Culpeper Wellness Foundation, Inc. and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2022 and 2021

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FORVIS

Independent Auditor's Report

Board of Directors
Culpeper Wellness Foundation, Inc. and Subsidiary
Culpeper, Virginia

Opinion

We have audited the consolidated financial statements of Culpeper Wellness Foundation, Inc. and Subsidiary which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Culpeper Wellness Foundation, Inc. and Subsidiary as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Culpeper Wellness Foundation, Inc. and Subsidiary 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.

Emphasis of Matter – Change in Accounting Principles

As described in Note 1 to the consolidated financial statements, Culpeper Wellness Foundation, Inc. and Subsidiary adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, Culpeper Wellness Foundation, Inc. and Subsidiary adopted ASU 2016-02, *Leases (Topic 842)*, effective January 1, 2022. Culpeper Wellness Foundation, Inc. and Subsidiary adopted this standard using the modified retrospective approach, with the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Culpeper Wellness Foundation, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Culpeper Wellness Foundation, Inc. and Subsidiary '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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Culpeper Wellness Foundation, Inc. and Subsidiary '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.

FORVIS, LLP

Tysons, Virginia
August 15, 2023

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalent	$ 391,112	$ 473,227
Contract assets, net	54,683	59,528
Pledges receivable, current	551,050	551,484
Prepaid expenses and other current assets	61,669	42,419
Total current assets	1,058,514	1,126,658
Pledges receivable, long-term	87,500	604,500
Prepaid expenses and other assets	9,280	1,724
Investments	23,297,389	26,945,316
Property and equipment:		
Land and land improvements	3,594,231	3,594,231
Buildings and leasehold improvements	21,982,578	18,069,850
Equipment	1,207,073	913,727
Construction in progress	411,390	2,075,901
	27,195,272	24,653,709
Accumulated depreciation	(9,293,578)	(8,618,269)
Property and equipment, net	17,901,694	16,035,440
Finance lease right-of-use asset, net	30,089	-
Goodwill, net	26,740	32,470
Total assets	$ 42,411,206	$ 44,746,108
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 307,386	$ 54,265
Current portion of annuity payable	2,450	2,450
Current portion of long-term note payable	109,316	40,324
Current portion of finance lease liability	14,316	-
Accrued expenses	83,079	74,919
Contract liabilities	122,038	67,149
Total current liabilities	638,585	239,107
Note payable, less current portion	3,628,423	2,084,676
Annuity, less current portion	16,544	21,444
Finance lease liability, less current portion	15,773	-
Total liabilities	4,299,325	2,345,227
Net assets:		
Without donor restrictions	37,483,244	41,236,164
With donor restrictions	628,637	1,164,717
Total net assets	38,111,881	42,400,881
Total liabilities and net assets	$ 42,411,206	$ 44,746,108

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support:			
Membership dues	$ 1,230,310	$ -	$ 1,230,310
Ancillary revenue	350,426	-	350,426
Contributions	517,496	29,387	546,883
Contributed non-financial assets	586,292	-	586,292
Donated stock	530,624	-	530,624
Donated property	243,513	-	243,513
Contributed non-financial services	1,392,817	-	1,392,817
Grants	524,544	-	524,544
Special events	68,003	-	68,003
Rental income	965,065	-	965,065
Net assets released from restrictions	565,467	(565,467)	-
Total revenues, gains and support	6,974,557	(536,080)	6,438,477
Expenses:			
Program services	5,261,313	-	5,261,313
Management and general	790,441	-	790,441
Fundraising	34,937	-	34,937
Rental property	329,696	-	329,696
Total expenses	6,416,387	-	6,416,387
Change in net assets from operations	558,170	(536,080)	22,090
Non-operating activities:			
Net investment loss	(4,311,090)	-	(4,311,090)
Change in net assets from non-operating activities	(4,311,090)	-	(4,311,090)
Change in net assets	(3,752,920)	(536,080)	(4,289,000)
Net assets, beginning of year	41,236,164	1,164,717	42,400,881
Net assets, end of year	$ 37,483,244	$ 628,637	$ 38,111,881

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support:			
Membership dues	$ 1,129,474	$ -	$ 1,129,474
Ancillary revenue	397,235	-	397,235
Contributions	1,059,960	226,500	1,286,460
Contributed non-financial assets	532,750	-	532,750
Contributed non-financial services	1,937,694	-	1,937,694
Donated property	1,350,000	-	1,350,000
Grants	131,935	-	131,935
PPP grant income	372,958	-	372,958
Special events	118,022	-	118,022
Rental income	919,423	-	919,423
Net assets released from restrictions	559,444	(559,444)	-
Total revenues, gains and support	8,508,895	(332,944)	8,175,951
Expenses:			
Program services	5,685,168	-	5,685,168
Management and general	664,954	-	664,954
Fundraising	38,883	-	38,883
Rental property	180,295	-	180,295
Total expenses	6,569,300	-	6,569,300
Change in net assets from operations	1,939,595	(332,944)	1,606,651
Non-operating activities			
Gain on sale of fixed assets	292	-	292
Net investment return	3,657,599	-	3,657,599
Change in net assets from non-operating activities	3,657,891	-	3,657,891
Change in net assets	5,597,486	(332,944)	5,264,542
Net assets, beginning of year	35,638,678	1,497,661	37,136,339
Net assets, end of year	$ 41,236,164	$ 1,164,717	$ 42,400,881

See accompanying notes.

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Rental Property	Total
Personnel costs	$ 1,361,098	$ 399,400	$ 17,718	$ 53,160	$ 1,831,376
Supplies and services	2,079,542	-	-	-	2,079,542
Depreciation and amortization	507,143	52,752	-	136,842	696,737
Occupancy	311,527	7,241	-	55,012	373,780
Grants awarded	501,948	-	-	-	501,948
Utilities	199,947	19,298	-	-	219,245
Professional fees	15,901	191,614	-	17,896	225,411
Taxes and licenses	51,438	309	-	32,535	84,282
Marketing and promotion	55,774	5,996	17,219	-	78,989
Insurance	39,715	24,662	-	5,254	69,631
Office supplies and expense	45,777	9,990	-	4,275	60,042
Interest expense	-	63,388	-	24,572	87,960
Bank charges	55,471	5,719	-	-	61,190
Travel and conferences	9,804	5,058	-	-	14,862
Bad debt expense	16,349	-	-	-	16,349
Dues and subscriptions	8,387	4,939	-	150	13,476
Equipment rental	1,492	75	-	-	1,567
Total expenses	$ 5,261,313	$ 790,441	$ 34,937	$ 329,696	$ 6,416,387

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Rental Property	Total
Personnel costs	$ 1,287,768	$ 385,591	$ 16,038	$ 49,667	$ 1,739,064
Supplies and services	2,576,651	-	-	-	2,576,651
Depreciation and amortization	517,501	58,713	-	78,467	654,681
Occupancy	305,929	27,281	-	16,716	349,926
Grants awarded	533,993	-	-	-	533,993
Utilities	179,931	6,093	-	-	186,024
Professional fees	30,006	125,347	-	5,359	160,712
Taxes and licenses	47,453	1,545	-	25,143	74,141
Marketing and promotion	59,280	4,313	22,845	-	86,438
Insurance	42,307	14,555	-	4,943	61,805
Office supplies and expense	38,214	14,522	-	-	52,736
Interest expense	-	19,740	-	-	19,740
Bank charges	40,747	2,013	-	-	42,760
Travel and conferences	4,441	427	-	-	4,868
Bad debt expense	7,746	-	-	-	7,746
Dues and subscriptions	12,565	4,743	-	-	17,308
Equipment rental	636	71	-	-	707
Total expenses	$ 5,685,168	$ 664,954	$ 38,883	$ 180,295	$ 6,569,300

Culpeper Wellness Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (4,289,000)	$ 5,264,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	681,039	654,681
Gain on sale of assets	-	(292)
Bad debt expense	16,349	7,746
Realized and unrealized (gain) loss on investments	4,532,984	(2,882,376)
Right of use asset - finance lease amortization	15,698	-
Contract assets and pledges receivable	505,930	485,400
Prepaid expenses and other current assets	(26,806)	39,861
Accounts payable	253,121	24,795
Accrued expenses	8,160	(12,539)
Contract liabilities	54,889	7,824
Net cash provided by operating activities	1,752,364	3,589,642
Cash flows from investing activities:		
Proceeds from sale of investments	7,670,402	1,150,000
Purchase of investments	(8,555,460)	(2,254,847)
Purchase of property and equipment	(2,541,562)	(4,435,581)
Net cash used by investing activities	(3,426,620)	(5,540,428)
Cash flows from financing activities:		
Annuity payments	(4,900)	(677)
Principal payments on note payable	(62,261)	-
Payments on finance lease	(15,698)	-
Draws on note payable	1,675,000	2,125,000
Net cash provided by financing activities	1,592,141	2,124,323
Change in cash and cash equivalents	(82,115)	173,537
Cash and cash equivalents, beginning of year	473,227	299,690
Cash and cash equivalents, end of year	$ 391,112	$ 473,227
Supplemental disclosure of noncash transactions:		
Donation of stock	$ 530,624	$ -
Donation of property	$ 243,513	$ 1,350,000
Cash paid for interest	$ 75,374	$ 19,740

Notes to Consolidated Financial Statements

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of organization

Culpeper Wellness Foundation, Inc. (CWF) is a not-for-profit organization supporting the communities in and around Culpeper, Virginia. CWF is the parent of Powell Wellness Center L.L.C. (PWC), operates the Culpeper Free Clinic, provides various community grant programs, and leases real estate to physicians and support operations and is referred to collectively, as the ("Organization"). PWC owns and operates PATH Recreation and Fitness (PRFC).

The Organization receives support through wellness center memberships, donations from individuals, businesses, churches, and other organizations in the Culpeper area and through grants obtained from local governments and other charitable organizations.

Significant accounting policies are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of CWF and its wholly owned subsidiary, PWC. All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Under the standards for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities in two classes of net assets as follows:

> Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> Net assets with donor restrictions – subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support and revenue recognition

PWC and PRFC membership revenue is recognized over the period during which the membership is active. Membership at PRFC and PWC is on a month-to-month basis with no annual contract. Ancillary revenue, which consists of pro shop sales, assessment fees, locker rental revenue, café revenue, gift card revenue, late fees and PWC and PRFC wellness program fees, is recognized at the point of sale or as services are rendered. Special event revenue is recognized in the period the event takes place. Rental income is recognized over the period facilities are available to tenants. Payments received in advance are deferred and recognized over the period to which they relate. Contributions are recognized as revenue when they are received or unconditionally pledged.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assts with restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Non-cash donations are recorded as support at their estimated fair value at the date of donations. Such donations are reported as unrestricted support unless the donor has restricted the donation for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support.

Disaggregation of revenue from contracts with customers

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligation for the years ended December 31:

	2022	**2021**
Performance obligations satisfied over time	**$ 1,230,310**	$ 1,129,474
Performance obligations satisfied at a point in time	**418,429**	515,257
	$ 1,648,739	$ 1,644,731

Performance obligations

The services that the Organization provides as part of membership are highly interrelated and are treated as a single performance obligation.

Variable considerations

There is rarely variable consideration included in the Organization's contracts with customers.

Contract liabilities (deferred revenue)

In certain instances, the Organization collects deposits from members in advance of delivery of the item or service given. The Organization recognizes a liability when a member provides payment prior to the Organization transferring control of the goods or services ("contract liabilities"). Contract liabilities are relieved, and revenue is recognized upon the transfer of control of promised goods to members. Contract liabilities totaled $122,038 and $67,149 as of December 31, 2022 and 2021, respectively.

Donated services and supplies

The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed, are recorded at their fair values in the period received.

The Organization receives contributed medical services, including lab and diagnostic services, as well as professional medical volunteers who assist the Organization in providing health and welfare services. The volunteer services are provided primarily by medical doctors and nurses. The Organization records these in-kind services based on the estimated hours spent directly from individuals who donated those services at standard billing rates. During the year ended December 31, 2022, $31,468 was recorded related to donated services.

During the year ended December 31, 2021, $14,533 was recorded related to donated services.

The free clinic also receives donated diagnostic services as well as pharmaceuticals from UVA Culpeper Medical Center for distribution to patients, as prescribed. The Organization records these in-kind services based on the values received directly from the donor. For the year ended December 31, 2022 and 2021, the value of donated pharmaceuticals and diagnostic services was approximately $1,947,641 and $2,455,911, respectively, and is recorded as in-kind contribution support in the accompanying consolidated statements of activities.

During 2022, the Organization received donated materials and related professional services for the construction of the recreational center. The value recorded was based on the invoices received directly from the donors, totaled $243,513. In addition, the Organization received donated securities, of which the recorded values on the dates of donation, totaled $530,624.

Measure of operations

The Organization defines its measure of operations to include Board appropriated funds from investments and funds functioning as endowments to be used for general operations. The change in net assets from operations excludes unallocated net investment income or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and short-term debt instruments with original maturities of 90 days or less. Cash and cash equivalents are stated at cost. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable and allowance for doubtful accounts (contract assets)

Accounts receivable consists primarily of member billings for PWC and are recorded at the invoiced amount, net any estimated allowance for doubtful accounts. The allowance for doubtful accounts is the Organization’s best estimate of the amount of probable credit losses in the Organization’s existing accounts receivable. The Organization determines the allowance based on historical write-off experience and member specific data. The allowance for doubtful accounts was $1,288 and $1,286 at December 31, 2022 and 2021, respectively.

Pledges receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flow. Amortization of the resultant discount is recognized as contribution revenue. The need for an allowance for uncollectible pledges receivable is determined based on an evaluation of the collectability of individual promises. All pledges were considered fully collectible at December 31, 2022 and 2021; accordingly, no allowance for doubtful pledges receivable were recorded.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investments consist of money market funds and cash equivalents, mutual funds, fixed income securities, and government and agency bonds that are publicly traded.

Inventories

Inventories consist primarily of apparel and snack items available for sale at PWC and are initially recorded at cost (if purchased), using the average cost method, or fair value at date of donation (if donated), and subsequently valued at the lower of cost or net realizable value. Inventory is included in prepaid expenses and other current assets on the consolidated statements of financial position.

Property and equipment

Property and equipment are stated at cost or fair value at the date of the donation. Depreciation and amortization are provided by the straight-line method based on estimated useful lives as follows:

Land improvements	10 years
Buildings	5 to 40 years
Leasehold improvements	8 to 15 years
Equipment	7 to 15 years

Depreciation expense was $675,309 and $648,951 for the years ended December 31, 2022 and 2021, respectively.

Goodwill

The Organization, under PWC, purchased the business and assets of Culpeper Sport & Racquet Club, which has since been renamed to Culpeper Sport & Fitness (CSF), during the year ended December 31, 2017, and again renamed to PATH Recreation and Fitness (PRFC) during the year ended December 31, 2022. The Organization disposed of most of the assets included in the purchase prior to placing in service, and the net purchase price was capitalized as goodwill. The goodwill related to CSF is being amortized on a straight-line basis over 10 years, and amortization expense was $5,730 for 2022 and 2021.

Impairment of long-lived assets

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or estimated fair value less costs to sell, and no longer depreciated. There was no impairment expense on long-lived assets during 2022 or 2021.

Advertising

Advertising expenses are charged to expense as incurred and are not material.

Functional allocation of expenses

Program, management and general, fundraising, and rental property costs have been summarized on a functional basis in the consolidated statement of functional expenses. Certain indirect costs have been allocated to programs and supporting services on the basis of the activity benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel costs	Time and effort
Depreciation & amortization	Square footage
Occupancy	Square footage
Professional fees	Actual usage
Taxes & licenses	Square footage
Marketing and promotion	Actual usage
Insurance	Square footage
Office supplies	Actual usage
Bank charges	Actual usage
Travel and conferences	Time and effort
Dues and subscriptions	Actual usage

Income tax status

CWF is exempt from federal income taxes under Code Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, CWF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Code and has been classified as an organization that is not a private organization under Code Section 509(a)(2). PWC is a limited liability company that has not elected to be taxed as a corporation under current Internal Revenue Service regulations. As such, PWC is a disregarded entity for federal income tax purposes and does not have to file an annual federal return. Rather, its tax results are reflected on the annual tax filings of its member as if the activities of PWC were activities of the member.

Management evaluated CWF's tax positions and determined that CWF has no uncertain tax positions that require adjustment to the consolidated financial statements at December 31, 2022 and 2021. CWF files Form 990, *Return of Organization Exempt from Income Tax*, annually with the United States Department of the Treasury.

Estimates and assumption

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements

Gifts in kind

The FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to increase transparency related to contributed nonfinancial assets (gifts in kind) through enhancements. The Organization has adopted this accounting standard in 2022 and determined that it did not have a material effect on the consolidated financial statements.

Change in Accounting Principle – ASU 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., a modified retrospective approach using the comparatives under ASC 840 option.

The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the modified retrospective approach using the comparatives under ASB 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they related as a single lease component for all. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the consolidated financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and rent incentives were reclassified as a component of the ROU assets. The standard did not significantly affect the consolidated statements of activities or cash flows.

Lease policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use its current borrowing rate for the initial and subsequent measurement of all lease liabilities.

Lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is generally recognized on a straight-line basis over the lease term.

Subsequent events

Subsequent events have been evaluated through August 15, 2023, which was the date the consolidated financial statements were available to be issued.

2. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	**$ 391,112**	$ 473,227
Contract assets	**54,683**	59,528
Pledges receivable	**551,050**	551,484
Prepaid expenses and other current assets	**61,669**	42,419
Investments	**23,297,389**	26,945,316
Total assets available within one year	**24,355,903**	28,071,974
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	**628,637**	1,164,717
Financial assets available to meet general expenditures over the next twelve months	**$ 23,727,266**	$ 26,907,257

The Organization has investments functioning as a board-designated endowment, which is available for general use.

3. Pledges Receivable

Pledges receivable are carried at net realizable value at December 31, 2022 and 2021 and consisted of the following:

	2022	2021
Amounts due in:		
Less than one year	**$ 551,050**	$ 551,484
Amounts due in:		
One to five years	**$ 91,500**	$ 617,500
Less present value discount	**(4,000)**	(13,000)
	$ 87,500	$ 604,500

Discount rates of 2.65% and 1.5% were used to calculate the present value of the pledges receivable at December 31, 2022 and 2021, respectively.

4. Board Designated Endowment

The Organization's endowment is a fund designated by the Board of Directors. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no donor-imposed restrictions on this fund; therefore, it is classified in net assets without donor restrictions in the accompanying consolidated financial statements.

The Organization has adopted investment and spending policies for the Board Designated endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization's Board of Directors committed to hold the corpus of the endowment funds in perpetuity. The Organization distributes funds from the endowments as needed in accordance with its spending policy. The Organization has a policy of appropriating for distribution each year 4% of value of the endowment fund.

A summary of the activity in endowment funds for the year ended December 31, 2022 and 2021 is as follows:

Endowment Net Assets without Donor Restrictions, December 31, 2020	$ 3,383,911
Investment return:	
Investment income, net	190,300
Net appreciation in fair value of investments	357,342
Total investment return	547,642
Transfers	55,038
Appropriated for expenditures	-
Endowment Net Assets without Donor Restrictions, December 31, 2021	3,986,591
Investment return:	
Investment income, net	67,032
Net depreciation in fair value of investments	(705,231)
Total investment return (loss)	(638,199)
Appropriated for expenditures	-
Endowment Net Assets without Donor Restrictions, December 31, 2022	$ 3,348,392

5. Investments

Marketable securities at December 31, 2022 and 2021 carried at fair value as determined by quoted market prices are as follows:

	2022	2021
Money market funds and cash equivalents	**$ 520,130**	$ 917,435
Mutual funds	**17,476,741**	20,258,461
Fixed income	**4,628,692**	5,250,358
Government and agency bonds	**624,245**	519,062
Fair value investments	**23,249,808**	26,945,316
Accrued interest	**47,581**	-
	$ 23,297,389	$ 26,945,316

The following schedule summarizes investment income (loss) and gains (losses), in the consolidated statement of activities at December 31, 2022 and 2021:

	2022	2021
Interest and dividends	**$ 401,746**	$ 958,598
Investment fees	**(179,852)**	(183,375)
Net realized and unrealized gains (losses) on investments	**(4,532,984)**	2,882,376
	$ (4,311,090)	$ 3,657,599

6. Fair Value Measurements

Fair Value, as defined under Generally Accepted Accounting Principles (GAAP), is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

There have been no changes in the methodologies used at December 31, 2022 and 2021. The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market funds and cash equivalents
Money market funds and other cash equivalents are recorded at cost which approximates fair value. Both observable inputs are used to value these investments.

Equity securities and mutual funds
Equity securities and mutual funds are valued using quoted market prices.

Fixed income securities
Fixed income securities are valued using quoted market prices.

Government and agency bonds
Government and agency bonds are valued using model-based valuation techniques.

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

The following tables set forth by level within the fair value hierarchy the Organization's assets accounted for at fair value on a recurring basis as of December 31, 2022 and 2021.

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Totals**
Money market funds and cash equivalents	**$ 520,130**	**$ -**	**$ -**	**$ 520,130**
Mutual funds	**17,476,741**	**-**	**-**	**17,476,741**
Fixed income securities	**4,628,692**	**-**	**-**	**4,628,692**
Government and agency bonds	**-**	**624,245**	**-**	**624,245**
	$ 22,625,563	**$ 624,245**	**$ -**	**$ 23,249,808**

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Totals**
Money market funds and cash equivalents	$ 917,435	$ -	$ -	$ 917,435
Mutual funds	20,258,461	-	-	20,258,461
Fixed income securities	5,250,358	-	-	5,250,358
Government and agency bonds	-	519,062	-	519,062
	$ 26,426,254	$ 519,062	$ -	$ 26,945,316

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of a pledge from UVA Culpeper Medical Center and other contributions with donor restrictions for specific projects as of December 31, 2022 and 2021. Due to the satisfaction of time and purpose restrictions as pledge payments were received and donor-imposed stipulations were met, net assets of $565,467 and $559,444 were released to meet charitable community wellness needs during the years ended December 31, 2022 and 2021, respectively.

8. Leases

The Organization leases office equipment. The following table summarizes the components of lease expense for the year ended December 31, 2022:

Financing lease:	
Amortization	$ 15,698
Interest	1,045
Total financing lease expense	$ 16,743

The weighted-average discount rates and weighted remaining lease terms as of December 31, 2022 are as follows:

Weighted-average discount rate:	
Financing lease	0.19%
Weighted-average lease term:	
Financing lease	4.25

The following table summarizes the maturity of financing lease liability as of December 31, 2022:

2023	$ 14,987
2024	14,987
2025	2,840
Total lease payments	32,814
Less: interest	(2,725)
Total lease liabilities	$ 30,089

9. Note Payable

In conjunction with the expansion and construction of the new PATH Recreation and Fitness Center, the Organization arranged for a $3,800,000 loan with a local bank on May 7, 2021. The loan is collateralized by marketable securities owned by the Organization. The loan has a 12-month term from origination. After twelve months, it converted into a term loan with a maturity of 120 months. During the first 12 months, monthly payments consisted of accrued interest on the balance. After twelve months, monthly payments of principal and interest are based on an amortization period of 25 years. Interest is 2.65% fixed for 132 months. Management believes the Organization is in compliance with all debt covenants as of the date of the consolidated financial statements. At December 31, 2022 and 2021, $3,737,739 and $2,125,000 was outstanding under the loan, respectively.

The principal maturities of note payable under the above loan are as follows for subsequent years ending December 31:

2023	$ 109,316
2024	112,018
2025	115,336
2026	118,473
2027	121,696
Thereafter	3,160,900
	$ 3,737,739

10. Annuity Obligation

The Organization is a party to a gift annuity agreement with a donor requiring annual payments of $2,450. The recorded obligation represents the present value of expected payments over the donor's remaining life expectancy measured according to IRS annuity tables using a discount rate of 6%.

11. Compensated Absences

Employees who have met length-of-service requirements (as defined by the Organization's policies) earn compensatory leave. Employees may carry a maximum of 180 hours of compensatory leave. At termination or retirement, employees who have met separation-of-service requirements (as defined by the Organization's policies) will be paid for compensatory leave balances, as follows: 100% of the first 50% of eligible hours and 50% of the remaining eligible hours. At December 31, 2022 and 2021, the Organization's accrual for compensated absences was $39,798 and $35,257, respectively, and is included in accrued expenses in the accompanying consolidated statements of financial position.

12. Rental Income

The Organization is the lessor of various real estate properties under operating leases expiring in various years. In addition, PWC and CWF both lease property to a related party. Rental income for the year ended December 31, 2022 was $965,065, of which $488,479 was related party income. Rental income for the year ended December 31, 2021 was $919,423, of which $483,066 was income from related parties. There was no in-kind rental income for the year ended December 31, 2022, and 2021. Several of the Organization's leases have various renewal options and escalating lease clauses that are not included in the amounts below.

Expected annual rental income on theses leases, not including any potential renewals, are as follows:

2023	$ 1,016,068
2024	257,723
2025	136,899
2026	64,899
	$ 1,475,589

13. Related-Party Transactions

Throughout the year, the Organization reimburses certain expenses to UVA Culpeper Medical Center, which was formerly majority-owned by the Organization and is considered a related party. There is $0 outstanding for reimbursable expenses, which is included in accounts payable for both 2022 and 2021. Pledges receivable from UVA Culpeper Medical Center were $500,000 and $992,611 and net of the pledge discount as of December 31, 2022 and 2021, respectively. The pledge is receivable in annual installments of $500,000 over 10 years. The pledge is to be used by the Organization, as it deems appropriate, to meet charitable community wellness needs. The pledge is more fully described in Note 3 and Note 7.

14. Operating Leases

Effective February 1, 2016, the Organization entered into a three-year lease agreement for office space in Culpeper, Virginia. The lease requires initial monthly rent of $2,735, increasing to $2,985 after six months; and provides for 2% increases in monthly rent at each anniversary date. The lease contains a renewal provision at the Organization's option for an additional two-year term. The Organization did not renew the lease after expiration on January 31, 2021.

The Organization entered into a three-year lease agreement effective September 1, 2017 for CSF operations. The lease requires initial monthly payments of $6,134, with scheduled increases of approximately 4% at each anniversary date and an option for an additional two-year term. The Organization exercised the option to extend the lease on August 28, 2020 for the term from September 1, 2020 through August 31, 2021 for $6,643 per month. The lease then was extended in November 2021 for the term from January 1, 2022 through February 28, 2022 at $4,000 per month with an option to extend for an additional month at the same rate. The Organization did not extend the lease at the end of February 2022. Rent expense totaled $12,634 and $74,700 for the years ended December 31, 2022 and 2021, respectively.

15. Defined Contribution Plan

The Organization has a defined contribution plan covering all employees who are over 21 years of age and have three months of service. Employees' matching contributions are based on a percentage of salary contributed by participants who have attained one year of service. Employee contributions are fully vested and employer contributions are 100% vested after one year of service. The employer match was not material in 2022 or 2021.

16. Donation of Property

On December 30, 2019, the Organization donated property in Madison County with a book value of $548,000 for strategic initiative purposes. The donation is subject to reversion for a period of twenty years if the grantee or its successor uses the property for any purpose other than general community health and wellness.

During the year-ended December 31, 2021, the Piedmont Regional Dental Clinic (the Clinic) entered into a management contract with the Foundation whereby the Foundation would provide management services to the Clinic. As a part of this arrangement, the Clinic decided to donate its building to the Foundation, which had an estimated fair value of $1,350,000 at the date of the donation.

17. Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

On January 25, 2021, the Organization was granted $372,958 under the Paycheck Protection Program ("PPP"). The Organization believes that it was eligible under the PPP to receive the funds and received notice from the SBA on October 22, 2021 that the loan had been forgiven. Therefore, management has concluded that the receipt of the fund represents a government grant under ASC 958-605. The Organization has fully utilized the proceeds of the loan for qualifying expenses under the PPP and the Organization's covered period was closed as of the consolidated statement of financial position date. A forgiveness calculation has been prepared and submitted to the Organization's lender indicating that the full amount of the loan qualifies for forgiveness. The Organization believes it has substantially met the conditions attached to the grant as of the consolidated statement of financial position date. Grant income totaled $372,958 has been recognized in the consolidated 2021 statement of activities as PPP grant income.

18. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The credit, originally available only for calendar 2020, was extended to the first and second calendar quarters of 2021 by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), and later extended to the third and fourth quarters of 2021 by the American Rescue Plan Act of 2021 (ARPA). On November 15, 2021, the Infrastructure Investment and Jobs Act was officially signed into law, which rescinded the ERC availability for the fourth quarter of 2021. The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. It is based on qualified wages paid by an eligible employer after March 12, 2020 and before January 1, 2022. For 2020, the credit is 50 percent of qualified wages. For 2021, the credit is available for 70 percent of qualified wages with a maximum potential credit per qualified employee of $28,000.

The Organization qualifies for the ERC based on reduction in gross receipts of 50 percent or greater in certain quarters and has elected to account for the ERC as a government grant by analogy to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Under IAS 20, the ERC may be recognized once there is reasonable assurance that the Association will comply with the conditions attached to the ERC and the ERC will be received. During the year ended December 31, 2022, the Organization recognized $340,029 associated with the ERC and included in grant income in the consolidated statements of activities.