



# **Culpeper Wellness Foundation, Inc. and Subsidiary**

## **Consolidated Financial Statements**

**Years Ended December 31, 2021 and 2020**



## Table of Contents

Independent Auditors' Report.....	1
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements .....	9



## Independent Auditors' Report

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

### ***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, 2021 and 2020, 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, 2021 and 2020, 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 Auditors' 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.

### ***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.



***Auditors' 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 auditors' 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.

*Dixon Hughes Goodman LLP*

Tysons, VA  
May 18, 2022

Culpeper Wellness Foundation, Inc. and Subsidiary  
Consolidated Statements of Financial Position  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalent	\$ 473,227	\$ 299,690
Contract assets	59,528	230,658
Pledges receivable, current	551,484	500,000
Prepaid expenses and other current assets	<u>42,419</u>	<u>82,280</u>
Total current assets	<u>1,126,658</u>	<u>1,112,628</u>
Pledges receivable, long-term	<u>604,500</u>	<u>978,000</u>
Prepaid expenses and other assets	<u>1,724</u>	<u>1,724</u>
Investments	<u>26,945,316</u>	<u>22,958,093</u>
Property and equipment:		
Land and land improvements	3,594,231	2,463,088
Buildings and leasehold improvements	18,069,850	16,851,743
Equipment	913,727	914,226
Construction in progress	<u>2,075,901</u>	<u>20,961</u>
	<u>24,653,709</u>	<u>20,250,018</u>
Accumulated depreciation	<u>(8,618,269)</u>	<u>(8,001,500)</u>
Property and equipment, net	<u>16,035,440</u>	<u>12,248,518</u>
Goodwill, net	<u>32,470</u>	<u>38,200</u>
Total assets	<u>\$ 44,746,108</u>	<u>\$ 37,337,163</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 54,265	\$ 29,470
Current portion of annuity payable	2,450	2,450
Current portion of long-term note payable	40,324	-
Accrued expenses	74,919	87,458
Contract liabilities	<u>67,149</u>	<u>59,325</u>
Total current liabilities	<u>239,107</u>	<u>178,703</u>
Note payable, less current portion	<u>2,084,676</u>	<u>-</u>
Annuity payable	<u>21,444</u>	<u>22,121</u>
Total liabilities	<u>2,345,227</u>	<u>200,824</u>
Net assets:		
Without donor restrictions	<u>41,236,164</u>	<u>35,638,678</u>
With donor restrictions	<u>1,164,717</u>	<u>1,497,661</u>
Total net assets	<u>42,400,881</u>	<u>37,136,339</u>
Total liabilities and net assets	<u>\$ 44,746,108</u>	<u>\$ 37,337,163</u>

See accompanying notes.

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains and support:			
Membership dues	\$ 1,129,474	\$ -	\$ 1,129,474
Ancillary revenue	397,235	-	397,235
Contributions	4,880,404	226,500	5,106,904
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)	-
<b>Total revenues, gains and support</b>	<b>8,508,895</b>	<b>(332,944)</b>	<b>8,175,951</b>
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
<b>Total expenses</b>	<b>6,569,300</b>	<b>-</b>	<b>6,569,300</b>
<b>Change in net assets from operations</b>	<b>1,939,595</b>	<b>(332,944)</b>	<b>1,606,651</b>
Non-operating activities:			
Gain on sale of fixed assets	292	-	292
Net investment return	3,657,599	-	3,657,599
<b>Change in net assets from non-operating activities</b>	<b>3,657,891</b>	<b>-</b>	<b>3,657,891</b>
<b>Change in net assets</b>	<b>5,597,486</b>	<b>(332,944)</b>	<b>5,264,542</b>
<b>Net assets, beginning of year</b>	<b>35,638,678</b>	<b>1,497,661</b>	<b>37,136,339</b>
<b>Net assets, end of year</b>	<b>\$ 41,236,164</b>	<b>\$ 1,164,717</b>	<b>\$ 42,400,881</b>

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains and support:			
Membership dues	\$ 1,110,133	\$ -	\$ 1,110,133
Ancillary revenue	319,076	-	319,076
Contributions	2,287,727	76,500	2,364,227
Grants	186,557	-	186,557
PPP grant income	372,900	-	372,900
Special events	37,338	-	37,338
Rental income	759,668	-	759,668
Net assets released from restrictions	534,839	(534,839)	-
Total revenues, gains and support	<u>5,608,238</u>	<u>(458,339)</u>	<u>5,149,899</u>
Expenses:			
Program services	5,092,975	-	5,092,975
Management and general	621,126	-	621,126
Fundraising	19,310	-	19,310
Rental property	165,427	-	165,427
Total expenses	<u>5,898,838</u>	<u>-</u>	<u>5,898,838</u>
Change in net assets from operations	<u>(290,600)</u>	<u>(458,339)</u>	<u>(748,939)</u>
Non-operating activities			
Gain on sale of fixed assets	-	-	-
Net investment return	1,283,780	-	1,283,780
Change in net assets from non-operating activities	<u>1,283,780</u>	<u>-</u>	<u>1,283,780</u>
Change in net assets	993,180	(458,339)	534,841
Net assets, beginning of year	<u>34,645,498</u>	<u>1,956,000</u>	<u>36,601,498</u>
Net assets, end of year	<u>\$ 35,638,678</u>	<u>\$ 1,497,661</u>	<u>\$ 37,136,339</u>

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Rental Property</b>	<b>Total</b>
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
<b>Total expenses</b>	<b>\$ 5,685,168</b>	<b>\$ 664,954</b>	<b>\$ 38,883</b>	<b>\$ 180,295</b>	<b>\$ 6,569,300</b>



Culpeper Wellness Foundation, Inc. and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Rental Property</u>	<u>Total</u>
Personnel costs	\$ 1,357,630	\$ 391,246	\$ 14,713	\$ 34,115	\$ 1,797,704
Supplies and services	2,090,906	-	-	-	2,090,906
Depreciation and amortization	494,592	9,678	-	109,490	613,760
Occupancy	324,020	70,566	-	4,791	399,377
Grants awarded	414,832	-	-	-	414,832
Utilities	174,176	6,458	-	-	180,634
Professional fees	23,944	106,086	-	3,095	133,125
Taxes and licenses	55,952	2,638	-	13,366	71,956
Marketing and promotion	14,106	4,478	4,597	-	23,181
Insurance	49,442	10,472	-	570	60,484
Office supplies and expense	27,899	12,892	-	-	40,791
Bank charges	37,306	412	-	-	37,718
Travel and conferences	5,933	1,085	-	-	7,018
Bad debt expense	12,857	-	-	-	12,857
Dues and subscriptions	8,748	5,115	-	-	13,863
Equipment Rental	632	-	-	-	632
Total expenses	<u>\$ 5,092,975</u>	<u>\$ 621,126</u>	<u>\$ 19,310</u>	<u>\$ 165,427</u>	<u>\$ 5,898,838</u>

See accompanying notes.

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,264,542	\$ 534,841
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	654,681	613,760
Gain on sale of assets	(292)	-
Bad debt expense	7,746	12,857
Realized and unrealized (gain) on investments	(2,882,376)	(974,204)
Change in assets and liabilities:		
Contract assets and pledges receivable	485,400	323,430
Prepaid expenses and other current assets	39,861	4,585
Accounts payable	24,795	(63,451)
Accrued expenses	(12,539)	(47,255)
Contract liabilities	7,824	44,926
Net cash provided by operating activities	<u>3,589,642</u>	<u>449,489</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,150,000	2,345,000
Purchase of investments	(2,254,847)	(611,221)
Purchase of property and equipment	(4,435,581)	(2,226,169)
Net cash used by investing activities	<u>(5,540,428)</u>	<u>(492,390)</u>
Cash flows from financing activities:		
Annuity payments	(677)	(741)
Draws on note payable	2,125,000	-
Net cash provided (used) by financing activities	<u>2,124,323</u>	<u>(741)</u>
Change in cash and cash equivalents	173,537	(43,642)
Cash and cash equivalents, beginning of year	<u>299,690</u>	<u>343,332</u>
Cash and cash equivalents, end of year	<u>\$ 473,227</u>	<u>\$ 299,690</u>
Supplemental disclosure of noncash transactions:		
Donation of stock	\$ -	\$ 28,355
Donation of property	<u>\$ 1,350,000</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 19,740</u>	<u>\$ -</u>

See accompanying notes.

## 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 Culpeper Sport & Fitness.

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 to 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 CSF membership revenue is recognized over the period during which the membership is active. Membership at CSF 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 CSF 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.

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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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 assets 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:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied over time	\$ 1,129,474	\$ 1,110,133
Performance obligations satisfied at a point in time	<u>515,257</u>	<u>356,414</u>
	<u>\$ 1,644,731</u>	<u>\$ 1,466,547</u>

**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.

***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. During the year ended December 31, 2021, \$14,533 was recorded related to donated services. During the year ended December 31, 2020, \$14,664 was recorded related to donated services.

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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The free clinic also receives donated diagnostic services as well as pharmaceuticals for distribution to patients, as prescribed. For the year ended December 31, 2021 and 2020, the value of donated pharmaceuticals and diagnostic services was approximately \$2,455,911 and \$1,993,535, respectively and is recorded as in-kind contribution support in the accompanying consolidated statements of activities.

***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 three-months 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 over time for the 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 \$1,286 and \$1,281 at December 31, 2021 and 2020, 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, 2021 and 2020; 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 \$648,951 and \$600,263 for the years ended December 31, 2021 and 2020, 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. 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 and \$13,497 for 2021 and 2020, respectively.

***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 2021 or 2020.

***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.

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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The expenses that are allocated include the following:

<b><u>Expense</u></b>	<b><u>Method of Allocation</u></b>
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, 2021 and 2020. 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.

***Recent accounting pronouncement***

**Leases**

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Foundation January

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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1, 2022, and the Organization is currently evaluating the effect this accounting standard may have on its consolidated financial statements.

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 to presentation and disclosures. ASU 2020-07 is effective for the Organization on January 1, 2022, and the Organization is currently evaluating the effect this accounting standard may have on its financial statements.

***Subsequent events***

Subsequent events have been evaluated through May 18, 2022, 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 balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 473,227	\$ 299,690
Accounts receivable	59,528	230,658
Pledges receivable	551,484	500,000
Prepaid expenses and other current assets	42,419	82,280
Investments	<u>26,945,316</u>	<u>22,958,093</u>
Total assets available within one year	<u>28,071,974</u>	<u>24,070,721</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,164,717</u>	<u>1,497,661</u>
Financial assets available to meet general expenditures Over the next twelve months	<u>\$ 26,907,257</u>	<u>\$ 22,573,060</u>

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, 2021 and 2020 and consisted of the following:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	<u>\$ 551,484</u>	<u>\$ 500,000</u>
Amounts due in:		
One to five years	\$ 617,500	\$ 1,000,000
Less present value discount	<u>(13,000)</u>	<u>(22,000)</u>
	<u>\$ 604,500</u>	<u>\$ 978,000</u>

A discount rate of 1.5% was used to calculate the present value of the pledges receivable at December 31, 2021 and 2020.

### 4. Board Designated Endowment

The Organization's endowment is a fund designated by the Board of Directors to function to act as an endowment. As required by 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, 2021 and 2020 is as follows:

Endowment Net Assets without Donor Restrictions, December 31, 2019	\$ 3,510,018
Investment return:	
Investment income, net	252,484
Net depreciation in fair value of investments	<u>(47,391)</u>
Total investment return	205,093
Funds deposited during the year	44,000
Appropriated for expenditures	<u>(375,200)</u>
Endowment Net Assets without Donor Restrictions, December 31, 2020	3,383,911

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

---

Investment return:	
Investment income, net	190,300
Net appreciation in fair value of investments	<u>357,342</u>
Total investment return	547,642
Transfers	55,038
Appropriated for expenditures	<u>-</u>
Endowment Net Assets without Donor Restrictions, December 31, 2021	<u>\$ 3,986,591</u>

## 5. Investments

Marketable securities at December 31, 2021 and 2020 carried at fair value as determined by quoted market prices are as follows:

	<u>2021</u>	<u>2020</u>
Money market funds and cash equivalents	\$ 917,435	\$ 578,866
Mutual funds	20,258,461	16,985,513
Fixed income	5,250,358	5,071,585
Government and agency bonds	<u>519,062</u>	<u>322,129</u>
	<u>\$ 26,945,316</u>	<u>\$ 22,958,093</u>

The following schedule summarizes investment income and gains, in the consolidated statement of activities at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 958,598	\$ 482,934
Investment fees	(183,375)	(173,358)
Net realized and unrealized gains on investments	<u>2,882,376</u>	<u>974,204</u>
	<u>\$ 3,657,599</u>	<u>\$ 1,283,780</u>

## 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.

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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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, 2021 and 2020. 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.

***Mutual funds and fixed income securities***

Mutual funds and 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, 2021 and 2020.

	<b>Assets at Fair Value as of December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Totals</b>
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
	<b>\$ 26,426,254</b>	<b>\$ 519,062</b>	<b>\$ -</b>	<b>\$ 26,945,316</b>

	<b>Assets at Fair Value as of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Totals</b>
Money market funds and cash equivalents	\$ 578,866	\$ -	\$ -	\$ 578,866
Mutual funds	16,985,513	-	-	16,985,513
Fixed income securities	5,071,585	-	-	5,071,585
Government and agency bonds	-	322,129	-	322,129
	<b>\$ 22,635,964</b>	<b>\$ 322,129</b>	<b>\$ -</b>	<b>\$ 22,958,093</b>

## 7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of a pledge from Novant Health UVA Health System Culpeper Medical Center and other contributions with donor restrictions for specific projects as of December 31, 2021 and 2020. Due to the satisfaction of time and purpose restrictions as pledge payments were received and donor-imposed stipulations were met, net assets of \$559,444 and \$534,839 were released to meet charitable community wellness needs during the years ended December 31, 2021 and 2020, respectively.

## 8. Note Payable

In conjunction with the expansion and construction of a recreation center that will house two multipurpose courts and an activity room for the purpose of improving health and wellness for residents of Culpeper, Madison, and Orange counties, 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 will convert into a term loan with a maturity of 120 months. During the first 12 months, monthly payments only consist 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, 2021 and 2020, \$2,125,000 and \$0 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:

2022	\$	40,324
2023		61,837
2024		63,496
2025		65,198
2026		66,948
Thereafter		<u>1,827,197</u>
	<u>\$</u>	<u>2,125,000</u>

## 9. 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%.

## 10. 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, 2021 and 2020, the Organization's accrual for compensated absences was \$35,257 and \$34,894, respectively, and is included in accrued expenses in the accompanying consolidated statements of financial position.

## 11. 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, 2021 was \$919,423, of which \$483,066 was income from related parties. Rental income for the year ended December 31, 2020 was approximately \$760,000, of which approximately \$528,000 was related party income. There was no in-kind rental income for the year ended December 31, 2021, and 2020. 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 these leases are as follows:

2022	\$	933,274
2023		630,902
2024		136,899
2025		136,899
2026		64,899
Thereafter		<u>194,697</u>
	\$	<u>2,097,570</u>

## 12. Related-Party Transactions

Throughout the year, the Organization reimburses certain expenses to Novant Health UVA Health System 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 2021 and 2020. Pledges receivable from Novant Health UVA Health System Culpeper Medical Center were \$992,611 and \$1,478,000 net of the pledge discount as of December 31, 2021 and 2020, 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.

## 13. 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 also 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 \$74,700 and \$119,689 for the years ended December 31, 2021 and 2020, respectively.

#### **14. 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 2021 or 2020.

#### **15. 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.

#### **16. 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.

The Organization received \$372,900 under the PPP. The Organization spent all funds received under the PPP for qualifying expenses, prepared a forgiveness calculation, submitted an application for forgiveness to its lender, and received notice from the SBA on December 30, 2020 that the loan had been forgiven. Therefore, management has concluded that the receipt of these funds represents a government grant. The Organization elected to account for the receipt of these funds as a government grant under ASC 958-605. These funds were recognized as a refundable advance when received and classified in accordance with the scheduled maturity outlined in the PPP loan agreement assuming a ten-month deferral of payments from the end of the Organization's covered period. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. 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 has been recognized in the consolidated statement of activities in the PPP grant income line item.

On January 25, 2021, the Organization was granted an additional amount of \$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

**Culpeper Wellness Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

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of financial position date. Grant income totaled \$372,958 has been recognized in the consolidated statement of activities as PPP grant income.