

HUNTER BROOKS WATSON MEMORIAL FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2021 (AUDITED) AND 2020 (REVIEWED)



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statements of Financial Position.....	5
Statements of Activities.....	6 - 7
Statements of Functional Expenses.....	8 - 9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11 - 14



Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Hunter Brooks Watson Memorial Fund

We have audited the accompanying financial statements of **Hunter Brooks Watson Memorial Fund** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hunter Brooks Watson Memorial Fund** as of December 31, 2021, and the changes in its net assets and its cash flows for the year 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. 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 **Hunter Brooks Watson Memorial Fund** 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.

Prior Period Financial Statements

The 2020 financial statements were reviewed by us and our report thereon, dated April 16, 2021, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

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 **Hunter Brooks Watson Memorial Fund'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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 **Hunter Brooks Watson Memorial Fund'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 **Hunter Brooks Watson Memorial Fund'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.

Kositzka, Wicks and Company

Alexandria, Virginia
August 31, 2022

Hunter Brooks Watson Memorial Fund

Statements of Financial Position December 31,

(Audited)
2021

(Reviewed)
2020

Assets

Current assets

Cash and cash equivalents	\$ 389,005	94,102
Contribution and other receivable	25,626	-
Investments	146,191	228,086
Total assets	<u>\$ 560,822</u>	<u>322,188</u>

Liabilities and net assets

Current liabilities

Accrued expenses and total liabilities	\$ 11,719	7,144
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Net assets

Without donor restrictions	549,103	315,044
Total net assets	<u>549,103</u>	<u>315,044</u>
Total liabilities and net assets	<u>\$ 560,822</u>	<u>\$ 322,188</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 Activities for the year ended December 31, 2020 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Contributions and support			
Contributions	\$ 118,193	\$ 36,675	\$ 154,868
Net assets released from restrictions	36,675	(36,675)	-
	<u>154,868</u>	<u>-</u>	<u>154,868</u>
Expenses			
Program services			
Education	36,567	-	36,567
Safe Driving Education	55,201	-	55,201
Grants	51,341	-	51,341
	<u>143,109</u>	<u>-</u>	<u>143,109</u>
Supporting services			
Administrative	24,152	-	24,152
Fundraising	9,032	-	9,032
	<u>176,293</u>	<u>-</u>	<u>176,293</u>
Change in net assets before net investment income	(21,425)	-	(21,425)
Investment income, net	104,916	-	104,916
	<u>83,491</u>	<u>-</u>	<u>83,491</u>
Change in net assets	83,491	-	83,491
Net assets, beginning of year	231,553	-	231,553
Net assets, end of year	<u>\$ 315,044</u>	<u>\$ -</u>	<u>\$ 315,044</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, 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

Statement of Functional Expenses for the year ended December 31, 2020 (Reviewed)

	Program services			Total program services	Supporting services		Total expenses
	Education	Safe Driving Education	Grants		Administrative	Fundraising	
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ 5,741	\$ -	\$ 5,741
Administrative expenses	237	645	198	1,080	5,501	-	6,581
Advertising	322	738	239	1,299	3,395	186	4,880
Bank charges	-	-	-	-	2,268	-	2,268
Grants	-	-	44,924	44,924	-	4,287	49,211
Graphic design & copywriting	3,992	13,469	800	18,261	313	1,728	20,302
Information technology	876	248	223	1,347	77	335	1,759
Legal fees	-	-	-	-	1,038	-	1,038
Other supplies	1,343	29,673	40	31,056	42	238	31,336
Payroll taxes	826	60	398	1,284	458	-	1,742
Printing & postage	20,033	8,697	-	28,730	161	1,862	30,753
Professional services	-	1,671	396	2,067	396	396	2,859
Staff costs	8,938	-	4,123	13,061	4,762	-	17,823
Total expenses	\$ 36,567	\$ 55,201	\$ 51,341	\$ 143,109	\$ 24,152	\$ 9,032	\$ 176,293

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Statements of Cash Flows for the years ended December 31,	(Audited) 2021	(Reviewed) 2020
Cash flows from operating activities		
Change in net assets	\$ 234,059	\$ 83,491
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized and realized (gain) loss on investments	22,471	(103,416)
Decrease in operating activities		
Contribution and other receivable	(25,626)	-
Increase in operating liabilities		
Accrued expenses and total liabilities	4,575	3,401
Net cash provided by (used in) operating activities	<u>235,479</u>	<u>(16,524)</u>
Cash flows from investing activities		
Purchase of investments and reinvestments	(25,000)	(1,500)
Proceeds from sale of investments	84,424	30,000
Net cash provided by investing activities	<u>59,424</u>	<u>28,500</u>
Net change in cash	294,903	11,976
Cash and cash equivalents, beginning of year	94,102	82,126
Cash and cash equivalents, end of year	<u>\$ 389,005</u>	<u>\$ 94,102</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, 2021 (Audited) and 2020 (Reviewed)

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, 2021 (Audited) and 2020 (Reviewed)

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, 2021 and 2020, Hunter Brooks Watson Memorial Fund's cash was held at one financial institution and the amount in excess of FIC coverage was \$138,708 and \$0, 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 \$25,000 contribution and a \$626 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, 2021 and 2020.

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 2018 through 2021.

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, 2021 (Audited) and 2020 (Reviewed)

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, 2021:

	2021	2020
Cash and cash equivalents	\$ 389,005	\$ 94,102
Accounts receivable	25,626	-
Investments	146,191	228,086
Total financial assets available within one year	<u>\$ 560,822</u>	<u>\$ 322,188</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 year ended December 31, 2021 and 2020 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, 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>

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2021 (Audited) and 2020 (Reviewed)

The following are the major categories of investments measured at fair value on recurring basis as of December 31, 2020, using quoted prices in active markets for identical assets (Level 1):

	Level 1	Level 2	Level 3	Total
Money market	\$ 15	\$ -	\$ -	\$ 15
Stocks & ETFs	228,071	-	-	228,071
	<u>\$ 228,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,086</u>

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

Investment income as recorded on the statements of activities consisted of the following for the year ended December 31:

	2021	2020
Interest and dividends	\$ 1,131	\$ 1,500
Realized and unrealized gain (loss) on investments	(22,471)	103,416
	<u>\$ (21,340)</u>	<u>\$ 104,916</u>

5. Donor-restricted net assets

Hunter's Fund received contributions in support of specific scholarships and grants for the year ended December 31, 2021 and 2020. 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. Any funds that have not been expended are included as net assets with donor restrictions as of December 31, 2021 and 2020.

6. Concentrations

Hunter's Fund had one large donor contributing 70 percent and 31 percent of total revenue for the years ended December 31, 2021 and 2020, respectively.

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, 2021 through August 31, 2022, 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.