

The Homer Foundation
Reviewed Financial Statements
For the Years Ended June 30, 2022 and 2021

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Foster and Company, LLC

Karen M. Foster, CPA
Michael C. Foster, CPA

Independent Accountant's Review Report

Board of Trustees
The Homer Foundation
Homer, Alaska

We have reviewed the accompanying financial statements of The Homer Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 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.

Accountant's Conclusion

Based on our review, 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.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska

XXXX XX, 2023

THE HOMER FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Unrestricted Cash and Cash Equivalents	\$ 140,675	\$ 993,286
Investment Cash	181,992	155,551
Inventory	13,968	14,495
Cash Surrender Value of Life Insurance	-	566
Marketable Equity Securities	<u>4,725,178</u>	<u>4,302,136</u>
TOTAL ASSETS	\$ <u>5,061,813</u>	\$ <u>5,466,034</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Grants Payable	\$ 60,002	\$ 25,400
Accounts Payable	1,514	853
Payroll Taxes Payable	188	1,884
Deferred Revenue	38,400	-
Funds Managed for Others	<u>297,350</u>	<u>355,543</u>
TOTAL LIABILITIES	<u>397,454</u>	<u>383,680</u>
 NET ASSETS		
Net Assets without Donor Restrictions	3,779,197	4,101,257
Board Designated	136,274	133,659
Net Assets with Donor Restrictions	<u>748,888</u>	<u>847,438</u>
TOTAL NET ASSETS	<u>4,664,359</u>	<u>5,082,354</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,061,813</u>	\$ <u>5,466,034</u>

See Independent Accountant's Review Report and Notes to the Financial Statements

THE HOMER FOUNDATION
STATEMENTS OF ACTIVITIES - PAGE 1 of 2
YEARS ENDED JUNE 30, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
From Cash Operating, Non-Investment Activities		
Support (including \$ 631,464 and \$392,841 in assets released from restrictions in FY22 and FY21, respectively. See Note 7)		
Individual and Corporation	\$ 1,010,196	\$ 528,051
Foundation	25,224	14,741
Government	46,000	50,779
Subtotal - Support	1,081,420	593,571
Revenue		
Fundraising Event	1,771	81
Other Income, net of direct costs	225	2,128
Subtotal - Revenue	1,996	2,209
Revenue from Operating Investments Activities		
Interest and Dividend Income	116,210	69,825
Investment Revenue, Gain (Loss) on Sale	2,143	6,774
Total Revenue from Operating Investments	118,353	76,599
Total Support and Revenue	1,201,769	672,379
Expense		
Distributions and Grants	523,313	356,268
Personnel Costs	91,605	78,095
Reimbursed Expenses	5,858	10,241
Other Operating Expenses	68,599	42,707
Total Expense	689,375	487,311
Increase (Decrease) in Net Assets from Cash Operating		
Activities excluding depreciation and in-kind expenses	\$ 512,394	\$ 185,068

See Independent Accountant's Review Report and Notes to the Financial Statements

THE HOMER FOUNDATION
STATEMENTS OF ACTIVITIES - PAGE 2 of 2
YEARS ENDED JUNE 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
From Non-Cash Activities		
Allowance for Managed Funds	\$ 58,192	\$ (65,337)
Investment Revenue, Unrealized Gain (Loss)	(922,472)	741,008
In-Kind Goods and Services	43,515	19,900
In-Kind Donations - Facility Rental	(4,500)	(18,000)
In-Kind Donations - Professional Services	<u>(39,015)</u>	<u>(1,900)</u>
SUBTOTAL NON-CASH ACTIVITIES	<u>(864,280)</u>	<u>675,671</u>
Increase (Decrease) in Net Assets Without Donor Restrictions from Non-Operating and Non-Cash Activities	<u>(864,280)</u>	<u>675,671</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(351,886)</u>	<u>1,586,384</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	565,355	990,409
Net assets released from restrictions	<u>(631,464)</u>	<u>(392,841)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>(66,109)</u>	<u>597,568</u>
INCREASE (DECREASE) IN NET ASSETS	(417,995)	2,183,952
NET ASSETS, beginning of year	<u>5,082,354</u>	<u>2,898,402</u>
NET ASSETS, end of year	<u>\$ 4,664,359</u>	<u>\$ 5,082,354</u>

See Independent Accountant's Review Report and Notes to the Financial Statements

THE HOMER FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 and 2021

	Program Services	Management and General	Fundraising	2022 Total
Distributions and Grants	\$ 523,313	\$ -	\$ -	\$ 523,313
Personnel and Fringe Benefits	29,541	39,431	22,633	91,605
Professional Fees	-	5,879	-	5,879
Advertising	-	13,532	-	13,532
Office Expenses and Supplies	23,086	25,475	627	49,188
Other Expense	-	5,858	-	5,858
Total Cash Operating Expenses	<u>575,940</u>	<u>90,175</u>	<u>23,260</u>	<u>689,375</u>
In-kind Rent	-	4,500	-	4,500
In-kind Services	-	35,154	-	35,154
In-kind Supplies	-	3,861	-	3,861
 Total Expenses	 <u>\$ 575,940</u>	 <u>\$ 133,690</u>	 <u>\$ 23,260</u>	 <u>\$ 732,890</u>

	Program Services	Management and General	Fundraising	2021 Total
Distributions and Grants	\$ 293,810	\$ -	\$ -	\$ 293,810
Personnel and Fringe Benefits	56,854	26,621	-	83,475
Professional Fees	450	1,173	-	1,623
Advertising	2,818	5,875	-	8,693
Office Expenses and Supplies	19,494	14,593	3,219	37,306
Other Expense	-	5,203	561	5,764
Total Cash Operating Expenses	<u>373,426</u>	<u>53,465</u>	<u>3,780</u>	<u>430,671</u>
In-kind Rent	-	18,000	-	18,000
In-kind Services	-	1,900	-	1,900
 Total Expenses	 <u>\$ 373,426</u>	 <u>\$ 73,365</u>	 <u>\$ 3,780</u>	 <u>\$ 450,571</u>

See Independent Accountant's Review Report and Notes to the Financial Statements

THE HOMER FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (417,995)	\$ 2,183,952
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized (Gains) Losses on Investments	(1,304,371)	(384,704)
Net Unrealized (Gains) Losses on Investments	922,472	(741,009)
Net Cash Surrender Value of Life Insurance	566	1,472
 (Increase) Decrease in Operating Assets		
Accounts Receivable	-	420
Inventory	527	561
Prepaid Expenses	-	726
 Increase (Decrease) in Operating Liabilities		
Accounts Payable	661	363
Grants Payable	34,602	14,000
Payroll Taxes Payable	(1,696)	132
Deferred Revenue	38,400	-
Funds Managed For Others	<u>(58,193)</u>	<u>65,337</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(785,027)</u>	<u>1,141,250</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	<u>(41,143)</u>	<u>(370,168)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(41,143)</u>	<u>(370,168)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(826,170)</u>	<u>771,082</u>
 BEGINNING CASH AND CASH EQUIVALENTS	1,148,837	377,755
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 322,667</u>	<u>\$ 1,148,837</u>

See Independent Accountant's Review Report and Notes to the Financial Statements

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. Nature of Activities

The Homer Foundation (the "Foundation") is a community foundation established in 1991 to increase charitable resources in the southern Kenai Peninsula of Alaska. The Foundation receives contributions from individuals, businesses and other non-profit organizations most of whom live or work in the area benefitted by the Foundation's activities. These funds are held in trust and pooled together for investment purposes. The income earned on these funds is distributed annually in the form of grants to nonprofit agencies enhancing the quality of life for area citizens.

2. Summary of Significant Accounting Policies

Financial Statement Presentation – The Foundation's accounting records are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses when incurred.

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Classification of Revenue, Support and Net Assets

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for specific purposes or for future periods 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 statements of activities as net assets released from donor restrictions.

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies, *continued*

FASB ASC Topic 958-605, *Not-for-Profit Entities: Revenue Recognition*, and its subsequent interpretations, provides that if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as net assets without donor restrictions. Accordingly, such assets are classified in the accompanying financial statements as net assets without donor restrictions absent donor-imposed restrictions to maintain the assets permanently. This classification does not alter the longstanding policy of the Foundation to distribute assets entrusted to the Foundation in accordance with the original fund agreements and to manage the assets of the component funds in a manner similar to an endowment with only a portion of each component fund distributed annually, unless directed otherwise by the fund advisor.

Fund Groups

The Foundation maintains donated assets in individual component funds established primarily by donors. This framework classifies the Foundation's resources into funds established in accordance with the Foundation's objectives and ensures the observance of donor intentions. Grants charged to the individual funds are directed to purposes identified by the donors and by the Foundation's Distributions Committee.

Component Fund Investments and Spending Policy

Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value in the statements of financial position. The Foundation allocates realized and unrealized gains and losses on investments to the individual component funds based on the average balance for each fund measured on a monthly basis.

The Foundation's component funds are managed in such a way as to balance the generation of income for the distribution process with the preservation and growth of principal to equal or exceed inflation. The Foundation uses an income approach to determine how much will be available for annual distributions. Under this income approach interest and dividends realized from the investment portfolio, pass-through grants, matching grants and appropriations from net assets with donor restrictions may be awarded by the Board of Trustees. Growth from realized and unrealized gains and losses is thus available to maintain or increase the real value of the component funds.

The Foundation recognizes the gain or loss on non-hedging derivative instruments as changes in net assets in the period of change in accordance with FASB ASC 815-10-35-3.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows excludes cash and cash equivalents of the Foundation that are held for investment. Cash and cash equivalents that are held for investment are in accounts that are not insured by the FDIC.

Conditional Promises and Indications of Intentions to Give

Pursuant with the Foundation's policy and in conformity with FASB ASC Topic 958-605, the Foundation does not recognize conditional promises as revenue until the condition is met. A donor's indication of an intention to give at a future date is not recognized as revenue until the intention is communicated as an unconditional promise to give.

See Independent Accountant's Review Report

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies, *continued*

Inventory

Inventory consists of books for resale and is stated at cost using the first in, first out method.

Furniture and Equipment

Purchases of furniture and equipment are made from operating funds and recorded at cost. Donated furniture is reported at fair value at the date of gift. It is the Foundation's policy to capitalize property and equipment purchases over \$1,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which is generally five years.

Contributed Services and Facilities

Contributions in-kind are recognized in accordance with the provisions of FASB ASC Topic 958-605. Donated facilities are recorded at estimated fair value. Contributed services that require a specialized skill and that the Foundation would have paid for if not donated are recorded at the estimated fair value at the time the services are rendered. The Foundation also receives donated services that do not require specialized skills but which are nonetheless central to the Foundation's operations. These contributed services are not reflected in the financial statements.

Tax Status

The Foundation is recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation as defined under Section 509(a)(1). The Foundation is exempt from State income taxes under the Alaska Nonprofit Corporation Act. Therefore, the accompanying statements do not reflect a provision for income taxes. Although the Foundation is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Foundation 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.

Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and investments. The Foundation has significant amounts of cash equivalents that are not federally insured, however, the Foundation places cash and temporary investments with high credit quality financial institutions.

The Foundation's investments are managed by an Investment Manager in accordance with asset allocation guidelines adopted by the Board of Trustees. An Investment Committee, consisting of members of the Board of Trustees and outside members, provides oversight of the Investment Manager and reports at least quarterly to the Board of Trustees. The Investment Manager is also a member of the Board of Trustees and does not receive compensation for his services.

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies, *continued*

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses – The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Square footage
Office and board expense	Time and effort
Travel	Time and effort
Other	Time and effort

3. Investments and Fair Value Measurements

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The Foundation's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. For example, a level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

3. Investments and Fair Value Measurements, *continued*

Managed Investments – Level 1

Publicly traded managed investments are stated on the basis of quoted market prices. Funds managed by the Foundation are subject to its investment policy, which is to maintain a well-diversified portfolio comprised of common stocks, and fixed income securities. Policy goals are prioritized to maintain safety of principal, provide sufficient liquidity to meet cash flow requirements, and diversify risk. All of the Foundation's investments are level 1.

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 were \$4,725,178 and \$4,302,136, respectively.

Earnings from investments for the years ended June 30 are summarized as follows:

	2022	2021
Interest and Dividends	\$ 116,210	\$ 86,809
Net Realized Gains (Losses)	2,143	27,403
Unrealized Gains (Losses)	(922,472)	763,986
	\$ 804,119	\$ 878,198

4. Funds Managed for Others

FASB ASC Topic 958-605 identifies certain situations when an organization does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the organization receives funds as an agent, trustee or intermediary.

The Foundation has agreements in which it invests resources for the sole benefit of donor organizations. These situations are created when the donor organization creates a component fund and specifies itself or an affiliate as the beneficiary. At June 30, 2022 and 2021, the amount invested by the Foundation for others was \$297,350 and \$355,543, respectively. The investment return earned on behalf of these organizations is not included in the Foundation's statements of activities.

5. Grants Payable

At June 30, 2022 and 2021, respectively, the Foundation has committed to award grants totaling \$60,002 and \$25,400.

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

6. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are:

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 322,667	\$ 1,148,837
Cash Surrender Value of Life Insurance	-	566
Investments at fair value	<u>4,725,178</u>	<u>4,302,136</u>
Total financial assets	5,047,845	5,451,539
 Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(254,441)	(312,529)
Time-restricted net assets	(494,447)	(534,909)
 Less financial assets not available within one year:		
Life insurance policies	-	(566)
Less board-designated endowments and endowment funds without donor restrictions	<u>(3,915,471)</u>	<u>(4,234,916)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>308,486</u>	\$ <u>286,028</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation. However, in the case of need, the board of directors could appropriate resources from either the donor-restricted funds available for general use or from its designated endowment fund.

7. Net Assets

Net assets without donor restrictions at June 30, consisted of the following:

	<u>2022</u>	<u>2021</u>
Administrative Funds	\$ 479,708	\$ 717,643
Board Designated Funds	136,274	133,659
Other Designated Funds	148,842	153,230
Non-Endowed Funds	363,449	-
Field of Interest Funds	1,277,739	1,518,538
Donor Advised Funds	<u>1,509,459</u>	<u>1,711,846</u>
	\$ <u>3,915,471</u>	\$ <u>4,234,916</u>

See Independent Accountant's Review Report

THE HOMER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

7. Net Assets, *continued*

Net assets with donor restrictions were as follows:

Purpose restricted net assets, which consist entirely of funds whose use by the Foundation has been restricted by specified purpose limitations by the donor, were \$254,441 and \$312,529 at June 30, 2022 and 2021, respectively.

Time restricted net assets consisted of an endowment that must be maintained in perpetuity by the Foundation. In accordance with donor instructions the Foundation may use the investment income from this endowment to support operations. The restricted amount was \$494,447 and \$534,909 at June 30, 2022 and 2021, respectively.

8. Subsequent Events

Management has evaluated subsequent events through **XXXX XX**, 2023, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.