

**Historic Wilmington
Foundation, Inc.**

Financial Statements
For the Year Ended December 31, 2021
(with Comparative Totals for 2020)



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Historic Wilmington Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Historic Wilmington Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Historic Wilmington Foundation, Inc. as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Historic Wilmington Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Historic Wilmington Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Historic Wilmington Foundation, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eamy & Company, L.L.P.

Wilmington, North Carolina
July 28, 2022

Historic Wilmington Foundation, Inc.
Statement of Financial Position
As of December 31, 2021

	2021			Total	2020 Comparative Total
	Without Donor Restrictions Operations	With Donor Restrictions Purpose			
		Restrictions	Endowments		
ASSETS					
Current Assets					
Cash & cash equivalents	\$ 95,414	\$ 66,750	\$ -	\$ 162,164	\$ 122,256
Investments (Note 7)	100	-	-	100	100
Inventory	128,454	-	-	128,454	106,049
Other current assets	23,034	-	-	23,034	23,305
Total Current Assets	<u>247,002</u>	<u>66,750</u>	<u>-</u>	<u>313,752</u>	<u>251,710</u>
Assets whose use is limited investments (Note 7)	<u>940,871</u>	<u>-</u>	<u>185,304</u>	<u>1,126,175</u>	<u>881,436</u>
Net property (Note 2)	<u>364,428</u>	<u>-</u>	<u>-</u>	<u>364,428</u>	<u>372,960</u>
Total Assets	<u>\$ 1,552,301</u>	<u>\$ 66,750</u>	<u>\$ 185,304</u>	<u>\$1,804,355</u>	<u>\$1,506,106</u>
LIABILITIES & NET ASSETS					
Current Liabilities					
Accounts payable	\$ 4,660	\$ -	\$ -	\$ 4,660	\$ 3,987
Deferred revenue	18,845	-	-	18,845	7,545
Accrued payroll	5,450	-	-	5,450	11,645
Other current liabilities	100	-	-	100	-
Total Current Liabilities/Total Liabilities	<u>29,055</u>	<u>-</u>	<u>-</u>	<u>29,055</u>	<u>23,177</u>
Net Assets					
Without donor restrictions	1,523,246	-	-	1,523,246	1,297,625
With donor restrictions	<u>-</u>	<u>66,750</u>	<u>185,304</u>	<u>252,054</u>	<u>185,304</u>
Total Net Assets	<u>1,523,246</u>	<u>66,750</u>	<u>185,304</u>	<u>1,775,300</u>	<u>1,482,929</u>
Total Liabilities & Net Assets	<u>\$ 1,552,301</u>	<u>\$ 66,750</u>	<u>\$ 185,304</u>	<u>\$1,804,355</u>	<u>\$1,506,106</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Historic Wilmington Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	2021			2020 Comparative Total	
	Without Donor Restrictions	With Donor Restrictions Purpose			
	Operations	Restrictions	Endowments		Total
SUPPORT & REVENUE					
Fundraising events (Note 5)	\$ 71,790	\$ -	\$ -	\$ 71,790	\$ 57,253
Less: Direct fundraising events cost	(9,243)	-	-	(9,243)	(4,119)
Net Fundraising Revenue	<u>62,547</u>	<u>-</u>	<u>-</u>	<u>62,547</u>	<u>53,134</u>
Program revenues	8,567	75,000	-	83,567	9,537
Memberships & cash contributions	52,958	-	-	52,958	54,202
Legacy Architectural Salvage					
Program (Note 6)	146,000	-	-	146,000	127,801
Extinguishment of debt (Note 9)	-	38,900	-	38,900	34,400
In-kind contributions	168,405	-	-	168,405	56,870
Endowment & other investment income (loss)	17,750	-	-	17,750	20,670
Assets released from restriction	47,150	(47,150)	-	-	-
Total Support & Revenue	<u>503,377</u>	<u>66,750</u>	<u>-</u>	<u>570,127</u>	<u>356,614</u>
EXPENSES					
Preservation & Restoration					
Cost of goods sold	146,000	-	-	146,000	123,436
Other	200,688	-	-	200,688	174,360
Administrative	105,384	-	-	105,384	97,897
Fundraising	52,671	-	-	52,671	58,846
Total Expenses	<u>504,743</u>	<u>-</u>	<u>-</u>	<u>504,743</u>	<u>454,539</u>
Excess of Support & Revenue Over (Under) Expenses	<u>(1,366)</u>	<u>66,750</u>	<u>-</u>	<u>65,384</u>	<u>(97,925)</u>
Unrealized market appreciation (depreciation) of investments	226,987	-	-	226,987	31,228
Change in Net Assets	225,621	66,750	-	292,371	(66,697)
Net Assets, Beginning	<u>1,297,625</u>	<u>-</u>	<u>185,304</u>	<u>1,482,929</u>	<u>1,549,626</u>
Net Assets, Ending	<u>\$ 1,523,246</u>	<u>\$ 66,750</u>	<u>\$ 185,304</u>	<u>\$1,775,300</u>	<u>\$1,482,929</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Historic Wilmington Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	2021			
	<u>Preservation & Restoration</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Operating Expenses				
Salaries	\$ 93,723	\$ 52,244	\$ 38,576	\$184,543
Benefits	11,846	6,603	4,876	23,325
Payroll taxes	<u>7,686</u>	<u>4,284</u>	<u>3,163</u>	<u>15,133</u>
Total Salaries & Related Expenses	<u>113,255</u>	<u>63,131</u>	<u>46,615</u>	<u>223,001</u>
Professional services	4,700	5,875	1,175	11,750
Office expense	9,569	7,885	1,963	19,417
Cost of goods sold	146,000	-	-	146,000
Legacy Architectural Salvage Program	19,011	-	-	19,011
Occupancy	6,472	5,178	1,295	12,945
Plaque sales & walking tour expense	7,158	-	-	7,158
Other program & fundraising expense	8,299	6,492	1,623	16,414
Insurance	19,708	9,707	-	29,415
Demolition by neglect	8,250	-	-	8,250
Bad debt expense	-	<u>2,850</u>	-	<u>2,850</u>
Total Operating Expenses	<u>342,422</u>	<u>101,118</u>	<u>52,671</u>	<u>496,211</u>
Non-Operating Expenses				
Depreciation	<u>4,266</u>	<u>4,266</u>	-	<u>8,532</u>
Total Non-Operating Expenses	<u>4,266</u>	<u>4,266</u>	-	<u>8,532</u>
Special events	-	-	<u>9,243</u>	<u>9,243</u>
Total Functional Expenses	<u>346,688</u>	<u>105,384</u>	<u>61,914</u>	<u>513,986</u>
Special events net in revenue	-	-	<u>(9,243)</u>	<u>(9,243)</u>
Statement of Activities Expenses	<u>\$ 346,688</u>	<u>\$ 105,384</u>	<u>\$ 52,671</u>	<u>\$504,743</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Historic Wilmington Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	2020			
	Preservation & Restoration	Administrative	Fundraising	Total
Operating Expenses				
Salaries	\$ 89,818	\$ 54,351	\$ 42,676	\$186,845
Benefits	12,488	7,557	5,933	25,978
Payroll taxes	<u>8,482</u>	<u>5,133</u>	<u>4,030</u>	<u>17,645</u>
Total Salaries & Related Expenses	<u>110,788</u>	<u>67,041</u>	<u>52,639</u>	<u>230,468</u>
Professional services	1,960	2,450	490	4,900
Office expense	10,213	8,877	2,074	21,164
Cost of goods sold	123,436	-	-	123,436
Legacy Architectural Salvage Program	20,962	-	-	20,962
Occupancy	11,074	8,859	2,215	22,148
Plaque sales & walking tour expense	6,996	-	-	6,996
Other program & fundraising expense	<u>8,100</u>	<u>6,404</u>	<u>1,428</u>	<u>15,932</u>
Total Operating Expenses	<u>293,529</u>	<u>93,631</u>	<u>58,846</u>	<u>446,006</u>
Non-Operating Expenses				
Depreciation	<u>4,267</u>	<u>4,266</u>	-	<u>8,533</u>
Total Non-Operating Expenses	<u>4,267</u>	<u>4,266</u>	-	<u>8,533</u>
Special events	-	-	<u>4,119</u>	<u>4,119</u>
Total Functional Expenses	<u>297,796</u>	<u>97,897</u>	<u>62,965</u>	<u>458,658</u>
Special events net in revenue	-	-	<u>(4,119)</u>	<u>(4,119)</u>
Statement of Activities Expenses	<u>\$ 297,796</u>	<u>\$ 97,897</u>	<u>\$ 58,846</u>	<u>\$454,539</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Historic Wilmington Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021			2020 Comparative Total	
	Without Donor Restrictions	With Donor Restrictions			
	Operations	Purpose Restrictions	Endowments		Total
Cash Flows From Operating Activities					
Cash Collections for:					
Support & revenue	\$ 448,501	\$ 75,000	\$ -	\$523,501	\$ 340,333
Extinguishment of debt	-	38,900	-	38,900	34,400
Less: Cash Payments for:					
Salaries & related expenses	(223,001)	-	-	(223,001)	(230,468)
Other operating expenses	(281,742)	-	-	(281,742)	(224,071)
Assets released from restriction	47,150	(47,150)	-	-	-
Net Cash Provided (Used) By Operating Activities	(9,092)	66,750	-	57,658	(79,806)
Cash Flows From Investing Activities					
Investment activities, net	(17,750)	-	-	(17,750)	127,459
Net Cash Provided (Used) By Investing Activities	(17,750)	-	-	(17,750)	127,459
Cash Flows From Financing Activities					
Loan payments received	-	-	-	-	-
Net Cash Provided (Used) By Financing Activities	-	-	-	-	-
Net Increase (Decrease) in Cash	(26,842)	66,750	-	39,908	47,653
Cash & Cash Equivalents, Beginning	122,256	-	-	122,256	74,603
Cash & Cash Equivalents, Ending	\$ 95,414	\$ 66,750	\$ -	\$162,164	\$ 122,256
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:					
Change in net assets	\$ 225,621	\$ 66,750	\$ -	\$292,371	\$ (66,697)
Depreciation	8,532	-	-	8,532	8,533
Unrealized (gain) loss	(226,987)	-	-	(226,987)	(31,228)
Non-cash inventory (increase) decrease	(22,405)	-	-	(22,405)	9,696
Other current assets (increase) decrease	269	-	-	269	1,508
Other current liabilities increase (decrease)	5,878	-	-	5,878	(1,618)
Net Cash Provided (Used) By Operating Activities	(9,092)	66,750	-	57,658	(79,806)
Supplemental Disclosure					
Interest paid				\$ -	\$ -
Income taxes paid				\$ -	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

1. ORGANIZATION

Historic Wilmington Foundation, Inc. (the "Foundation") is a non-profit organization incorporated on August 4, 1966. The Foundation is exempt from federal income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, contributions to the Foundation may be deductible by donors and related purpose income is exempt from income tax. The Foundation files Form 990, *Return of Organization Exempt From Income Tax*, with the IRS and North Carolina Department of Revenue and is generally no longer subject to examination by the IRS for fiscal years prior to 2018.

The Foundation's mission is to protect and preserve the irreplaceable historic resources of Wilmington and the Lower Cape Fear Region. In accordance with that mission, the Foundation monitors 87 certified historic structures by holding either preservation easements or deed restrictions on these properties. Of the 87 certified historic structures that are monitored, the Foundation holds preservation easements on 37 within nationally registered historic districts. The Foundation also makes loans, guarantees loans, and occasionally purchases homes for historic preservation purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated net assets for an operating reserve and board-designated endowment from net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events 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, which 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 \$66,750 of net assets with donor restrictions as of December 31, 2021. In 2021, the total amount of net assets with donor restrictions were for the Revolving Grant Fund Program. Endowment funds of \$185,304 that are perpetual in nature.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and certificates of deposit with maturities of less than three months. From time to time during the periods presented, the Foundation has had cash balances in financial institutions that have exceeded the federal depository insurance limits. The Foundation deposits its cash with high quality institutions, and management believes the Foundation is not exposed to significant credit risk on those amounts.

Cash and cash equivalents are \$162,164 for financial reporting purposes as of December 31, 2021.

Accounts and Other Receivables

Accounts and other receivables primarily consist of amounts due from sponsors. Management believes that all outstanding accounts and other receivables are collectible in full; therefore, no allowance for uncollectible receivables has been received.

Inventory

Inventory, consisting of donated architectural components and building materials for sale as part of the Foundation's Legacy Architectural Salvage Program (see Note 6), is stated at the estimated fair value.

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

Property and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings & improvements	40 years
Furniture & equipment	5-7 years
Vehicles	5 years
Technology	3 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of December 31:

	2021	2020
Land	\$ 88,815	\$ 88,815
Buildings	289,122	289,122
Furniture & equipment	25,673	25,673
Leasehold improvements	<u>11,000</u>	<u>11,000</u>
	414,610	414,610
Less: Accumulated depreciation	<u>(50,182)</u>	<u>(41,650)</u>
Net Property	<u>\$364,428</u>	<u>\$372,960</u>

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises, such as matching grants, are not recognized until they become unconditional, which is until all conditions on which they depend are substantially met.

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

In-Kind Contributions

The Foundation periodically receives contributions in a form other than cash or investments. If the Foundation receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Foundation's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. See also Note 6 for Legacy Architectural Salvage store's donated inventory.

The Foundation benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Foundation's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. No amounts for donated services were recognized in the financial statements, as the criteria for recognition have not been met. However, for fiscal year 2021, volunteers donated approximately 6,647 hours of time to the Foundation.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases, such as time spent, salaries, square feet, and other bases.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising costs, including advertising, are expensed as incurred even though they may result in contributions received in future years.

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through July 28, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet general expenditures over the next 12 months are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash & cash equivalents	\$162,164	\$122,256
Investments convertible to cash in the next 12 months	<u>100</u>	<u>100</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$162,264</u>	<u>\$122,356</u>

The Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows on page 8 identifies the sources and uses of cash and shows positive cash generated by operations. The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

4. RETIREMENT PLAN

The Foundation maintains a Simplified IRA covering all employees with the Foundation and matches contributions equal to 3% of eligible compensation into individual accounts established for each participant. The total expense under the plan amounted to \$5,455 for the year ended December 31, 2021 and \$5,583 for the year ended December 31, 2020.

5. FUNDRAISING EVENTS

Fundraising events consisted of the following for the years ended December 31:

	2021					
	Home Tour	Run Through History	Luncheon	Promenade Performance	Misc.	Total
Revenue	\$2,500	\$ 15,018	\$33,802	\$ 12,616	\$7,854	\$71,790
Expenses	-	-	(5,515)	(2,499)	(1,229)	(9,243)
Net Fundraising Revenue	<u>\$2,500</u>	<u>\$ 15,018</u>	<u>\$28,287</u>	<u>\$ 10,117</u>	<u>\$6,625</u>	<u>\$62,547</u>

	2020					
	Home Tour	Run Through History	Luncheon	Promenade Performance	Misc.	Total
Revenue	\$ 665	\$ 22,150	\$27,317	\$ -	\$7,121	\$57,253
Expenses	(92)	-	(4,002)	-	(25)	(4,119)
Net Fundraising Revenue	<u>\$ 573</u>	<u>\$ 22,150</u>	<u>\$23,315</u>	<u>\$ -</u>	<u>\$7,096</u>	<u>\$53,134</u>

6. LEGACY ARCHITECTURAL SALVAGE PROGRAM

The Foundation implemented the Legacy Architectural Salvage Program in 2015. Architectural components and building materials (circa 1960 and older) salvaged from deconstruction and renovation projects are contributed to the Foundation where they are warehoused and made available for sale to the general public. The program is currently funded by sales of donated inventory, as well as a reimbursement grant from the City of Wilmington.

A summary of activity in the Legacy Architectural Salvage store is as follows for the years ended December 31:

	2021	2020
Donated inventory (included with in-kind contributions)	<u>\$168,405</u>	<u>\$ 56,870</u>
Program Revenue:		
Sales of donated inventory	\$146,000	\$123,436
City of Wilmington grant	-	4,365
Total Program Revenue	<u>\$146,000</u>	<u>\$127,801</u>
Program Expense:		
Cost of goods sold	\$146,000	\$123,436
Other	19,011	20,962
Total Program Expense	<u>\$165,011</u>	<u>\$144,398</u>

Historic Wilmington Foundation, Inc.
Notes to Financial Statements
December 31, 2021

7. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Assets whose use is limited includes various investments recorded at fair market value as listed below, which enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The financial statements require that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

In determining fair value, the Foundation uses various valuation approaches. For example, equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price or if there is no sale and the market is considered active, at the mean of the last bid and ask prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Fair values of assets classified by investment categories and measured on a recurring basis are as follows for the years ended:

	December 31, 2021			December 31, 2020		
	Quoted Prices in Active Markets for Identical			Quoted Prices in Active Markets for Identical		
	Cost	Assets (Level 1)	Unrealized Gain (Loss)	Cost	Assets (Level 1)	Unrealized Gain (Loss)
Money market	\$ 57,519	\$ 57,519	\$ -	\$ 46,455	\$ 46,455	\$ -
ETFs	23,856	34,753	10,897	-	-	-
Stocks	<u>350,967</u>	<u>1,034,003</u>	<u>683,036</u>	<u>368,135</u>	<u>835,081</u>	<u>466,946</u>
Total	<u>\$432,342</u>	<u>\$ 1,126,275</u>	<u>\$693,933</u>	<u>\$414,590</u>	<u>\$ 881,536</u>	<u>\$466,946</u>
Unrealized market appreciation (depreciation)			<u>\$226,987</u>			<u>\$ 31,228</u>
Endowment & other investment income (loss)			<u>\$ 17,750</u>			<u>\$ 20,670</u>

The change in unrealized market appreciation (depreciation) of \$226,987 for the year ended December 31, 2021 and \$31,228 for the year ended December 31, 2020 is included in the accompanying statement of activities.

Investments are classified as follows on the accompanying statement of financial position as of December 31:

	2021	2020
Current	\$ 100	\$ 100
Assets whose use is limited	<u>1,126,175</u>	<u>881,436</u>
Total Investments	<u>\$1,126,275</u>	<u>\$881,536</u>

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8. ENDOWMENT

The Foundation has two endowment funds, a Donor-Restricted Endowment Fund and an Urban Endowment Fund.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of donor-restricted endowment funds to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA.

The Foundation has adopted investment and spending policies, approved by the Board, for 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 these endowment assets over the long-term. The Foundation's investment and spending policies work together to achieve this objective. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equities and debt instruments to achieve its long-term objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for programs and administration. The current spending policy is to distribute an amount at most equal to 4% of the fair value of the endowment funds at the previous fiscal year end. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund is as follows as of December 31, 2021:

	Board Restricted Operations	With Donor Restrictions Purpose		
		Restrictions	Endowments	Total
Urban Endowment Fund	\$375,000	\$ -	\$ 140,104	\$515,104
Donor-Restricted Endowment Fund	-	-	45,200	45,200
Total Endowment Fund Net Assets	<u>\$375,000</u>	<u>\$ -</u>	<u>\$ 185,304</u>	<u>\$560,304</u>

Changes in endowment net assets are as follows as of December 31, 2021:

	Board Restricted Operations	With Donor Restrictions Purpose		
		Restrictions	Endowments	Total
Endowment net assets, beginning	\$ 375,000	\$ -	\$ 185,304	\$560,304
Contributions	-	-	-	-
Dividends & other	-	-	-	-
Market appreciation	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, ending	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ 185,304</u>	<u>\$560,304</u>

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9. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The Foundation expected to be materially and adversely affected by the risks related to the COVID-19 pandemic. Management proactively responded by conserving cash, continuing to operate with a balanced budget, and seeking available government funding.

In 2020, the Foundation applied for the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan, which was established under the CARES Act. The Foundation received loan proceeds totaling \$34,400. The PPP loan was designed to keep workers on the payroll for 24 weeks and the proceeds were used for payroll, rent, mortgage interest, and utilities. The loan was forgiven and recognized as revenue in the 2020 financial statements.

In 2021, the Foundation applied for the second round of the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan, which was established under the CARES Act. The Foundation received loan proceeds totaling \$38,900. The PPP loan was designed to keep workers on the payroll for 24 weeks and the proceeds were used for payroll, rent, mortgage interest, and utilities. The loan was forgiven and recognized as revenue in these 2021 financial statements.

10. CONCENTRATIONS OF RISK

Amounts held in financial institutions are in excess of the Securities Investor Protection Corporation limits. The Foundation deposits its cash with high quality institutions, and management believes the Foundation is not exposed to significant credit risk on those amounts.

The Foundation's revenues are almost entirely received from legal entities and individuals located in the Wilmington, North Carolina area. As such, the Foundation's ability to generate resources is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in membership that coincides with an increase in demand for the Foundation's services.

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11. CONTINGENCIES

From time to time, the Foundation may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Foundation is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Foundation purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, pollution liability, and various other insurable risks. For 2021 and 2020, the Foundation carries property insurance in the amount of \$250,000 with a deductible of \$1,000.

In 2021 and 2020, professional liability and general liability stop loss coverage is on a claims made basis; general liability is written on an occurrence basis. No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above. The Foundation carries an umbrella liability policy of \$1,000,000.