Wiregrass Foundation, Inc.
December 31, 2019
Financial Statements

JACKSON THORNTON

Wiregrass Foundation, Inc.

Index

	Page
Independent auditor's report	1 - 2
Statement of assets, liabilities, and net assets - tax basis	3
Statement of revenues, expenses, and other changes in net assets - tax basis	4
Statement of cash flows - tax basis	5
Notes to financial statements	6 - 9
Independent auditor's report on supplementary information	10
Schedule of functional expenses - tax basis	11

JACKSON THORNTON

Independent Auditor's Report

The Board of Directors
Wiregrass Foundation, Inc.
Dothan, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Wiregrass Foundation, Inc. (the Foundation) which comprise the statement of assets, liabilities, and net assets - tax basis as of December 31, 2019, the related statement of revenues, expenses, and other changes in net assets - tax basis and statement of cash flows - tax basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Foundation uses for income tax purposes; 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 judgment, 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 assets, liabilities, and net assets of Wiregrass Foundation, Inc. as of December 31, 2019, and its revenues, expenses, and other changes in net assets, and cash flows for the year then ended in accordance with the basis of accounting the Foundation uses for income tax purposes described in Note 1.

Basis of Accounting
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Foundation uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Jackson Thornton & Co. PC

Montgomery, Alabama
February 28, 2020

Wiregrass Foundation, Inc.
Statement of Assets, Liabilities, and Net Assets - Tax Basis
As of December 31, 2019

Assets

Cash	$	493,348
Prepaid excise tax		33,892
Investments		107,976,509
Property and equipment (net of accumulated depreciation)		1,557,898
Other assets		1,715
Total assets	$	110,063,362

Liabilities and Net Assets

Liabilities		
Accrued liabilities	$	11,126
Total liabilities		11,126
Net Assets		
Without donor restriction		110,052,236
Total net assets		110,052,236
Total liabilities and net assets	$	110,063,362

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

Wiregrass Foundation, Inc.
Statement of Revenues, Expenses, and Other Changes in Net Assets - Tax Basis
For the Year Ended December 31, 2019

Change in Net Assets - Without Donor Restrictions	
Revenues	
Investment return, net	$ 5,114,925
Other income	6,628
Total revenues	5,121,553
Expenses	
Program services	5,345,836
Support services	747,967
Total expenses	6,093,803
Decrease in Net Assets	(972,250)
Other Changes - Net Unrealized Investment Gain	14,001,576
Change in Net Assets	13,029,326
Net Assets at Beginning of Year	97,022,910
Net Assets at End of Year	$ 110,052,236

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

Wiregrass Foundation, Inc.
Statement of Cash Flows - Tax Basis
For the Year Ended December 31, 2019

Cash Flows From Operating Activities	
Decrease in net assets	$ (972,250)
Adjustments to reconcile decrease in net assets to net cash from operating activities	
Depreciation	46,180
Realized gains on investments	(3,493,941)
Loss on sale of property and equipment	218
(Increase) decrease in operating assets and increase (decrease) in operating liabilities	
Prepaid excise tax	6,998
Accrued liabilities	(729)
Net cash used for operating activities	(4,413,524)
Cash Flows From Investing Activities	
Purchase of property and equipment	(32,932)
Purchase of investments	(56,759,686)
Proceeds from the sale and maturity of investments	61,142,961
Net cash provided by investing activities	4,350,343
Net Decrease in Cash	(63,181)
Cash at Beginning of Year	556,529
Cash at End of Year	$ 493,348

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

Wiregrass Foundation, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Wiregrass Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles consistent with the tax basis of accounting and have been consistently applied in the preparation of the financial statements.

Nature of operations - The Foundation is a nonoperating, private foundation. The Foundation's purpose is to fund programs that will have a significant impact on the quality of health, education, and quality of life in Dothan, Alabama and the surrounding counties. The Foundation accomplishes this purpose by providing grants to other nonprofit agencies that demonstrate a need for funding to provide programs that help meet these goals.

Basis of accounting - The financial statements of the Foundation have been prepared on the tax basis of accounting. This basis reflects the financial position of the Foundation at December 31, 2019, and the changes in its net assets and its cash flows for the year then ended as it is reported on the 2019 Form 990-PF. The Foundation uses the accrual basis for income tax purposes. In accordance with this basis of accounting, unrealized gains and losses from investments are accounted for as other changes in net assets, not as revenue increases or decreases. Also, grants approved but not paid at year end are not recorded as expenses or liabilities.

The significant accounting policies followed by the Foundation are summarized as follows:

Use of estimates - The preparation of financial statements in conformity with the tax basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Concentrations - The Foundation is located in Dothan, Alabama and has identified its grant making focus to be organizations that seek to improve health, education, and quality of life for the population residing within a 50-mile radius of Dothan, Alabama.

Financial statement presentation - Financial statement presentation follows the requirements of FASB Accounting Standards Codification 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - with donor restrictions and without donor restrictions. There were no net assets with donor restrictions as of December 31, 2019.

Cash and cash equivalents - For cash flow statement purposes, the Foundation considers all short-term, highly liquid investments to be cash equivalents that are readily convertible to known amounts of cash, and so near their maturities that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents include only operating accounts.

The Foundation maintains its cash balances at one financial institution located in Alabama and at a brokerage firm. The financial instruments that potentially subject the Foundation to concentrations of credit risk at a brokerage firm consist principally of cash deposits. The balance at the bank is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2019, the Foundation's cash balance was $367,013 in excess of FDIC limits. The accounts at the brokerage firm contain cash and securities. Balances are insured up to $500,000, with a limit of $250,000 for cash, by the Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any losses in such accounts. At December 31, 2019, the Foundation had $8,020,839 in excess of SIPC insured limits. The Foundation believes it is not exposed to any significant risk on cash and cash funds.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the Foundation's financial statements. Investment income composed of interest, dividends, and gain/losses from the sale of investments is recorded as revenue in the Foundation's financial statements, and unrealized gains and losses are recorded as other changes in net assets.

Property and equipment - Buildings, furniture and fixtures, equipment, computer software, and leasehold improvements are carried at historical cost and are depreciated under the straight-line method over the estimated useful lives of the respective assets. Major renewals and improvements are capitalized while normal repairs and maintenance are expensed in the period incurred. The estimated useful lives used to compute depreciation are as follows:

Buildings and improvements	15 - 39 years
Furniture and fixtures	5 - 15 years
Equipment and software	3 - 7 years

Income taxes - The Foundation is a not-for-profit organization that is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state regulations. The Foundation is classified by the Internal Revenue Service as a nonoperating, private foundation. Excise taxes on net investment income are paid by the Foundation as a component of the annual Form 990-PF tax filing. At December 31, 2019, excise taxes on net investment income of $50,944 are included as a component of support services. The Foundation had no unrelated business income subject to income tax for the year.

Note 2 - Investments

The Foundation's investments are presented in the statement of assets, liabilities, and net assets - tax basis in the aggregate fair value and include the following at December 31, 2019:

Equity securities	$ 66,116,396
Fixed income mutual funds	30,600,312
Certificates of deposit	2,988,962
Cash	8,270,839
Total	$ 107,976,509

Investment return is made up of the following at December 31, 2019:

Interest and dividend income	$ 2,054,270
Net realized gains	3,493,941
Investment fees	(433,286)
Total investment income	$ 5,114,925

Note 3 - Retirement Plan

The Foundation has a profit-sharing plan that covers all employees after meeting certain eligibility requirements. Contributions to the plan are at the discretion of the Board of Directors. During the year, contributions made to the profit-sharing plan were $17,364.

Note 4 - Grants Payable
As discussed in Note 1, the Foundation's financial statements are prepared on the tax basis of accounting. Accordingly, grants that have been approved for payment but not paid at year end are not recorded. At December 31, 2019, the amount of grants that were approved for future payment totaled $20,240,732.

Note 5 - Endowment
The Foundation's endowment consists of approximately 10 individual funds established for a variety of purposes. Its endowment includes only funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions. There are no net assets with donor restrictions and therefore all net assets are classified as net assets without donor restrictions.

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions
Endowment net assets, beginning of year	$ 94,864,267
Investment return	
Investment income	2,049,686
Investment fees	(433,286)
Net appreciation (realized and unrealized)	17,495,517
Total investment return	19,111,917
Appropriation of endowment assets for expenditure	(5,999,675)
Endowment nets assets, end of year	$ 107,976,509

Return objectives and risk parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to significantly contribute to the spending policy of 5% per annum while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to assume moderate level of investment risk while producing results that exceed the price and yield results of the following benchmarks as applicable: Russell 1000 Index, Russell 2000 Index, Russell 2500 Index, Russell 3000 Index, MSCI EAFE Index, MSCI EM Europe/Middle East, Citigroup 3-month T-bill Dow AIG Commodity Index, NCREIF Property and transaction Based Indexes, Bloomberg Barclays Indexes, Band of America US Convertible Index, and OTC derivatives on all asset types including commodities. Benchmarks may be added or changed as the Investment Committee opens or closes new accounts. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately the CPI plus 5%, net of fees. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives - To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the objectives relate to spending policy - As a private foundation, the Foundation is required to distribute annually a minimum amount of its funds, equal to approximately 5% of the fair value of the Foundation's assets as of the end of the calendar year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of one half of one percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the board designated endowment assets as well as to provide additional real growth through investment return.

Note 6 - Liquidity and Availability of Financial Assets

The Foundation has $108,469,857 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of $493,348 and investments of $107,976,509. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation's endowment funds consist of funds designated by the Board to function as endowments. These funds function as a general endowment fund to support the mission of the Foundation. The Board-designated endowment of $107,976,509 is subject to an annual spending rate as described in Note 5.

Note 7 - Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of revenues, expenses, and other changes in net assets - tax basis. Directly identifiable expenses are charged to programs and supporting services. Accordingly, certain costs have been allocated among the program services and support services.

	Program Services	Support Services	Total
Grants made	$ 4,875,425		$ 4,875,425
Compensation and related expenses	139,657	$ 353,392	493,049
Consulting and professional fees	281,960	73,776	355,736
Board expenses		85,995	85,995
Occupancy expenses	2,776	172,842	175,618
Other expenses	46,018	61,962	107,980
Total functional expenses	$ 5,345,836	$ 747,967	$ 6,093,803

Note 8 - Subsequent Events

The Foundation has evaluated all events subsequent to the statement of assets, liabilities, and net assets - tax basis date of December 31, 2019, through February 28, 2020, which is the date these financial statements were available to be issued, and have determined there are no subsequent events that require disclosure.

JACKSON THORNTON

Independent Auditor's Report on Supplementary Information

The Board of Directors
Wiregrass Foundation, Inc.
Dothan, Alabama

We have audited the financial statements of Wiregrass Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2019, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jackson Thornton & Co. PC

Montgomery, Alabama
February 28, 2020

Wiregrass Foundation, Inc.
Schedule of Functional Expenses - Tax Basis
For the Year Ended December 31, 2019

	Program Services	Support Services	Total
Advertising and marketing	$ 29,255	$ 555	$ 29,810
Auto expense		124	124
Bank charges		602	602
Board retreat expense		34,886	34,886
Christmas gifts		4,902	4,902
Cleaning expense		7,800	7,800
Computer expense		9,496	9,496
Consulting	244,883	3,536	248,419
Contract labor	37,077	328	37,405
Depreciation		46,180	46,180
Directors' fees		51,109	51,109
Document storage		770	770
Dues and subscriptions		27,041	27,041
Grants made	4,875,425		4,875,425
Insurance		14,627	14,627
Meals and entertainment		576	576
Meeting expense	10,308	6,478	16,786
Miscellaneous	1,572	272	1,844
Pest control		1,341	1,341
Postage		162	162
Printing		956	956
Professional fees		69,912	69,912
Profit sharing contribution		17,364	17,364
Public relations		5,848	5,848
Rent		3,285	3,285
Repairs and maintenance	2,776	22,425	25,201
Salaries	139,657	314,893	454,550
Staff education		59	59
Supplies	4,883	4,891	9,774
Payroll taxes		21,135	21,135
Excise taxes		50,944	50,944
Taxes and licenses		8,654	8,654
Utilities		16,816	16,816
Total functional expenses	$ 5,345,836	$ 747,967	$ 6,093,803

See Independent Auditor's Report on the Supplementary Information.