

HUNTER BROOKS WATSON MEMORIAL FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2020



Certified Public Accountants

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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 the **Hunter Brooks Watson Memorial Fund** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and 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 the 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.

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.

Kositzka, Wicks and Company

Alexandria, Virginia
April 16, 2021

Hunter Brooks Watson Memorial Fund

Statement of Financial Position December 31, 2020

Assets

Current assets

Cash and cash equivalents	\$ 94,102
Investments	<u>228,086</u>
Total assets	<u>\$ 322,188</u>

Liabilities and net assets

Current liabilities

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

Without donor restrictions	<u>315,044</u>
Total net assets	<u>315,044</u>
Total liabilities and net assets	<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, 2020

	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
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, 2020

	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

Statement of Cash Flows for the year ended December 31, 2020

Cash flows from operating activities

Change in net assets	\$ 83,491
Adjustments to reconcile change in net assets to net cash from operating activities	
Unrealized and realized gain on investments	(103,416)
Increase in operating liabilities	
Accrued expenses and total liabilities	3,401
Net cash used in operating activities	<u>(16,524)</u>

Cash flows from investing activities

Purchase of investments and reinvestments	(1,500)
Proceeds from sale of investments	30,000
Net cash provided by investing activities	<u>28,500</u>

Net change in cash

11,976

Cash, beginning of year

82,126

Cash, end of year

\$ 94,102

Supplemental disclosures of cash flow information

Cash paid for interest	\$ -
Income taxes paid	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2020

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, 2020

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) has issued ASU 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. The ASU is effective for annual reporting periods beginning after December 15, 2019. Hunter's Fund adopted the standard on its effective date, which was January 1, 2020.

The FASB has issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. Hunter's Fund previously adopted the standard on its effective date and it is in effect for the year ended December 31, 2020.

Analysis of various provisions of these standards resulted in no significant changes in the way the organization recognizes revenue.

Revenue 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. All cash was covered on December 31, 2020.

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 year ended December 31, 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 2020.

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. 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.

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2020

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.

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, 2020:

Cash and cash equivalents	\$	94,102
Investments		228,086
Total financial assets available within one year	\$	<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.

See independent accountant's review report.

Hunter Brooks Watson Memorial Fund

Notes to Financial Statements December 31, 2020

Hunter's Fund's investments for the year ended December 31, 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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, 2020:

Interest and dividends	\$ 1,500
Realized and unrealized gain on investments	103,416
	<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, 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, 2020.

6. Subsequent events

Hunter Brooks Watson Memorial Fund assessed events occurring subsequent to December 31, 2020 through April 16, 2021, 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.