

# WFT Liquidating Trust

Financial Report  
(Compilation)

Years Ended March 31, 2023 and 2022



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# WFT LIQUIDATING TRUST

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Members  
WFT Liquidating Trust  
Dousman, WI

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, 2023 and 2022, and the related statements of changes in net assets available for funeral trust claims and cash flows for the years 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 a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The financial statements of WFT Liquidating Trust as of March 31, 2022, were subjected to a compilation engagement by other accountants, whose report dated July 27, 2022, stated that they have not audited or reviewed the 2022 financial statements and do not express an opinion, a conclusion, nor provide any assurance on those financial statements.

*SVA Certified Public Accountants, S.C.*

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June 5, 2023

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**WFT LIQUIDATING TRUST**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS**  
**March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,748,632	\$ 949,643
Accrued interest receivable	72,517	89,368
Dividends receivable	5,735	7,187
Other receivables	13,423	14,041
Investments at fair value	<u>21,827,099</u>	<u>25,824,160</u>
	<u>\$ 23,667,406</u>	<u>\$ 26,884,399</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS</b>		
<b>CURRENT LIABILITIES</b>	\$ 27,891	\$ 31,972
Accounts payable		
<b>NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS</b>		
Due on Funeral Trust Claims at 100%	20,789,692	23,295,047
Due on 30% Remainder Claims	<u>10,606,465</u>	<u>9,905,861</u>
Total Due on Funeral Trust Claims	31,396,157	33,200,908
Unfunded Funeral Trust Claims	(7,756,642)	(6,348,481)
<b>NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS</b>	<u>23,639,515</u>	<u>26,852,427</u>
<b>Total LIABILITIES AND NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS</b>	<u>\$ 23,667,406</u>	<u>\$ 26,884,399</u>

The accompanying notes are an integral part of these financial statements.



**WFT LIQUIDATING TRUST**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS**  
**March 31, 2023 and 2022**

	2023	2022
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO</b>		
Interest and dividends	\$ 640,830	\$ 595,706
Net realized (loss) gain investments	(453,929)	1,031,864
Net unrealized loss on investments	(955,035)	(1,403,115)
Benefits forfeited on remainder claims	231,896	267,631
	<u>(536,238)</u>	<u>492,086</u>
Total additions to net assets		
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO</b>		
Funeral trust claims paid	2,094,480	2,464,325
Accrued interest - claims	526,784	463,511
Administrative expense	124,923	145,965
Board and trustee fees	64,800	64,800
Investment advisory fees	54,139	62,701
Liability insurance	42,000	42,000
Professional fees	63,537	15,330
Tax payments	899	3,437
	<u>2,971,562</u>	<u>3,262,069</u>
Total deductions from net assets		
Change in net assets available for funeral trust	(3,507,800)	(2,769,983)
Current year net change in benefits forfeited and accrued interest	294,888	195,880
<b>NET ASSETS AVAILABLE FOR FUNERAL TRUST CLAIMS</b>		
Beginning of year	<u>26,852,427</u>	<u>29,426,530</u>
End of year	<u><u>\$ 23,639,515</u></u>	<u><u>\$ 26,852,427</u></u>

The accompanying notes are an integral part of these financial statements.

**WFT LIQUIDATING TRUST**  
**STATEMENTS OF CASH FLOWS**  
March 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets available for funeral trust claims	\$ (3,507,800)	\$ (2,769,983)
Less change in remainder claims		
Adjustments to reconcile change in net assets available for funeral trust claims to:		
Net realized loss (gain) on investments	453,929	(1,031,864)
Net unrealized loss on investments	955,035	1,403,115
Benefits forfeited on remainder claims	(231,896)	(267,631)
Accrued interest - claims	526,784	463,511
Changes in assets and liabilities:		
Accrued interest receivable	16,851	(567)
Dividends receivable	618	4,165
Other receivables	1,452	243,337
Accounts payable	(4,081)	(887)
Net cash used in operating activities	(1,789,108)	(1,956,804)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments and redemptions	8,647,315	14,154,898
Purchase of investments	(6,059,218)	(12,890,274)
Net cash provided by investing activities	2,588,097	1,264,624
	0	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in cash	798,989	(692,180)
Cash		
Beginning	949,643	1,641,823
Ending	\$ 1,748,632	\$ 949,643

The accompanying notes are an integral part of these financial statements.

**WFT LIQUIDATING TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2023

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**NOTE A -- Nature of business and significant accounting policies**

**Nature of business**

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 Associations, 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(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.

A summary of significant accounting policies follow:

**Use of 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 all investments purchased with a maturity of three months or less to be cash equivalents.

The Trust maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Trust has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Benefits forfeited on remainder claims**

The Trust paid \$90,438 and \$136,363 to retire a portion of the 30% remainder claims during the years ending March 31, 2023 and 2022, respectively, as requested by interested funeral homes. These retirements at the discounted amount resulted in the Trust recognizing \$231,896 and \$267,631 of additions to net assets during the years ending March 31, 2023 and 2022, respectively.

**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 \$526,784 and \$463,511 as of March 31, 2023 and 2022, respectively.



**WFT LIQUIDATING TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2023

**NOTE A -- Nature of business and significant accounting policies (Continued)**

**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 participants' behalf at a flat rate regardless of the participants' income tax bracket.

**Subsequent events**

These financial statements have not been updated for subsequent events occurring after June 5, 2023, which is the date these financial statements were available to be issued. The Trust has no responsibility to update these financial statements for events and circumstances occurring after this date.

**NOTE B -- 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.

The following is a summary of investments at March 31, 2023 and 2022. The investments are measured at fair value as follows:

	Fair value measurements at reporting date using:		
	Fair value	Quoted prices in active markets for identical inputs (Level 1)	Significant observable inputs (Level 2)
<u>March 31, 2023</u>			
Equity holdings:			
Common stock	\$ 4,491,584	\$4,491,584	\$ 0
American depositary receipts	80,307	80,307	0
Foreign domiciled U.S. equity	429,788	429,788	0
Real estate investment trusts	<u>248,573</u>	<u>248,573</u>	<u>0</u>
Balance carried forward	\$ 5,250,252	\$5,250,252	\$ 0

**WFT LIQUIDATING TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2023

**NOTE B -- Investments (Continued)**

	Fair value measurements at reporting date using:		
	Fair value	Quoted prices in active markets for identical inputs (Level 1)	Significant observable inputs (Level 2)
<u>March 31, 2023</u>			
Balance brought forward	\$ 5,250,252	\$5,250,252	\$ 0
Fixed income holdings:			
U.S. Treasury	9,119,797	0	9,119,797
Corporate bonds	4,235,217	0	4,235,217
Asset-backed securities	1,162,675	0	1,162,675
Mortgage-backed securities	481	0	481
Commercial mortgage-backed securities	347,103	0	347,103
	1,529,271	1,529,271	0
Mutual funds	182,303	0	0
Investments measured at net asset value <sup>1</sup>	<u>\$21,827,099</u>	<u>\$6,779,523</u>	<u>\$ 14,865,273</u>

	Fair value measurements at reporting date using:		
	Fair value	Quoted prices in active markets for identical inputs (Level 1)	Significant observable inputs (Level 2)
<u>March 31, 2022</u>			
Equity holdings:			
Common stock	\$ 5,377,980	\$5,377,980	\$ 0
American depositary receipts	83,720	83,720	0
Foreign domiciled U.S. equity	395,824	395,824	0
Real estate investment trusts	323,740	323,740	0
	6,181,264	6,181,264	0
Balance carried forward			

**WFT LIQUIDATING TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2023

**NOTE B -- Investments (Continued)**

	Fair value measurements at reporting date using:		
	Fair value	Quoted prices in active markets for identical inputs (Level 1)	Significant observable inputs (Level 2)
<u>March 31, 2022</u>			
Balance carried forward	\$ 6,181,264	\$6,181,264	\$ 0
Fixed income holdings:			
U.S. Treasury	8,981,991	0	8,981,991
Corporate bonds	6,829,686	0	6,829,686
Asset-backed securities	1,147,725	0	1,147,725
Mortgage-backed securities	580	0	580
Commercial mortgage-backed securities	553,600	0	553,600
	1,761,591	1,761,591	0
Mutual funds			
	367,723	0	0
Investments measured at net asset value <sup>1</sup>	<u>\$25,824,160</u>	<u>\$7,942,855</u>	<u>\$17,513,582</u>

<sup>1</sup> In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

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

	2023		2022	
	Cost	Fair value	Cost	Fair value
Equity holdings	\$ 4,506,491	\$ 5,250,252	\$ 4,664,335	\$ 6,181,264
Fixed income holdings	15,684,259	14,865,273	18,136,615	17,513,582
Mutual funds	1,683,123	1,529,271	1,858,973	1,761,591
Alternative investments	0	182,303	0	367,723
Total investments	<u>\$21,873,873</u>	<u>\$21,827,099</u>	<u>\$24,659,923</u>	<u>\$25,824,160</u>



# WFT LIQUIDATING TRUST

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023

### NOTE B -- Investments (Continued)

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

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, 2023 and 2022.

- Common stock and 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-year 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 SEC. 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.
- 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 or redemptions.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of March 31, 2023 and 2022, respectively. There are no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Trust.

March 31, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Partnerships Investment Funds	\$182,303	\$339,546	No Restrictions	None

**WFT LIQUIDATING TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2023

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**NOTE E -- 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 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 to further ensure 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 non-reimbursed portion of all reimbursements outstanding at March 31, 2023 and 2022 totaled \$10,606,465 and \$9,905,861, 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, 2023 is reflected as 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, 2023

**NOTE B -- Investments (Continued)**

**Investments Measured Using the Net Asset Value per Share Practical Expedient (continued)**

March 31, 2022	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Partnerships Investment Funds	\$367,723	\$338,076	No Restrictions	None

**NOTE C -- Funeral trust claims paid**

The Trust paid funeral trust claims totaling \$2,094,480 and \$2,464,325, respectively, during the years ending March 31 consisting of:

	2023	2022
Partial Payments 70%	\$ 1,980,282	\$ 2,288,282
Payments for Out of State Claims at 100%	18,526	31,658
Remainder Claims Retired	90,438	136,363
Partial Payments	5,234	8,022
Total Funeral Trust Claims Paid	<u>\$ 2,094,480</u>	<u>\$ 2,464,325</u>

**NOTE D -- 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 1.90% and 1.34% as of March 31, 2023 and 2022, 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, 2023 and 2022. The amount due on funeral trust contracts totaled \$31,396,157 and \$33,200,908 as of March 31, 2023 and 2022, respectively.

**NOTE E -- Unfunded pre-need contracts**

The Trust has experienced significant decreases in net assets in prior years. The Trust has \$7,756,642 and \$6,348,481 of unfunded pre-need contracts as of March 31, 2023 and 2022, 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, 2023

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**NOTE E -- Unfunded pre-need contracts (Continued)**

The Trust Agreement also included 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, 2023 and 2022 as well as the accrued interest on participant accounts reflected on the statement of changes in net assets available for funeral trust claims.

**NOTE F -- 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 years ended March 31, 2023 and 2022.