



DOWNTOWN WYTHEVILLE INCORPORATED

FINANCIAL REPORT

December 31, 2022



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Downtown Wytheville Incorporated
Wytheville, Virginia

We have reviewed the accompanying financial statements of Downtown Wytheville Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Downtown Wytheville Incorporated and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In our report dated July 27, 2022, we concluded that we were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. As described in Note 8, Downtown Wytheville Incorporated has restated the 2021 financial statements for the correction of a material misstatement. Our conclusion is not modified with respect to this matter.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 6, 2023

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 69,484	\$ 80,867
Restricted cash (Note 6)	119,350	8,162
Accounts receivable (Note 3)	-	57,225
Prepaid expenses	719	719
Revolving loan fund	8,000	8,000
	<u>197,553</u>	<u>154,973</u>
Total assets	<u>\$ 197,553</u>	<u>\$ 154,973</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 6,379
Accrued payroll	16,749	17,092
	<u>16,749</u>	<u>23,471</u>
Total liabilities	<u>16,749</u>	<u>23,471</u>
NET ASSETS		
Without donor restrictions	61,454	123,340
With donor restrictions	119,350	8,162
	<u>180,804</u>	<u>131,502</u>
Total net assets	<u>180,804</u>	<u>131,502</u>
Total liabilities and net assets	<u>\$ 197,553</u>	<u>\$ 154,973</u>

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of these statements.

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 99,283	\$ 119,350	\$ 218,633
Event revenue	3,884	-	3,884
Miscellaneous	6,823	-	6,823
Interest income	54	-	54
PPP loan forgiveness income (Note 7)	-	-	-
Net assets released from restrictions	8,162	(8,162)	-
	<u>118,206</u>	<u>111,188</u>	<u>229,394</u>
EXPENSES			
Program services	59,622	-	59,622
Management and general	120,470	-	120,470
	<u>180,092</u>	<u>-</u>	<u>180,092</u>
Change in net assets	(61,886)	111,188	49,302
NET ASSETS			
Beginning	123,340	8,162	131,502
Ending	<u>\$ 61,454</u>	<u>\$ 119,350</u>	<u>\$ 180,804</u>

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of this statement.

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	2021 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 149,221	\$ 8,162	\$ 157,383
Event revenue	5,075	-	5,075
Miscellaneous	2,331	-	2,331
Interest income	21	-	21
PPP loan forgiveness income (Note 7)	18,455	-	18,455
Net assets released from restrictions	-	-	-
Total revenue and support	175,103	8,162	183,265
EXPENSES			
Program services (Note 8)	33,833	-	33,833
Management and general (Note 8)	110,498	-	110,498
Total expenses	144,331	-	144,331
Change in net assets	30,772	8,162	38,934
NET ASSETS			
Beginning	92,568	-	92,568
Ending	\$ 123,340	\$ 8,162	\$ 131,502

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of this statement.

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	2022		
	Program Services	Management and General	Total
Program	\$ 16,134	\$ -	\$ 16,134
Personnel	-	98,476	98,476
Professional services	13,720	2,738	16,458
Supplies	1,065	285	1,350
Postage and shipping	-	-	-
Telecommunications	-	1,142	1,142
Marketing	5,165	3,289	8,454
Travel, conferences, and meetings	4,578	437	5,015
Insurance	-	1,976	1,976
Miscellaneous	689	127	816
Facilities and equipment	3,271	12,000	15,271
Bad debt expense	15,000	-	15,000
	<u>\$ 59,622</u>	<u>\$ 120,470</u>	<u>\$ 180,092</u>

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of this statement.

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	2021 (As Restated)		
	Program Services	Management and General	Total
Program	\$ -	\$ -	\$ -
Personnel (Note 8)	-	97,100	97,100
Professional services	19,047	4,166	23,213
Supplies	507	91	598
Postage and shipping	22	112	134
Telecommunications	591	318	909
Marketing	3,173	2,243	5,416
Travel, conferences, and meetings	221	112	333
Insurance	-	1,915	1,915
Miscellaneous	213	230	443
Facilities and equipment	10,059	4,211	14,270
Bad debt expense	-	-	-
	<u>\$ 33,833</u>	<u>\$ 110,498</u>	<u>\$ 144,331</u>

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of this statement.

DOWNTOWN WYTHEVILLE INCORPORATED

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 49,302	\$ 38,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Accounts receivable	57,225	(1,624)
Accounts payable	(6,379)	227
Accrued payroll	(343)	(30)
	<u>99,805</u>	<u>37,507</u>
Net cash provided by operating activities	99,805	37,507
Net increase in cash and cash equivalents	99,805	37,507
CASH AND CASH EQUIVALENTS		
Beginning	<u>89,029</u>	<u>51,522</u>
Ending	<u>\$ 188,834</u>	<u>\$ 89,029</u>
RECONCILIATION TO CASH ON STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 69,484	\$ 80,867
Restricted cash	<u>119,350</u>	<u>8,162</u>
	<u>\$ 188,834</u>	<u>\$ 89,029</u>

See Independent Accountant's Review Report.

The Notes to Financial Statements are an integral part of these statements.

DOWNTOWN WYTHEVILLE INCORPORATED

NOTES TO FINANCIAL STATEMENTS December 31, 2022

Note 1. **Organization, Nature of Activities, and Management Structure**

Downtown Wytheville Incorporated (DTW) is a 501(c)(3) organization that uses grant funds and other public and private donations to bring grassroots revitalization to Downtown Wytheville, and to forge strong partnerships and progressive strategies to make Downtown Wytheville the vibrant heart of the community and commerce for the region.

The affairs of DTW are managed by a Board of Directors elected to serve up to two consecutive three year terms. Officers are appointed at the annual meeting in January of each year to serve one-year terms.

Officers serving during the 2022 fiscal year were:

Josh Pennington – President
Shane Terry – Vice President
Lennon Counts – Treasurer

Officers elected to serve during the 2023 fiscal year are:

Josh Pennington – President
Shane Terry – Vice President
Rob Kern – Treasurer

The Executive Director of DTW is a non-voting member of the Board of Directors. The Executive Director is an employee of the Town of Wytheville, under a Memorandum of Understanding (MOU) with DTW.

Note 2. **Summary of Significant Accounting Policies**

Basis of financial statement presentation

The accompanying financial statements present information regarding DTW's financial position and activities according to two classes of net assets, differentiated based on the existence or absence of donor-imposed restrictions, which are described below:

Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Net assets with donor restrictions are limited in use by donor-imposed stipulations either that expire by the passage of time or that can be fulfilled by action of DTW pursuant to those stipulations. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity. There were \$119,350 and \$8,162 of net assets with donor restrictions at December 31, 2022 and 2021, respectively.

(Continued)

DOWNTOWN WYTHEVILLE INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue

Contributions

Contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions in the period received, as applicable. However, contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restriction class. Contributions of assets other than cash are recorded at their estimated fair value.

Miscellaneous revenue

DTW receives revenue from merchandise sales, permits and banners, and contract services. The revenue for these is recognized at the point of sale and at the time the services are performed.

Contributed services

During the years ended December 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist DTW, but these services do not meet the requirements for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Economic dependency

DTW receives the majority of its funding from state and local governmental agencies. DTW's operations are dependent upon continuing support from those grantors.

Cash and cash equivalents

For purposes of the statement of cash flows, DTW considers all cash on hand, checking accounts, and savings to be cash and cash equivalents. At December 31, 2022 and 2021, \$119,350 and \$8,162, respectively, of cash and cash equivalents was restricted for specific purposes.

Furniture, fixtures, and equipment

Equipment purchased by DTW with a value of \$2,500 or more and a useful life in excess of one year is capitalized and depreciated over the estimated life of the respective asset on a straight-line basis.

(Continued)

DOWNTOWN WYTHEVILLE INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Revolving loan fund

The revolving loan fund in the amount of \$8,000 on the statement of financial position is a pool of capital which, once repaid, can be used to cover expenses or fund other projects. The current outstanding balance of \$8,000 is owed to DTW by the Joint Industrial Development Authority of Wythe County, Virginia.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the nature classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services. Expenses that are common to multiple functions are allocated based upon the estimated time spent on program and administrative activities, as deemed reasonable by management.

Note 3. Accounts Receivable

Accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Government contributions	\$ -	\$ 57,225
	<u>\$ -</u>	<u>\$ 57,225</u>

Note 4. Operating Lease

DTW entered into a lease for office space in April 2021 for a term of 2 years, with an option to renew for an additional 120 days. This agreement including the exercise of the renewal option expires in August 2023 and has been renewed on a month-to-month basis with the option for either party to terminate the lease with 120 days written notice.

Rental payments for 2022 and 2021 totaled \$12,000.

Note 5. Retirement Benefits

The Executive Director is a full-time employee of the Town of Wytheville, under a MOU with DTW. The Town of Wytheville is a member of the Virginia Retirement System (VRS). Full-time employees of the Town of Wytheville are required to enroll in VRS and receive all benefits offered by VRS. This benefit is at a cost of 5% to the employee.

Employer contribution rates are established by VRS. From January 1, 2022 to June 30, 2022, the Town of Wytheville was required to contribute 10.64% to VRS for all full-time employees. Effective July 1, 2022, this contribution rate increased to 12.86%. For fiscal year 2022 and 2021, the Town of Wytheville contributed a total of \$6,895 and \$5,692, respectively, on behalf of the Executive Director, which was then paid by DTW pursuant to the MOU with the Town of Wytheville.

(Continued)

DOWNTOWN WYTHEVILLE INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 6. Financial Assets and Liquidity Resources

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of the balance sheet date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 188,834	\$ 89,029
Less: restricted cash	(119,350)	(8,162)
Accounts receivable	-	57,225
	<u>\$ 69,484</u>	<u>\$ 138,092</u>

DTW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. DTW considers general expenditures to be all expenditures related to its ongoing activities of bringing grassroots revitalization to Downtown Wytheville.

To help manage unanticipated liquidity needs, DTW receives funding from local and state agencies, including an annual grant from the Town of Wytheville. DTW also maintains a money market/savings account, in which excess funds are held.

Note 7. COVID-19

On February 5, 2021, Downtown Wytheville was approved for \$18,455 in funds for use through the Paycheck Protection Program. As of December 31, 2021, DTW used the full amount of these funds for approved costs that allow for complete loan forgiveness. As of August 3, 2021, the loan forgiveness application was approved in full. In accordance with accounting guidance, the \$18,455 has been included in PPP loan forgiveness income on the accompanying financial statements.

Note 8. Prior Period Adjustment

In fiscal year 2021, DTW corrected previously issued financial statements for a material misstatement. Accordingly, DTW has restated prior year balances related to the allocation of personnel expenses. The following is a summary of the prior period adjustment to the allocation of personnel expenses between program services and management and general as of December 31, 2021:

	<u>Program Services</u>	<u>Management and General</u>
Personnel expenses as previously reported, December 31, 2021	\$ 63,115	\$ 33,985
Change in allocation of personnel expenses	<u>(63,115)</u>	<u>63,115</u>
Personnel expenses as restated, December 31, 2021	<u>\$ -</u>	<u>\$ 97,100</u>

(Continued)

DOWNTOWN WYTHEVILLE INCORPORATED

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 8. Prior Period Adjustment (Continued)

	<u>Program Services</u>	<u>Management and General</u>
Total functional expenses as previously reported, December 31, 2021	\$ 96,948	\$ 47,383
Change in allocation of personnel expenses	<u>(63,115)</u>	<u>63,115</u>
Total functional expenses as restated, December 31, 2021	<u>\$ 33,833</u>	<u>\$ 110,498</u>

Note 9. Subsequent Events

In preparing these financial statements, DTW has evaluated events and transactions for potential recognition or disclosure through September 6, 2023, the date the financial statements were available to be issued.