

DUMAS WESLEY COMMUNITY CENTER

Mobile, Alabama

Independent Auditor's Report

Financial Statements

Year ended December 31, 2021

DUMAS WESLEY COMMUNITY CENTER
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Dumas Wesley Community Center
Mobile, Alabama

We have audited the accompanying financial statement of Dumas Wesley Community Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statement of activities, functional expenses and statement of cash flows for the year then ended, and the related notes to the financial statement.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dumas Wesley Community Center as of December 31, 2021, 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.

Ceresa M. Frenkel, P.C.

Mobile, Alabama
May 3, 2022

Dumas Wesley Community Center
STATEMENT OF FINANCIAL POSITION
December 31, 2021

Assets	
Current Assets:	
Cash and cash equivalents	\$ 517,266
Grants Receivable	4,479
Promises to give, net	213,567
Short term investments	518,243
Prepaid assets	<u>24,245</u>
Total current assets	1,277,800
Property and equipment:	
Land	350,882
Furniture and equipment	393,787
Buildings and improvements	4,393,241
Vehicles	<u>110,384</u>
	5,248,294
Less accumulated depreciation	<u>(3,212,299)</u>
Net property and equipment	2,035,995
Other Assets:	
Long-term investments, restricted	<u>3,317,226</u>
Total other assets	<u>3,317,226</u>
Total Assets	<u><u>\$ 6,631,021</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 6,457
Accrued liabilities	<u>2,039</u>
Total current liabilities	8,496
Long Term Liabilities	
Rent escrow	<u>2,569</u>
Total long term liabilities	<u>2,569</u>
Total Liabilities	11,065
Net Assets:	
Without donor restrictions	3,302,730
With donor restrictions	<u>3,317,226</u>
Total net assets	<u>6,619,956</u>
Total Liabilities and Net Assets	<u><u>\$ 6,631,021</u></u>

The accompanying notes are an integral part of these financial statements.

Dumas Wesley Community Center
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions, fees, grants	\$ 894,171	\$ 310,119	\$ 1,204,290
Federal grants	467,543	-	467,543
Local government grants	75,911	-	75,911
United Way	116,899	-	116,899
Income from funds in trust	-	28,737	28,737
Program service fees	23,478	-	23,478
Investment return, net	2,294	374,447	376,741
Fund Raising	15,601	-	15,601
Rental Income	30,040	-	30,040
Miscellaneous	2,402	-	2,402
Loss on disposal of assets	(13,179)	-	(13,179)
Gain from Extinguishment of SBA PPP	229,205	-	229,205
Net assets released from restrictions	-	-	-
Total revenues and other support	1,844,365	713,303	2,557,668
Expenses:			
Program Services			
Neighborhood Development	143,288	-	143,288
Special Programs for Aging	161,815	-	161,815
Sybil Smith Family Village	504,749	-	504,749
Family Daycare food program	493,764	-	493,764
	<u>1,303,616</u>	-	<u>1,303,616</u>
Supporting Services			
Management & General	221,335	-	221,335
Fund Raising	350	-	350
	<u>221,685</u>	-	<u>221,685</u>
Total expenses	1,525,301	-	1,525,301
Change in Net Assets	319,064	713,303	1,032,367
Net Assets Beginning of Year	2,983,666	2,603,923	5,587,589
Net Assets Ending of Year	<u>\$ 3,302,730</u>	<u>\$ 3,317,226</u>	<u>\$ 6,619,956</u>

The accompanying notes are an integral part of these financial statements.

Dumas Wesley Community Center
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	Program Services				Supporting Services		Total
	Neighborhood Development	Special Programs for the Aging	Sybil Smith Family Village	Family Daycare Food Program	Management and General	Fund Raising	
Advertising	\$ 769	\$ 769	\$ 836	\$ 769	\$ 963	\$ -	\$ 4,106
Bank Charges	3	5	3		735		746
Depreciation	16,319	16,318	46,410	16,319	32,637	-	128,003
Dues and Subscriptions	133	134	133	133	553	-	1,086
Employee benefits	3,771	8,665	20,934	9,420	10,330	-	53,120
Insurance	13,267	13,671	18,640	4,142	29,653	-	79,373
Interest	-	-	-	-	45	-	45
Janitorial	3,418	3,615	12,320	2,969	4,958	-	27,280
Miscellaneous	-	-	-	-	-	350	350
Occupancy	-	-	10,876	-	-	-	10,876
Payroll taxes	3,392	5,122	14,110	4,468	14,326	-	41,418
Postage and shipping	239	291	242	436	-	-	1,208
Printing	48	48	48	48	-	-	192
Professional Fees	3,132	3,132	2,950	3,132	11,832	-	24,178
Repairs and maintenance	9,331	8,833	48,574	6,099	9,850	-	82,687
Salaries	64,596	86,897	208,244	60,298	86,593	-	506,628
Security	365	365	41,824	302	518	-	43,374
Program Expenses	15,424	1,463	34,868	375,816	1,370	-	428,941
Supplies	1,400	1,981	6,853	1,030	5,070	-	16,334
Telephone	766	766	3,611	766	1,173	-	7,082
Transportation expense	57	2,882	902	759	201	-	4,801
Utilities	6,858	6,858	32,371	6,858	10,528	-	63,473
Total Expenses	\$ 143,288	\$ 161,815	\$ 504,749	\$ 493,764	\$ 221,335	\$ 350	\$ 1,525,301

The accompanying notes are an integral part of these financial statements.

Dumas Wesley Community Center
STATEMENT OF CASH FLOWS
Year ended December 31, 2021

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Cash flows from operating activities:	
Change in net assets	\$ 1,032,367
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	128,003
Receipt of SBA Payroll Protection Program	115,015
(Gain) Loss on sale of Property and Equipment	13,179
Realized and Unrealized Gains	(337,905)
Endowment fund Contributions	(310,119)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(52,223)
(Increase) decrease in prepaid expenses and deposits	(24,245)
Increase (decrease) in accounts payable and accrued expenses	(31,011)
Increase (decrease) in rent escrow	(8,246)
Increase (decrease) in SBA Payroll Protection Program	<u>(229,205)</u>
	<u>(736,757)</u>
Net cash provided by (used in) operating activities	295,610
Cash flows from investing activities:	
Capital expenditures	(88,669)
Sale of securities	1,237,401
Purchase of securities	<u>(1,619,988)</u>
Net cash used in investing activities	(471,256)
Cash flows from financing activities:	
SBA Payroll Protection Program	<u>115,015</u>
Net cash provided by (used in) financing activities	<u>115,015</u>
Net increase (decrease) in cash and cash equivalents	(60,631)
Cash and cash equivalents at beginning of year	<u>577,897</u>
Cash and cash equivalents at end of year	<u><u>\$ 517,266</u></u>
Supplemental Disclosures of Cash Flow Information:	
Gain from extinguishment of SBA Payroll Protection Program	<u><u>\$ 229,205</u></u>

The accompanying notes are an integral part of these financial statements.

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 - Agency and Summary of Significant Accounting Policies:

Organization

Dumas Wesley Community Center (the "Organization") operates a multipurpose community center serving the social needs of the residents of the Crichton community of the City of Mobile, Alabama. The Organization concentrates its services in the following areas: family home daycare; emergency shelter; leisure time activities; feeding programs for the elderly (both on-site and home bound); transportation for those individuals needing medical assistance throughout Mobile County; neighborhood visitations to stay abreast of issues confronting the community; and services directed to at-risk youth. In addition, the Organization operates the Sybil Smith Family Village. This program provides services for homeless men, women, and their children in cooperation with the Department of Housing and Urban Development and local support. The program intends by services rendered to move homeless women and men with children to a state of independence within a two-year period.

Summary of Significant Accounting Policies:

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The assets, liabilities and fund balances of the Organization are reported in one self-balancing funds.

Support and Revenue

Contributions and grants received are recorded as unrestricted support unless they are received with donor stipulations, in which case they are reported as donor restricted. Conditional grants received are reported as deferred support until all stipulated conditions are fulfilled. Upon meeting a donor's stipulation, net assets with donor restrictions are released to net assets without donor restrictions.

Rent revenue is received from three tenants and is recognized monthly over the terms of the respective leases. Fund Raising revenue is raised through events occurring throughout the year and consist of two primary events, which are the Plane Pull and Toy Store. The Plane Pull revenue is derived from entry fees and sponsorship donations and are recognized at the conclusion of the event. Toy Store revenue consists primarily of monetary and in-kind contributions, which are recognized in the period in which the event is held. Program services fees consists of summer camp fees and fees from the Sybil Smith Family Village residents and are recognized when received.

Basis of Presentation

The Organization reports information regarding its financial position and activities to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets without Donor Restrictions-These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 - Agency and Summary of Significant Accounting Policies (continued):

Basis of Presentation (continued)

Net Assets with Donor Restrictions-These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a 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 Organization does not recognize any support, revenues or expenses from services contributed by volunteers. If any support, revenues or expenses were recorded, they would be determined based on the difference of any amount paid to an individual, if any, and the comparable compensation which would be paid to an individual if they were to occupy those paid positions.

Unconditional promises to give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions.

Provisions for uncollectible accounts

Management provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on historical collection experience and a review of the current status of accounts receivable and unconditional promises to give. It is reasonably possible that management's estimate of the allowance for doubtful accounts will change. Due to the nature and collection of the receivable, management has determined that all receivables are collectible, and accordingly, no allowance for doubtful accounts has been recorded at December 31, 2021.

Property and Equipment

Fixed assets are carried at cost. Depreciation is computed using the straight-line method. Depreciation of property and equipment amounted to \$128,003 for the year ended December 31, 2021. The principal lives (in years) used in determining depreciation rates of various assets are buildings and improvements (10-31) and furniture and equipment (3-10). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Depreciation on contributed assets is recorded as an expense in the statement of activities.

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 - Agency and Summary of Significant Accounting Policies (continued):

Property and Equipment (continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Acquisitions and Improvements in excess of \$2,500 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Gains and losses resulting from the disposal of fixed assets are charged to income as incurred.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Estimates

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

Income taxes

Income taxes are not provided for in the financial statements since Dumas Wesley Community Center is a nonprofit organization and is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3) effective October 1968. The Organization is not classified as a private foundation.

The federal income tax returns of the Organization for 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Accounts Receivable

Accounts receivable represents amounts due for normal revenue sources and services. Management closely monitors outstanding balances and writes off all balances past due after a certain period of time and for which all collection efforts have been exhausted. No allowance for uncollectible accounts has been provided since management has determined that the potential for bad debts is not material at the statement of financial position date.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Advertising

The organization expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2021 was \$4,106.

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 2 - Cost Allocation:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of those expenses in these financial statements are as presented below:

Programs	\$ 1,303,616	85.47%
Management and administration	221,335	14.51%
Fund Raising	<u>350</u>	<u>0.02%</u>
Total	<u>\$ 1,525,301</u>	<u>100.00%</u>

Note 3 - Uncertain Tax Positions:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization has no net income derived from unrelated business activities for the year ended December 31, 2021. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Return (Form 990) for 2021, 2020 and 2019 are subject to examination by the IRS, generally for three years after they are filed.

Note 4 - Concentration of Credit Risk:

At various times during the year, the Organization maintained cash balances in its bank in excess of FDIC insurable limits.

Note 5 - Fair Value Measurements:

US GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Union has the ability to access.

Level 2: Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Level 3 are unobservable inputs for the asset or liability that are supported by little or no market activity and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 5 - Fair Value Measurements(continued):

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the asset falls is determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgement and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Union's perceived risk of liquidity for that asset.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair

Common stocks: The common stock investments are valued at the closing price as reported on the active market on which the individual securities are traded, and are classified within level 1 on the valuation hierarchy.

Money market funds: valued using a net asset value of \$1.

U.S. Government Securities and Corporate Notes and Bonds: The U.S. Government securities, Corporate Notes and Bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on the yields currently available on the comparable securities of issuers with similar credit ratings. These securities are classified within level 2 on the valuation hierarchy.

The following tables present the balances of assets measured at fair value by level within the fair value hierarchy as of:

December 31, 2021	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 1,032,510	\$ -	\$ -	\$ 1,032,510
Money Market Funds	69,343	-	-	69,343
Mutual Funds	2,215,373	-	-	2,215,373
Total Investments	\$ 3,317,226	\$ -	\$ -	\$ 3,317,226

Note 6 - Marketable Equity Securities:

In accordance with Financial Accounting Standards Board Statement No. 12, the marketable equity securities are carried at their lower of aggregate cost or market value at December 31, 2021.

The aggregate cost and market value of the marketable equity securities, by portfolio, are as follows:

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 6 - Marketable Equity Securities (continued):

	<u>Current Portfolio</u>
Aggregate Cost	\$ 2,863,644
Aggregate Market Value	3,317,226
Net Unrealized Gain	\$ 453,582

At December 31, 2021 the unrealized gains and (losses), by portfolio, are as follows:

	<u>Current Portfolio</u>
Gross Unrealized Gains	\$ 488,186
Gross Unrealized Losses	(34,604)
Net Unrealized Loss	\$ 453,582

The net realized gain (loss) included in net income is \$132,659 for the year ended December 31, 2021. The cost of the securities sold was determined by the specific identify method.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 consist of the following:

Sybil Smith Family Village Endowment	\$ 3,088,903
Community Foundation - Dumas Wesley Community Center	159,255
Congress Asset Management Fund	69,068
Total net assets with donor restrictions	\$ 3,317,226

Note 8 - Endowments

Donor restricted net assets as of December 31, 2021 included an endowment fund administered by the Community Foundation of South Alabama for the purpose of raising community capital. Investment earnings are unrestricted. Changes in the endowment fund are as follows:

Balance, beginning of year	\$ 144,701
Investment Return	16,522
Investment Fees	(1,968)
Balance, end of year	\$ 159,255

The Organization's Board has established a quasi-endowment fund for the purpose of maintaining ongoing support for the Sybil Smith Family Village. The quasi-endowment is funded from donor contributions restricted to the purpose of this program. Distributions from the endowment fund are to be limited to income generated annually, up to 5% of the previous calendar year fund balance. Invasion of corpus is allowable with an affirmative vote of 90% or more of the standing Board. Changes in the quasi-endowment fund are as follows:

Balance, beginning of year	\$ 2,404,337
Investment Return	697,716
Investment Fees	(13,150)
Balance, end of year	\$ 3,088,903

Dumas Wesley Community Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 9 - Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>
Financial assets at year-end	\$ 1,277,800
Less those unavailable for general expenditures within one year, due to:	
Rent escrow	<u>2,569</u>
Financial assets available to meet cash needs for general use:	<u>\$ 1,280,369</u>

Note 10 - Forgivable Loans Received Under the SBA Paycheck Protection Program

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. During 2020 and 2021, the Organization obtained a PPP loans that totaled \$229,205, which is included in the Organization's income at December 31, 2021. The note matures April 2022 and 2023 and bears interest at fixed annual rate of 1%, with the first six months of interest deferred. The Organization believes it used all of the proceeds from the notes for qualifying expenses and has received approval of its application for the loan to be forgiven; therefore, the Organization is recognizing a gain on forgiveness of the loans.

Note 11 - Risks and Uncertainties:

In March 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition and liquidity.

Note 12 - Subsequent Events:

Subsequent events were evaluated through May 3, 2022, which is the date the financial statements were available to be issued.