

**WALKER AREA COMMUNITY
FOUNDATION, INC
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Walker Area Community Foundation, Inc.
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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Walker Area Community Foundation, Inc.
Jasper, Alabama

Opinion

We have audited the accompanying financial statements of Walker Area Community Foundation, Inc. (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 Walker Area Community Foundation, Inc. as of December 31, 2021, and the changes in 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 audit 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 Walker Area Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Walker Area Community Foundation, Inc.'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 Walker Area Community Foundation, Inc.'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 Walker Area Community Foundation, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Walker Area Community Foundation, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haynes Downard LLP

Haynes Downard LLP
Birmingham, Alabama

March 9, 2022

WALKER AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION AS OF DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 500,053	\$ 1,574,217
Investments	94,154,851	81,556,154
Prepaid expenses and other assets	33,112	33,112
Property and equipment, net	<u>1,282,991</u>	<u>1,315,642</u>
Total Assets	<u><u>\$ 95,971,007</u></u>	<u><u>\$ 84,479,125</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 11,886	\$ 9,016
Fair value of securities sold short	<u>-</u>	<u>1,144,306</u>
Total liabilities	11,886	1,153,322
Net Assets		
Without donor restrictions	95,756,450	83,150,371
With donor restrictions	<u>202,671</u>	<u>175,432</u>
Total net assets	<u>95,959,121</u>	<u>83,325,803</u>
Total Liabilities and Net Assets	<u><u>\$ 95,971,007</u></u>	<u><u>\$ 84,479,125</u></u>

WALKER AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions	\$ 5,498,052	\$ 46,454	\$ 5,544,506	\$ 7,891,378
Investment return, net	11,854,371	12,095	11,866,466	6,672,368
Other income	6,134	-	6,134	3,782
Released from restrictions	31,310	(31,310)	-	-
Total revenues	17,389,867	27,239	17,417,106	14,567,528
Expenses				
Program services	4,377,848	-	4,377,848	3,311,272
Management and general	210,137	-	210,137	175,580
Fundraising	195,803	-	195,803	162,612
Total expenses	4,783,788	-	4,783,788	3,649,464
Change in Net Assets	12,606,079	27,239	12,633,318	10,918,064
Net assets, beginning of year	83,150,371	175,432	83,325,803	72,407,739
Net assets, end of year	<u>\$ 95,756,450</u>	<u>\$ 202,671</u>	<u>\$ 95,959,121</u>	<u>\$ 83,325,803</u>

See accompanying notes.

WALKER AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021				2020
	Program Services	Management and General	Fundraising	Total	Total
Grants	\$ 3,563,840	\$ -	\$ -	\$ 3,563,840	\$ 2,618,445
Salaries and related	538,117	100,897	33,632	672,646	540,972
Professional services	79,184	21,319	1,015	101,518	116,835
Occupancy	34,348	25,762	25,762	85,872	55,044
Advertising and promotion	12,435	-	65,281	77,716	96,683
Depreciation	47,990	3,428	17,139	68,557	74,145
Other expenses	51,781	9,709	3,236	64,726	38,160
Office expenses	21,593	4,798	33,588	59,979	31,153
Information technology	16,039	12,030	12,030	40,099	36,515
Insurance	3,356	26,848	3,356	33,560	32,480
Meetings and Travel	9,165	5,346	764	15,275	9,032
	<u>\$ 4,377,848</u>	<u>\$ 210,137</u>	<u>\$ 195,803</u>	<u>\$ 4,783,788</u>	<u>\$ 3,649,464</u>

WALKER AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 12,633,318	\$ 10,918,064
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation expense	68,557	74,145
Net realized and unrealized (gain) on investments	(10,823,866)	(5,469,557)
Contributions of investments	(4,722,744)	(6,027,588)
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses and other assets	-	(3,452)
Accounts payable and accrued expenses	<u>2,870</u>	<u>6,381</u>
Net cash (used in) operating activities	(2,841,865)	(502,007)
Cash Flows from Investing Activities		
Purchase of investments	(1,920,978)	(2,600,238)
Proceeds from the sale of investments	3,724,585	4,076,952
Purchase of property and equipment	<u>(35,906)</u>	<u>(16,493)</u>
Net cash provided by investing activities	<u>1,767,701</u>	<u>1,460,221</u>
Net Change in Cash and Cash Equivalents	(1,074,164)	958,214
Cash and cash equivalents, beginning of year	<u>1,574,217</u>	<u>616,003</u>
Cash and cash equivalents, end of year	<u><u>\$ 500,053</u></u>	<u><u>\$ 1,574,217</u></u>

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Walker Area Community Foundation, Inc. (the "Foundation") is an autonomous, publicly supported philanthropic institution organized in 1995 and operated primarily for the long-term charitable, scientific, literary, and educational benefit of the citizens of Walker County, Alabama and surrounding areas. All funding is provided by contributions received from individuals, businesses, and community organizations.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"). Resources are classified based on the existence or absence of donor-imposed restrictions. The Foundation classifies resources into the two categories: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – are not subject to donor-imposed restrictions. This classification includes all revenues, gains, and losses not restricted by donors. The Foundation reports all expenses as decreases in net assets without donor restrictions.

Net Assets With Donor Restrictions – are subject to donor-imposed restrictions that will be met by either actions of the Foundation or the passage of time. Expirations of restrictions are reported as releases from restrictions in the accompanying statement of activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid assets with an original maturity date of three months or less as cash equivalents, except for money market and other cash equivalents held in investment accounts at the discretion of the Foundation's investment advisors.

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

The Foundation reports investments at fair value using the fair value hierarchy established under GAAP. Realized and unrealized gains and losses are included in change in net assets in the accompanying statement of activities.

Fair Value Measurements

Fair value measurements represent the price received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a fair value hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Inputs to the valuation techniques used are prioritized to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy and inputs to valuation techniques used to measure fair value are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – 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 directly or indirectly observable for the assets or liabilities.

Level 3 – Unobservable inputs for the assets or liabilities.

Contributions

Contributions are recognized upon receipt of an unconditional commitment from the donor and are reported as increases in the applicable category of net assets. Revenue from donated investment assets is recognized at fair market value on the date of receipt.

Functional Expense Allocation

The costs of providing programs and support services have been summarized on a functional basis in the accompanying statement of functional expenses. Costs attributable to more than one function have been allocated based on management's estimate of the program or support service benefited.

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The cost of acquisitions or expenditures that materially prolong the useful lives of the assets in excess of \$500 are capitalized. Ordinary repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	30 – 39 years
Land improvements	15 – 20 years
Furniture and equipment	5 – 10 years

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Uncertain Tax Positions

As of December 31, 2021, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

The Foundation has performed an evaluation of subsequent events through March 9, 2022, which is the date the financial statements were available to be issued.

NOTE 2. RISKS AND UNCERTAINTIES

The Foundation maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk on cash in its bank deposit accounts. The total uninsured balance was approximately \$590,000 as of December 31, 2021.

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. FAIR VALUE MEASUREMENTS

The Foundation's assets and liabilities measured at fair value are classified as follows:

Assets reported at Fair Value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	\$ 6,254,012	\$ -	\$ -	\$ 6,254,012
Common stocks	60,626,294	-	-	60,626,294
Exchange funds	1,076,880	-	-	1,076,880
Mutual funds	113,904	-	-	113,904
Hedge funds	-	-	4,165,150	4,165,150
Corporate bonds	9,629,467	-	-	9,629,467
Government bonds	10,787,653	-	-	10,787,653
Other investments	1,423,546	77,945	-	1,501,491
Total investments	\$ 89,911,756	\$ 77,945	\$ 4,165,150	\$ 94,154,851

The following is a description of the valuation methodologies used for assets within each valuation hierarchy level:

Level 1 – Valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 – Valued using inputs which are derived from observable market data.

Level 3 – Valued using inputs which are derived from unobservable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4. INVESTMENT RETURN

Investment return consist of the following for the year ended December 31, 2021:

Interest and dividends	\$ 1,361,906
Realized and unrealized gains on investments, net	10,823,866
Investment fees	<u>(319,306)</u>
Investment return, net	<u><u>\$ 11,866,466</u></u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Land	\$ 76,044
Land improvements	172,642
Buildings and improvements	1,508,169
Furniture and equipment	381,233
Less: accumulated depreciation	<u>(855,097)</u>
Property and equipment, net	<u><u>\$ 1,282,991</u></u>

NOTE 6. NET ASSETS

Net assets without donor restrictions consist of the following at December 31, 2021:

Donor advised funds	\$ 68,907,222
Board designated - program funds	18,540,714
Board designated - capital and reserve funds	6,683,070
Operational funds	<u>1,625,444</u>
Net assets without donor restrictions	<u><u>\$ 95,756,450</u></u>

Donor advised funds consist of approximately 25 irrevocable funds established for various charitable purposes for which the donor is provided advisory privileges. Funds designated by the Board of Directors consists of amounts reserved for certain grant initiatives and for the operational needs of the Foundation.

WALKER AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6. NET ASSETS - Continued

Net assets with donor restrictions are available for the following purposes as of December 31, 2021:

Program services	\$ 202,671
	<u> </u>
Net assets with donor restrictions	<u>\$ 202,671</u>

Net assets were released from donor restrictions in satisfaction of the following purposes during the year ended December 31, 2021:

Program services	\$ 24,485
Capital projects	<u>6,825</u>
	<u> </u>
Released from restrictions	<u>\$ 31,310</u>

NOTE 7. LIQUIDITY AND AVAILABILITY

The Foundation's financial assets, reduced by amounts unavailable for general use within one year, are as follows as of December 31, 2021:

Financial assets:	
Cash and cash equivalents	\$ 500,053
Investments	<u>94,154,851</u>
	<u> </u>
Total financial assets at year end	94,654,904
Less amounts unavailable for general expenditure:	
Donor-imposed restrictions	(202,671)
Funds designated for future granting or projects	<u>(94,131,006)</u>
	<u> </u>
Total financial assets available within one year	<u>\$ 321,227</u>