

SPOOKSTOCK FOUNDATION
LEESBURG, VIRGINIA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022



SPOOKSTOCK FOUNDATION

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Spookstock Foundation
Leesburg, Virginia

Opinion

We have audited the accompanying financial statements of SPOOKSTOCK FOUNDATION (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPOOKSTOCK FOUNDATION as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of SPOOKSTOCK FOUNDATION and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPOOKSTOCK FOUNDATION's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Spookstock Foundation

REPORT OF INDEPENDENT AUDITORS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPOOKSTOCK FOUNDATION's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SPOOKSTOCK FOUNDATION'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.

Hantzyon Wiebel LLP

Charlottesville, Virginia
November 20, 2023

SPOOKSTOCK FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS		LIABILITIES AND NET ASSETS	
CURRENT ASSETS		LIABILITIES	
Atlantic Union Bank checking account	\$ 7,584	Accounts payable and other accrued liabilities	\$ 41,253
VNB checking account	450,171	Credit cards	14,165
VNB money market account	375,736	Deferred revenue	130,500
Total cash and cash equivalents	833,491		
Accounts receivable - net	262,000	Total current liabilities	185,918
Prepaid expenses and other assets	369,396		
		NET ASSETS	
Total current assets	1,464,887	Net assets without donor restrictions	1,278,969
		Total net assets	1,278,969
Total assets	<u>\$ 1,464,887</u>	Total liabilities and net assets	<u>\$ 1,464,887</u>

(The accompanying notes are an integral part of this financial statement)

SPOOKSTOCK FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Concerts and special events:			
Income from concerts and special events	\$ 3,929,281	\$	\$ 3,929,281
Direct expenses	(2,644,546)	....	( 2,644,546)
Concerts and special events, net	1,284,735	....	1,284,735
Contributed nonfinancial assets	180,500	....	180,500
All other contributions	481,365	....	481,365
Investment income	3,460	....	3,460
	<u>1,950,060</u>	<u>....</u>	<u>1,950,060</u>
EXPENSES			
Program services	1,788,654	....	1,788,654
Management and general	155,221	....	155,221
Fund-raising .....	....	....	....
	<u>1,943,875</u>	<u>....</u>	<u>1,943,875</u>
CHANGE IN NET ASSETS	6,185	....	6,185
NET ASSETS, BEGINNING OF YEAR	<u>1,272,784</u>	<u>....</u>	<u>1,272,784</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,278,969</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,278,969</u></u>

(The accompanying notes are an integral part of this financial statement)

SPOOKSTOCK FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	CONCERTS AND SPECIAL EVENTS	TOTAL EXPENSES
Grants and charitable contributions	\$ 1,387,500	\$	\$	\$	\$ 1,387,500
Compensation expense	96,362	39,924	....	443,525	579,811
Payroll tax expense	6,402	2,560	....	28,882	37,844
Professional services	298,390	38,795	....	....	337,185
Computer support and website expense .....	....	18,470	....	....	18,470
Office expenses .....	....	44,983	....	....	44,983
Travel .....	....	....	....	313,397	313,397
Meals and entertainment .....	....	....	....	33,998	33,998
Cost of events .....	....	....	....	1,788,744	1,788,744
Insurance expense .....	....	8,726	....	....	8,726
Credit card and bank fees .....	....	1,763	....	36,000	37,763
	<u>1,788,654</u>	<u>155,221</u>	<u>....</u>	<u>2,644,546</u>	<u>4,588,421</u>
Less direct expenses of the concerts and special events included within revenue and support on the statement of activities	<u>....</u>	<u>....</u>	<u>....</u>	<u>(2,644,546)</u>	<u>(2,644,546)</u>
Total functional expenses	<u>\$ 1,788,654</u>	<u>\$ 155,221</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,943,875</u>

(The accompanying notes are an integral part of this financial statement)

SPOOKSTOCK FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 6,185
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(38,500)
Prepaid expenses and other assets	(357,971)
Increase (decrease) in operating liabilities:	
Accounts payable	36,178
Payroll liabilities	(3,636)
Credit card payables	13,965
Deferred revenue	<u>70,500</u>
Net cash used in operating activities	<u>(273,279)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(273,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,106,770</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 833,491</u></u>

(The accompanying notes are an integral part of this financial statement)

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

Spookstock Foundation (the Foundation) is a non-profit corporation organized under the laws of the Commonwealth of Virginia for the purpose of providing assistance to wounded veterans of the Armed Services of the United States of America and their families. The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

A description of the Foundation's major programs and supporting efforts for the years ended December 31, 2022 are as follows:

Program Services - The Foundation provides grants to organizations that provide educational support to families of fallen special operations and intelligence community personnel.

Management and General Services - General management and administrative costs of Foundation operations that are not directly attributable to specific programs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. This method requires that revenues be recognized when earned and expenses recognized when incurred, rather than recognizing revenues upon receipt and expenses when paid.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash accounts in excess of federally-insured limits are subject to risk of loss.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*.

Recent Accounting Pronouncements

The Foundation has adopted the FASB Accounting Standards Update (ASU) 2020-07: *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU, effective for the year ended December 31, 2022, requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. Adoption of this standard had no effect on the Foundation's current or previously-issued financial statements.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

In February 2016, the FASB issued ASC 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted the standard effective January 1, 2022. This lease standard had no effect on the financial statements.

Revenue and Support

The Foundation reports gifts of cash and other assets as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as support without donor restrictions, unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor restrictions about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Sponsorships received for concert events are recognized when the related concert event is held (point in time) and are reported as income from concerts and special events on the statement of activities. Sponsorship for concert events received prior to the events is recorded as deferred revenue on the statement of financial position.

Concert events and special events ticket sales are recognized as revenue when the performance obligation is satisfied by the concert or special event taking place at a point in time. Concert events and special events revenue received prior to the events is recorded as deferred revenue on the statement of financial position. Event merchandise sales are recorded at the point in time when control of the merchandise is transferred to the customer.

The Foundation records donated professional services at the respective fair values of the services received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Contributed materials are recorded at fair value at the date of donation. The Foundation received contributed items to be auctioned during concert events in 2022. The Foundation adjusted the contribution amounts to the amounts ultimately received from the winning bidder. The Foundation recognized no contributions of services during the year ended December 31, 2022.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Contract Assets and Liabilities

For each of the Foundation's contracts, the timing of revenue recognition, billings, and cash collections may result in a net contract asset or liability at the end of each reporting period. Contract assets consist of unbilled receivables, and contract liabilities consist of advance payments from customers and billings in excess of revenue recognized. There were no contract assets at December 31, 2022 and 2021. Contract liabilities consisted of deferred revenue of \$130,500 at December 31, 2022. Contract liabilities totaled \$60,000 at December 31, 2021.

Accounting Estimates

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

Accounting for Uncertain Tax Positions

The Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

Accounts Receivable

The Foundation's accounts receivable consist of amounts due from patrons for events that have already occurred. The receivables are generally unsecured, and the Foundation does not accrue finance charges on past due accounts. The payment terms are typically 30 days.

Allowance for Uncollectible Accounts

The Foundation provides an allowance for uncollectible accounts, as estimated by management. The allowance was \$0 at December 31, 2022 and is based on historic experience, subsequent write-offs, and other relevant factors. Receivables deemed uncollectible are written off to bad debt expense in the year of management's determination. Accounts receivable over 90 days past due were \$19,250 at December 31, 2022.

Net Assets

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions include resources with donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by using the resources in the manner specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation had no net assets with donor restrictions as of December 31, 2022.

ACCOUNTS RECEIVABLE

The Foundation's accounts receivable consisted of the following at December 31, 2022:

Tickets, sponsorships, and suites for events in 2022.....	\$262,000
Less: Allowance for uncollectible accounts.....	<u> </u>
	<u>\$262,000</u>

Substantially all of the accounts receivable balance at December 31, 2022 was collected in early 2023.

Four patrons owed 97% of the accounts receivable balance at December 31, 2022. At December 31, 2021, the Foundation's net accounts receivable balance was \$223,500.

CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received \$180,500 in contributed nonfinancial assets for the year ended December 31, 2022. The Foundation receives items to be sold at its auctions. Contributed auction items are valued at the gross selling price received. All contributed auction items in 2022 were without donor restrictions and were sold at the concert events.

DEFERRED REVENUE

The Foundation's deferred revenue consisted of the following at December 31, 2022:

Deposits for 2023 concert events.....	<u>\$130,500</u>
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LINE OF CREDIT

The Foundation has a \$150,000 operating line of credit with Virginia National Bank. The line of credit expires on November, 1 2027. The line of credit requires monthly payments of interest only, charged at the variable rate of Prime plus 1%. The line is secured by all accounts, chattel paper, and general intangibles. There was no outstanding balance on the line of credit at December 31, 2022.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FUNCTIONAL ALLOCATION OF EXPENSES

The statement of functional expenses reports certain categories of expenses that are attributed to both program and support functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Foundation allocates employee compensation and benefits and payroll taxes on the basis of estimates of employee time and effort. Professional services related to the Dual Sympathetic Reset treatment program are allocated to program services. Credit card merchant fees related to specific concerts and special events are allocated to those specific concerts and special events.

LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments.

The Foundation manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets to fund near-term operating needs

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, available within one year of the statement of financial position date, comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 833,491
Accounts receivable.....	<u>262,000</u>
	<u>\$1,095,491</u>

As part of the Foundation's liquidity management plan, the Foundation maintains financial assets at a level equal to nine months of operating expenses plus deposits for future concert events.

INCOME TAXES

As stated in the **NATURE OF ACTIVITIES** note, the Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, it is liable for income taxes on unrelated business income. The Foundation had no net taxable unrelated business income in 2022.

EQUITY PLEDGES

In 2021, the Foundation received pledges from two individuals to receive a portion of their equity interests in a privately-held company. The Foundation could not obtain sufficient information in order to determine the fair value of the equity pledges in 2022 and, therefore, did not record the pledges receivable as of December 31, 2022.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 2023, which is the date the financial statements were available to be issued.