

HUNTER BROOKS WATSON MEMORIAL FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2022 (REVIEWED) AND 2021 (AUDITED)



Certified Public Accountants

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Independent Accountant's Review Report

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Certified Public Accountants

Independent Accountant's Review Report

To the Board of Directors
Hunter Brooks Watson Memorial Fund

We have reviewed the accompanying financial statements of **Hunter Brooks Watson Memorial Fund** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of **Hunter Brooks Watson Memorial Fund** and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2021 Financial Statements

The 2021 financial statements were audited by us and we expressed an unmodified opinion on them in our reported dated August 31, 2022. We have not performed any auditing procedures since that date.

Kositzka, Wicks and Company

Alexandria, Virginia
September 28, 2023

Hunter Brooks Watson Memorial Fund

Statements of Financial Position December 31,

(Reviewed)
2022

(Audited)
2021

Assets

Current assets

Cash and cash equivalents	\$ 138,453	\$ 389,005
Contribution and other receivable	626	25,626
Investments	<u>248,825</u>	<u>146,191</u>
Total assets	<u>\$ 387,904</u>	<u>\$ 560,822</u>

Liabilities and net assets

Current liabilities

Accrued expenses and total liabilities	\$ 22,676	\$ 11,719
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Net assets

Without donor restrictions	<u>365,228</u>	<u>549,103</u>
Total net assets	<u>365,228</u>	<u>549,103</u>
Total liabilities and net assets	<u>\$ 387,904</u>	<u>\$ 560,822</u>

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statement of Activities for the year ended December 31, 2022 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Contributions and support			
Contributions	\$ 214,161	\$ 8,818	\$ 222,979
Net assets released from restrictions	8,818	(8,818)	-
	<u>222,979</u>	<u>-</u>	<u>222,979</u>
Expenses			
Program services			
Education	64,699	-	64,699
Safe Driving Education	75,932	-	75,932
Grants	60,840	-	60,840
	<u>201,471</u>	<u>-</u>	<u>201,471</u>
Supporting services			
Administrative	51,916	-	51,916
Fundraising	6,101	-	6,101
	<u>259,488</u>	<u>-</u>	<u>259,488</u>
Change in net assets before net investment income	(36,509)	-	(36,509)
Investment loss, net	(147,366)	-	(147,366)
	<u>(183,875)</u>	<u>-</u>	<u>(183,875)</u>
Change in net assets	(183,875)	-	(183,875)
Net assets, beginning of year	549,103	-	549,103
Net assets, end of year	<u>\$ 365,228</u>	<u>\$ -</u>	<u>\$ 365,228</u>

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statement of Activities for the year ended December 31, 2021 (Audited)

	Without donor restrictions	With donor restrictions	Total
Contributions and support			
Contributions	\$ 486,865	\$ 6,150	\$ 493,015
Net assets released from restrictions	6,150	(6,150)	-
	<u>493,015</u>	<u>-</u>	<u>493,015</u>
Expenses			
Program services			
Education	64,798	-	64,798
Safe Driving Education	56,140	-	56,140
Grants	59,546	-	59,546
	<u>180,484</u>	<u>-</u>	<u>180,484</u>
Supporting services			
Administrative	33,198	-	33,198
Fundraising	23,934	-	23,934
	<u>237,616</u>	<u>-</u>	<u>237,616</u>
Change in net assets before net investment income	255,399	-	255,399
Investment loss, net	(21,340)	-	(21,340)
	<u>234,059</u>	<u>-</u>	<u>234,059</u>
Change in net assets	234,059	-	234,059
Net assets, beginning of year	315,044	-	315,044
Net assets, end of year	<u>\$ 549,103</u>	<u>\$ -</u>	<u>\$ 549,103</u>

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statement of Functional Expenses for the year ended December 31, 2022 (Reviewed)

	Program services			Total program services	Supporting services		Total expenses
	Education	Safe Driving Education	Grants		Administrative	Fundraising	
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ 15,289	\$ -	\$ 15,289
Administrative expenses	159	220	97	476	6,427	207	7,110
Advertising	4,408	2,261	1,402	8,071	3,998	1,228	13,297
Bank charges	-	5	-	5	6,142	16	6,163
Grants	-	29,384	38,370	67,754	-	-	67,754
Graphic design & copywriting	9,918	6,818	1,882	18,618	72	754	19,444
Information technology	811	1,397	144	2,352	811	318	3,481
Program supplies	305	20,278	965	21,548	277	68	21,893
Payroll taxes	1,661	69	750	2,480	940	-	3,420
Printing & postage	18,996	13,257	3,248	35,501	693	3,510	39,704
Professional services	53	-	-	53	195	-	248
Staff costs	28,388	-	13,982	42,370	16,894	-	59,264
Travel	-	2,243	-	2,243	178	-	2,421
Total expenses	\$ 64,699	\$ 75,932	\$ 60,840	\$ 201,471	\$ 51,916	\$ 6,101	\$ 259,488

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statement of Functional Expenses for the year ended December 31, 2021 (Audited)

	Program services			Total program services	Supporting services		Total expenses
	Education	Safe Driving Education	Grants		Administrative	Fundraising	
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ 8,431	\$ -	\$ 8,431
Administrative expenses	169	118	13	300	1,959	162	2,421
Advertising	3,219	1,640	492	5,351	1,189	1,172	7,712
Bank charges	-	-	-	-	1,997	-	1,997
Grants	-	20,393	41,599	61,992	-	10,000	71,992
Graphic design & copywriting	4,395	6,354	1,270	12,019	-	1,136	13,155
Information technology	-	504	168	672	-	835	1,507
Legal fees	-	-	-	-	3,401	-	3,401
Other supplies	1,519	18,647	730	20,896	803	210	21,909
Payroll taxes	2,385	-	999	3,384	1,188	-	4,572
Printing & postage	26,942	8,224	2,891	38,057	321	10,333	48,711
Professional services	-	210	-	210	118	-	328
Staff costs	26,169	50	11,384	37,603	13,153	-	50,756
Travel	-	-	-	-	638	86	724
Total expenses	\$ 64,798	\$ 56,140	\$ 59,546	\$ 180,484	\$ 33,198	\$ 23,934	\$ 237,616

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statements of Cash Flows for the years ended December 31,	(Reviewed) 2022	(Audited) 2021
Cash flows from operating activities		
Change in net assets	\$ (183,875)	\$ 234,059
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized and realized loss on investments	147,366	22,471
Decrease in operating activities		
Contribution and other receivable	25,000	(25,626)
Increase in operating liabilities		
Accrued expenses and total liabilities	10,957	4,575
Net cash provided by (used in) operating activities	<u>(552)</u>	<u>235,479</u>
Cash flows from investing activities		
Purchase of investments and reinvestments	(250,000)	(25,000)
Proceeds from sale of investments	-	84,424
Net cash provided by investing activities	<u>(250,000)</u>	<u>59,424</u>
Net change in cash	(250,552)	294,903
Cash and cash equivalents, beginning of year	389,005	94,102
Cash and cash equivalents, end of year	<u>\$ 138,453</u>	<u>\$ 389,005</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2022 (Reviewed) and 2021 (Audited)

1. Organization

The Hunter Brooks Watson Memorial Fund (Hunter's Fund) is a non-profit organization, incorporated in 2018 in the Commonwealth of Virginia. On June 18, 2016, Hunter Brooks Watson's promising life was abruptly and tragically ended when he was fatally injured as a passenger in an automobile collision. In the months following Hunter's death, his family and friends and the communities in which he was nurtured, including The Potomac School, Syracuse University and Mustique Island, among others, all searched for a way to continue his presence and ideals.

The Hunter Brooks Watson Memorial Fund (Hunter's Fund) was founded as a result and is the realization of his family's and his communities' desire to celebrate his life and interests. The Fund aims to keep Hunter's insatiable energy and optimism alive by giving grants to help young people's involvement in the fields of performing arts, music, computer science and entrepreneurship, those areas that inspired Hunter, and the fund is unique in that it provides financial assistance for projects of their own choosing. And just as important the Fund works to raise awareness about distracted driving and ensure the safety of young drivers behind the wheel!

Hunter's Fund is supported through individual donors and foundations.

2. Significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Investments

Investments consist of equity securities that are carried at their fair values, which are based on publicly available market data obtained from services independent of Hunter Brooks Watson Memorial Fund. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that Hunter's Fund's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2022 (Reviewed) and 2021 (Audited)

Contributions and support recognition

Contributions and grants are recognized as contributions which can be unconditional or conditional. Unconditional promises to give are recognized when notification of the promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Cash and cash equivalents

For purposes of the statements of cash flows, Hunter Brooks Watson Memorial Fund considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At December 31, 2022 and 2021, Hunter Brooks Watson Memorial Fund's cash was held at one financial institution and the amount in excess of FDIC coverage was \$0 and \$138,708, respectively. Hunter Brooks Watson Memorial Fund has not experienced any losses in such accounts and does not believe it is exposed to any significant risk. Management performs periodic evaluations of the relative credit standing of these institutions.

Contribution and other receivable

Contribution and other receivable includes a contribution and a reimbursement receivable. All receivables were expected to be received within one year; as such, management determined that an allowance was not required.

Income tax status

Hunter's Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to Hunter's Fund's exempt purpose is subject to taxation as unrelated business income. Hunter's Fund had no unrelated business income for the years ended December 31, 2022 and 2021.

The material jurisdictions subject to potential examination by taxing authorities are the United States, and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Hunter's Fund's results of operations. Tax years that remain subject to examination by the IRS are years 2019 through 2022.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and receivables. Financial liabilities with carrying values approximating fair value include accrued expenses. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include administrative expenses, advertising, graphic design & copywriting, information technology, other supplies, payroll taxes, and staff costs.

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2022 (Reviewed) and 2021 (Audited)

3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following assets at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 138,453	\$ 389,005
Accounts receivable	626	25,626
Investments	248,825	146,191
Total financial assets available within one year	<u>\$ 387,904</u>	<u>\$ 560,822</u>

4. Investments and fair value

Hunter Brooks Watson Memorial Fund maintains its investments at fair market value, based on quoted prices in active markets and accordingly recognizes the gains or losses that result from market fluctuations for the period in which fluctuations occur. Purchased investments are initially recorded at cost and donated investments at fair value on date of receipt. Unrealized gains and losses are included in the statements of activities.

Hunter's Fund classifies its investments into Level 1, Level 2, and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Hunter's Fund's investments for the years ended December 31, 2022 and 2021 are managed by a broker in a financial institution. As a result, Hunter's Fund classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets.

The following are the major categories of investments measured at fair value on recurring basis as of December 31, 2022, using quoted prices in active markets for identical assets (Level 1):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 39,456	\$ -	\$ -	\$ 39,456
Stocks & ETFs	209,369	-	-	209,369
	<u>\$ 248,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,825</u>

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2022 (Reviewed) and 2021 (Audited)

The following are the major categories of investments measured at fair value on recurring basis as of December 31, 2021, using quoted prices in active markets for identical assets (Level 1):

	Level 1	Level 2	Level 3	Total
Money market	\$ 15,052	\$ -	\$ -	\$ 15,052
Stocks & ETFs	131,139	-	-	131,139
	<u>\$ 146,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,191</u>

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

5. Donor-restricted net assets

Hunter's Fund received contributions in support of specific scholarships and grants for the years ended December 31, 2022 and 2021. These contributions have been reflected in the statement of activities as purpose-restriction contributions. To the extent those funds have been disbursed in support of these programs, amounts have been recorded as net assets released from restrictions. All funds received have been expended and there are no net assets with donor restrictions as of December 31, 2022 and 2021.

6. Concentrations

Hunter's Fund had one large donor contributing 30 percent of total revenue for the year ended December 31, 2022 and 70 percent of total revenue for the year ended December 31, 2021.

7. SBA Paycheck Protection Program

Under the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. The Organization has obtained a loan through the SBA Paycheck Protection Program of \$3,712 as of March 2021. The proceeds were fully expended prior to December 31, 2021 and are included with grants on the statement of activities for the year ended December 31, 2021.

8. Subsequent events

Hunter Brooks Watson Memorial Fund assessed events occurring subsequent to December 31, 2022 through September 28, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No other events have occurred that would require adjustment to or disclosure in the financial statements.

See independent accountant's review report.