

SPOOKSTOCK FOUNDATION
LEESBURG, VIRGINIA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023



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, 2023, 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, 2023, 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.

Hantzman Wiebel LLP

Charlottesville, Virginia
February 21, 2024

SPOOKSTOCK FOUNDATION

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2023

ASSETS		LIABILITIES AND NET ASSETS	
CURRENT ASSETS		LIABILITIES	
Atlantic Union Bank checking account	\$ 21,514	Accounts payable and other accrued liabilities	\$ 17,321
VNB checking account	215,364	Credit cards	<u>52,524</u>
VNB money market account	<u>186,199</u>		
		Total current liabilities	<u>69,845</u>
Total cash and cash equivalents	<u>423,077</u>		
Accounts receivable.....	136,870	NET ASSETS	
Allowance for credit losses	<u>(8,500)</u>	Net assets without donor restrictions	<u>624,646</u>
Accounts receivable - net	<u>128,370</u>	Total net assets	624,646
Receivable from related party	<u>4,359</u>		
Prepaid expenses and other assets	<u>138,685</u>		
Total current assets	<u>694,491</u>		
Total assets	<u><u>\$ 694,491</u></u>	Total liabilities and net assets	<u><u>\$ 694,491</u></u>

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

SPOOKSTOCK FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Concerts and special events:			
Income from concerts and special events	\$ 4,618,660	\$	\$ 4,618,660
Direct expenses	(3,333,380)	....	( 3,333,380)
Concerts and special events, net	1,285,280	....	1,285,280
Contributed nonfinancial assets	308,710	....	308,710
All other contributions	704,505	....	704,505
Investment income	10,999	....	10,999
Total revenue and support	2,309,494	....	2,309,494
EXPENSES			
Program services	2,762,499	....	2,762,499
Management and general	201,318	....	201,318
Fund-raising .....	....	....	....
Total expenses	2,963,817	....	2,963,817
CHANGE IN NET ASSETS	(654,323)	....	( 654,323)
NET ASSETS, BEGINNING OF YEAR	1,278,969	....	1,278,969
NET ASSETS, END OF YEAR	\$ 624,646	\$	\$ 624,646

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

SPOOKSTOCK FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	CONCERTS AND SPECIAL EVENTS	TOTAL EXPENSES
Grants and charitable contributions	\$ 2,057,000	\$	\$	\$	\$ 2,057,000
Compensation expense	215,417	41,026	....	365,389	621,832
Less: Leased employee compensation expense	(19,167)	(5,000)	....	( 42,500)	(66,667)
Payroll tax expense	16,193	2,566	....	23,090	41,849
Less: Leased employee payroll tax expense	(3,861)	(72)	....	( 610)	(4,543)
Professional services	496,917	36,963	....	....	533,880
Computer support and website expense .....	....	40,566	....	....	40,566
Office expenses .....	....	61,196	....	....	61,196
Travel .....	....	....	....	443,577	443,577
Meals and entertainment .....	....	....	....	28,001	28,001
Cost of events .....	....	....	....	2,466,668	2,466,668
Provision for expected credit losses.....	....	8,500	....	....	8,500
Insurance expense .....	....	13,499	....	....	13,499
Credit card and bank fees .....	....	2,074	....	49,765	51,839
	<u>2,762,499</u>	<u>201,318</u>	<u>....</u>	<u>3,333,380</u>	<u>6,297,197</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>(3,333,380)</u>	<u>(3,333,380)</u>
Total functional expenses	<u>\$ 2,762,499</u>	<u>\$ 201,318</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,963,817</u>

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

SPOOKSTOCK FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$ 654,323)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Provision for expected credit losses	8,500
(Increase) decrease in operating assets:	
Accounts receivable	125,130
Prepaid expenses and other assets	230,711
Increase (decrease) in operating liabilities:	
Accounts payable	(23,932)
Credit card payables	38,359
Deferred revenue	<u>(130,500)</u>
Net cash used in operating activities	<u>(406,055)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments made of behalf of related party	<u>(4,359)</u>
Net cash used in investing activities	<u>(4,359)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (410,414)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 833,491

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 423,077

(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 supporting the flourishing of shadow warriors 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, 2023 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 and provides grants to organizations that provide medical treatments for active and retired special operators struggling with post-traumatic stress injury (PTSI).

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) 958, *Not-for-Profit Entities*.

Recent Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) that significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

SPOOKSTOCK FOUNDATION

NOTES TO 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 2023. 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, 2023.

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. The Foundation had no contract assets at December 31, 2023 or 2022 and no contract liabilities at December 31, 2023. Contract liabilities totaled \$130,500 at December 31, 2022.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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. Accounts receivable over 90 days past due were \$84,500 at December 31, 2023.

Allowance for Credit Losses

The Foundation provides an allowance for credit losses, as estimated by management. The allowance is based on historic losses based on the aging of the receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Foundation. The Foundation's policy is to write off receivables when there is information that indicates a customer is facing significant financial difficulty and there is no possibility of recovery. There were no accounts receivable written off as uncollectible during the year ended December 31, 2023. In the general course of business, trade receivables held by the Foundation are generally unsecured and subject to certain credit risks.

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.

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, 2023.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

ACCOUNTS RECEIVABLE

The Foundation's accounts receivable consisted of the following at December 31, 2023:

Tickets, sponsorships, and suites for events in 2023	\$136,870
Less: Allowance for credit losses.....	<u>8,500</u>
	<u>\$128,370</u>

Four patrons owed 89% of the accounts receivable balance at December 31, 2023. At December 31, 2022, the Foundation's net accounts receivable balance was \$262,000.

ALLOWANCE FOR CREDIT LOSSES

The Foundation's allowance for credit losses for accounts receivable and the related activity are as follows:

Beginning balance	\$
Provision for credit losses	8,500
Write-offs .....	...
Recoveries	<u>...</u>
Ending balance	<u>\$ 8,500</u>

RECEIVABLE FROM RELATED PARTY

The Foundation made payments on behalf of Operator Relief Fund, Inc., a nonprofit organization with common management and some common board members with the Foundation. Neither organization has the power to appoint board members to the other organization.

CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received \$308,710 in contributed nonfinancial assets for the year ended December 31, 2023. 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 2023 were without donor restrictions and were sold at the concert events.

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 minimum interest rate is 7%. 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, 2023.

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, 2023:

Cash and cash equivalents	\$423,077
Accounts receivable – net	128,370
Receivable from related party.....	<u>4,359</u>
	<u>\$555,806</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 2023.

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 2023 and, therefore, did not record the pledges receivable as of December 31, 2023.

SPOOKSTOCK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2024, which is the date the financial statements were available to be issued.