
PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

WITH

INDEPENDENT AUDITOR'S REPORT



**Suttle &
Stalnaker** | Certified
Public
Accountants

A Professional Limited Liability Company



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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Pallottine Foundation of Buckhannon West Virginia
Buckhannon, West Virginia

Opinion

We have audited the accompanying financial statements of Pallottine Foundation of Buckhannon West Virginia (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities 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 the Foundation as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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



Charleston, West Virginia
March 14, 2023

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,301,355
Investments, at fair value	5,058,850
Prepaid expenses	852
Total current assets	<u>6,361,057</u>

NONCURRENT ASSETS

Property and equipment, net	<u>3,600</u>
Total noncurrent assets	<u>3,600</u>

Total assets **\$ 6,364,657**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>\$ 20,427</u>
Total current liabilities	<u>20,427</u>
Total liabilities	<u>20,427</u>

NET ASSETS

Net assets without donor restriction	<u>6,344,230</u>
Total net assets	<u>6,344,230</u>
Total liabilities and net assets	<u><u>\$ 6,364,657</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

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CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT, REVENUE, GAINS, AND LOSSES

Interest and dividends, net of investment fees	\$ 180,678
Net realized and unrealized losses on investments	<u>(1,439,826)</u>
Total support, revenue, gains, and losses	<u>(1,259,148)</u>

EXPENSES

Grants and awards	115,698
Salaries and benefits	216,981
Taxes, fees, and insurance	17,011
Facilities	8,036
Professional services	13,202
Travel and meetings	10,453
Depreciation	2,667
Other	<u>3,466</u>
Total expenses	<u>387,514</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS **(1,646,662)**

Net assets, beginning of year	<u>7,990,892</u>
Net assets, end of year	<u><u>\$ 6,344,230</u></u>

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022

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CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,646,662)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,667
Net realized and unrealized losses on investments	1,439,826
Interest and dividends, net of investment fees	(180,678)
(Increase) decrease in assets:	
Prepaid expenses	(420)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>8,007</u>
 Net cash used in operating activities	 <u>(377,260)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(5,400)
Purchase of investments	(2,659,591)
Proceeds from sale of investments	<u>3,872,372</u>
 Net cash provided by investing activities	 <u>1,207,381</u>
 Net change in cash and cash equivalents	 830,121
 Cash and cash equivalents, beginning of year	 <u>471,234</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 1,301,355</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Organization – Pallottine Foundation of Buckhannon West Virginia (the Foundation) was incorporated in 2015 under the laws of West Virginia as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a private foundation formed to advance the charism of the Missionary Sisters of the Catholic Apostolate (Pallottines) and to empower the laity to carry on the mission and work of Jesus Christ in the region served by St. Joseph’s Hospital of Buckhannon, Inc. in Buckhannon, West Virginia.

Basis of Accounting – The financial statements for the Foundation have been prepared on the accrual basis of accounting, which means that revenues are recognized as they are earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation – The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB) standards. The Foundation has classified its net assets and its support, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. The Foundation’s net assets are classified as follows:

Net assets without donor restrictions – Net assets without donor restrictions consist of funding whose use is limited only to the extent that the Foundation’s bylaws limit the activities of the organization. Revenues and other support with donor-imposed restrictions met in the same year during which the income is recognized are reported as changes in net assets without donor restrictions. There are no board designations on net assets without donor restrictions.

Net assets with donor restrictions – Net assets with donor restrictions are comprised of funds whose use has been limited by donors to a specific time period and/or purpose. The Foundation has no net assets with donor restrictions at September 30, 2022.

Income Taxes – The Foundation is classified as a private foundation and is exempt from income taxes on its exempt activities under the Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been recorded.

For the year ended September 30, 2022, the Foundation has no material uncertain tax positions to be accounted for in the financial statements. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The Foundation’s tax returns for years ended on or after September 30, 2019 remain subject to examination.

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Investment and Spending Policies – The Foundation has adopted investment and spending policies that seek to provide a predictable stream of funding to programs while maintaining the purchasing power of the assets. The Foundation’s spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

The primary objective of the Foundation’s investment policy is to preserve the real (after inflation) value of its current and subsequently acquired assets. A second objective, subject only to the first, is to provide the maximum flow of funds for grant making, operating expenses and fees (including investment management fees). The flow of funds should be reasonably predictable and rise at least as rapidly as inflation.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, fixed income, and alternative investments. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return.

The spending policy determines the amount that the Foundation makes available for grants each year. As required by the Internal Revenue Code for a private, grant-making foundation, the Foundation is required to distribute a minimum of five percent annually of the net investment assets based on the prior fiscal year. The annual payout requirement includes distributions to qualifying 501(c)(3) organizations, as well as reasonable and necessary administrative expenses.

Property and Equipment – The Foundation capitalizes expenditures for property and equipment costing over \$2,500. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

Statement of Cash Flows – For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with an initial maturity of three months or less, which are not included as part of the investment portfolio, to be cash equivalents.

Investments – Investments are stated at fair value as determined by quoted prices in active markets for marketable securities and at estimated fair value based on the net asset value per share for certain nonmarketable securities. The market value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded.

Nonmarketable securities include alternative investments, such as private equity, hedge funds, and real estate. All of these securities are valued using net asset value per share. Certain of the funds’ underlying assets are based on estimates of fair value from models developed by the general partner or investment manager in the absence of readily determinable public market values.

Any change in the valuation of the investments is reported as realized and unrealized gains or losses in the statement of activities. Dividend and interest income from investments is accrued as the income is earned.

PALOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Grants – Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Trustees of the Foundation. Payments are made when requested by the grantee and any contingencies, such as obtaining matching funds, have been met by the grantee.

Fair Value of Financial Instruments – Professional standards contained in the Fair Value Measurements and Disclosures topic of the FASB Codification establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Foundation accounts for its investments at fair value and are recorded on the statement of financial position based on the inputs to the valuation techniques as follows:

Level 1

Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2

Financial assets are valued using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3

Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Risks and Uncertainties – The Foundation invests in various investments, including fixed income, stocks, mutual funds, alternative investments, and real assets that, in general, are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Subsequent Events – In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 14, 2023, the date the financial statements were issued.

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

Note 2 - Liquidity and Availability of Financial Assets

The Foundation's financial assets available for general expenditure within one year after year end are as follows:

Cash and cash equivalents	\$	1,301,355
Investments, at fair value		252,943
	\$	1,554,298

The Foundation's investments held at year end are considered available for expenditure based on the Foundation's approved spending policy which applies a 5.0% distribution rate to the investment balance.

As part of the Foundation's liquidity management, it has a policy to provide the maximum flow of funds for grant making, operating expenses and fees. The flow of funds should be reasonably predictable and rise at least as rapidly as inflation.

Note 3 - Investments

The following summarizes the fair values of investments as of September 30, 2022:

		Fair Value
Money market funds	\$	97,447
U.S. government bonds		548,225
Corporate bonds		183,350
Mutual funds and exchange traded funds		499,046
Equities		2,760,091
Alternative		970,691
	\$	5,058,850

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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Note 4 - Fair Value Measurements

The Foundation uses fair value measurements of certain assets and liabilities to record fair value adjustments and to determine fair value disclosures. For additional information refer to Note 1 - Organization and Summary of Significant Accounting Policies.

Fair values of assets measured on a recurring basis at September 30, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 97,447	\$ 97,447	\$ -	\$ -
U.S. government bonds	548,225	548,225	-	-
Corporate bonds	183,350	-	183,350	-
Mutual funds and exchange traded funds	499,046	499,046	-	-
Equities	<u>2,760,091</u>	<u>2,760,091</u>	-	-
Total investments at fair value	4,088,159	<u>\$ 3,904,809</u>	<u>\$ 183,350</u>	<u>\$ -</u>
Investments in privately offered investment funds (NAV) ^(a)	<u>970,691</u>			
Total investments	<u>\$ 5,058,850</u>			

(a) In accordance with FASB subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

PALLOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

Note 5 - Net Asset Value (NAV) Per Share

In accordance with the fair value measurements and disclosures guidance, the category, fair value, redemption frequency, and redemption notice period for investments, the fair value of which are estimated using the NAV per share, as of September 30, 2022, are as follows:

	Fair Value	Unfunded Commitments	Redemption	
			Frequency (If Currently Eligible)	Redemption Notice Period
Alternative hedge funds ^(a)	\$ 970,691	\$ -	Quarterly /semi-annually	Quarterly /semi-annually
Total	<u>\$ 970,691</u>	<u>\$ -</u>		

(a) Funds in this category invest in domestic and international equities and real estate to achieve a long-term rate of return.

Note 6 – Property and Equipment

Fixed assets consisted of the following as of September 30, 2022:

Software	\$ 5,400
Less accumulated depreciation	<u>(1,800)</u>
Property and equipment, net	<u>\$ 3,600</u>

Depreciation expense for the year ended September 30, 2022 totaled \$2,667.

Note 7 - Related Party Transactions

The Foundation has entered into a professional services agreement with the Pallottine Foundation of Huntington West Virginia (Huntington). Under this agreement, Huntington provides the Foundation with executive leadership, grant management, and administrative support necessary to the operation of the Foundation. The agreement is for a one year term and renewed annually by the Board of Trustees.

Expenses incurred by the Foundation under the professional services agreement during the year ended September 30, 2022 were \$225,897. Related party payables at September 30, 2022 were \$19,648.

PALOTTINE FOUNDATION OF BUCKHANNON WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

Note 8 - Retirement Plan

The Foundation has a defined contribution retirement plan that covers all full-time employees effective the first day of the month following the date of hire. The Foundation contributes 4% of employee gross annual salary upon plan enrollment. For the year ended September 30, 2022, the Foundation recorded retirement plan expense of \$6,568.

Note 9 - Natural Classifications with Functional Classifications

Expenses are allocated among program services and management and general based on the purposes for which the expenses have been incurred. The Foundation incurs certain joint costs which are not specifically attributable to a particular component of activities. These costs include salaries and benefits, travel and meetings, professional services, and certain office and facilities expenses. Joint costs are allocated on the basis of estimates of time and effort, as well as, estimates of the purpose for which the expense is expected to be incurred. For the year ended September 30, 2022, the following table represents operating expenses within both natural and functional classifications:

	Program Services	Management and General	Total
Grants and awards	\$ 115,698	\$ -	\$ 115,698
Salaries and benefits	112,830	104,151	216,981
Taxes, fees, and insurance	-	17,011	17,011
Facilities	2,994	5,042	8,036
Professional services	816	12,386	13,202
Travel and meetings	6,764	3,689	10,453
Depreciation	-	2,667	2,667
Other	1,450	2,016	3,466
Total expenses	<u>\$ 240,552</u>	<u>\$ 146,962</u>	<u>\$ 387,514</u>