>\$ 25,824,160</u>
	2021			
	Level 1	Level 2	Level 3	Total
Equity Holdings:				
Common Stock	\$ 6,518,283	\$ -	\$ -	\$ 6,518,283
Foreign Domiciled U.S. Equity	446,834	-	-	446,834
Real Estate Investment Trusts	359,782	-	-	359,782
Fixed Income Holdings:				
U.S. Treasury	-	5,248,796	-	5,248,796
Corporate Bonds	-	9,040,966	-	9,040,966
Asset-Backed Securities	-	1,203,323	-	1,203,323
Commercial Mortgage-Backed Securities	-	702,202	-	702,202
Mortgage-Backed Securities	-	1,672,081	-	1,672,081
Mutual Funds:	1,727,050	-	-	1,727,050
Total Investments in the Fair Value Hierarchy	<u>\$ 9,051,949</u>	<u>\$ 17,867,368</u>	<u>\$ -</u>	26,919,317
Investments Measured at Net Asset Value				540,718
Total Investments at Fair Value				<u>\$ 27,460,035</u>

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset per share practical expedient as of December 31.

Investment Type	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2022	2021			
Limited Partnerships					
Investment Funds	\$ 367,723	\$ 540,718	\$ 338,076	No Restrictions	None

The limited partnerships are comprised of investment holdings with the objective to generate attractive rates of return on capital and hedge against inflation.

NOTE 3 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents held by Morgan Stanley and Ziegler Capital Management LLC are insured by the Securities Investment Protection Corporation (SIPC) for up to \$500,000. At times, amounts held by Fiduciary Partners, Inc. may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent balances.

NOTE 4 NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS

Burial contract funds are deposited with the Trust to provide funeral homes and the families they serve with an investment option for prepaid funeral expenses. The Trust accrues interest on deposits at a rate 1% greater than the state average three-year certificate of deposit rate. This rate is not guaranteed by the Trust. The rate is adjusted quarterly and was 1.34% and 2.56% as of March 31, 2022 and 2021, respectively. Interest is compounded daily and is added to the participant's individual account balance.

At the time of death, 70% of the contract balance is distributed to the funeral home named in the contract as of March 31, 2022 and 2021. The amount due on funeral trust contracts totaled \$33,200,908 and \$35,469,353 as of March 31, 2022 and 2021, respectively.

NOTE 5 UNFUNDED PRE-NEED CONTRACTS

The Trust has experienced significant decreases in net assets in prior years. The Trust has \$6,348,481 and \$6,042,823 of unfunded pre-need contracts as of March 31, 2022 and 2021, respectively. The Trust's dependence on investment returns creates an uncertainty about the Trust's ability to satisfy all of its burial contracts at 100%. The financial statements do not include any adjustments that might be necessary if the Trust is unable to continue.

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 5 UNFUNDED PRE-NEED CONTRACTS (CONTINUED)

The Receiver, with court approval, implemented a very conservative investment policy and changed investment advisors in an effort to preserve capital and to reduce the risks of investment losses and continued decreases in net assets. The Trust also stopped accepting new deposits into the Trust.

The Receiver entered into a court approved settlement with all participating funeral homes to ensure that consumers receive the benefits under their burial contracts regardless of the financial condition of the Trust. The settlement is between the Trust and each funeral home that was a beneficiary of the Trust as of the commencement of the receivership.

Consumers who are parties to burial contracts with settling funeral homes have no reason to seek a claim against the Trust provided the funeral homes honor their agreements with the Trust. Settling funeral homes waive preexisting causes of action against the Trust and assign their third-party claims against others to the Trust. The Trust maintains this settlement further ensures the going concern of the Trust. Material payment terms of this settlement are outlined below.

With court approval, the Receiver reduced the amount payable to funeral homes at the time of death to 60% of the amount of the burial trust claim, except for depositors who established a primary or secondary home outside of the State of Wisconsin prior to death and the depositor's funeral services were subsequently performed in the state of such primary or secondary home. In the cases of the aforementioned out of state funeral services, the Trust will reimburse 100% of the burial trust claim. The receiver later proposed and had approved an increase in the reimbursement rate from 60% to 65%, and then from 65% to 70% during 2020. The Trust Agreement requires these rates be examined every three years by means of an actuarial study. If the refund percentage is increased, the Trust must issue equalizing rebates to funeral homes that have a remainder claim outstanding. The nonreimbursed portion of all reimbursements outstanding at March 31, 2022 and 2021 totaled \$9,905,861 and \$9,191,785, respectively, and is included in total due on funeral trust claims.

The Trustee maintains that, by reducing the payment to 70% of burial claims from 100%, the Trust will have sufficient assets to ensure that all funeral homes can be reimbursed at least 70% of their claims. Funeral homes that provide the goods and services required under a burial contract retain a claim against the Trust for the unpaid 30%, plus interest. Funeral homes and consumers are prohibited from bringing suit against the Trust for the unpaid amounts. Therefore, the Trustee maintains the Trust will be able to remain a going concern until all burial agreements have matured, and all funeral homes have been paid 70% of their claims. The calculation of interest on all claims outstanding for the year ended March 31, 2022 is reflected as a current year deduction from net assets.

A revised Trust Agreement was presented and approved by the Court that was structured to ensure transparency, accountability, oversight, and prudence of the Trust. Going forward, The Trust will be professionally managed by a professional administrator and a qualified investment advisor, with primary decision-making authority in a trustee and board of directors. The board will provide oversight of the trustee, the administrator, and the investment advisor.

**WFT LIQUIDATING TRUST
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 5 UNFUNDED PRE-NEED CONTRACTS (CONTINUED)

The Trust Agreement also includes a provision that gives funeral homes an option to retire their remainder claims in exchange for a payment that is less than the 30% currently due and discounted from the potential ultimate payment on those claims. This provision is beneficial to the funeral homes with cash needs while improving the Trust's long-term financial condition. The calculation of the benefits forfeited on remainder claims for the year ended March 31, 2022 and 2021 as well as the accrued interest on participant accounts is reflected on the statement of changes in net assets available for funeral trust claims.

NOTE 6 RELATED PARTY TRANSACTIONS

Edward M. Brady is the trustee of the Trust and, therefore, transactions with the trustee qualify as related party transactions. Fees paid by the Trust to Edward M. Brady for trustee services totaled \$36,000 for the years ended March 31, 2022 and 2021.



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