

**THE OSSABAW ISLAND FOUNDATION, INC.
SAVANNAH, GEORGIA**

**Financial Statements
for the Year Ended
July 31, 2010**

*

AUDIT REPORT

*

December 9, 2010

THE OSSABAW ISLAND FOUNDATION, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7
Supplemental Information	8-9

Independent Auditor's Report

To the Board of Directors
The Ossabaw Island Foundation, Inc.
Savannah, Georgia

We have audited the accompanying statement of financial position of The Ossabaw Island Foundation, Inc. (a not-for-profit organization) as of July 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of The Ossabaw Island Foundation, Inc. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ossabaw Island Foundation, Inc. as of July 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of the The Ossabaw Island Foundation, Inc. for the year ended July 31, 2010. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Canady, Richbourg; Woodward, LLP

December 9, 2010

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	97,181	382,501	-	479,682
Accounts receivable	67,530	-	-	67,530
Total current assets	<u>164,711</u>	<u>382,501</u>	<u>-</u>	<u>547,212</u>
Property, plant and equipment				
Building improvements	19,115	-	-	19,115
Machinery and equipment	215,456	-	-	215,456
Vehicles	16,226	-	-	16,226
	<u>250,797</u>	<u>-</u>	<u>-</u>	<u>250,797</u>
Less - accumulated depreciation	62,984	-	-	62,984
Total property and equipment	<u>187,813</u>	<u>-</u>	<u>-</u>	<u>187,813</u>
Other assets				
Furniture collection	260,527	-	-	260,527
Total assets	<u>613,051</u>	<u>382,501</u>	<u>-</u>	<u>995,552</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable	52,512	-	-	52,512
Total current liabilities	<u>52,512</u>	<u>-</u>	<u>-</u>	<u>52,512</u>
Net assets	<u>560,539</u>	<u>382,501</u>	<u>-</u>	<u>943,040</u>
Total liabilities and net assets	<u>613,051</u>	<u>382,501</u>	<u>-</u>	<u>995,552</u>

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions and grants	145,588	133,778	-	279,366
Special event - pig roast (net of expenses of \$21,622)	-	29,718	-	29,718
Island use fees	57,367	-	-	57,367
Sales (net of cost of goods sold of \$4,137)	2,779	-	-	2,779
Interest income	4,160	-	-	4,160
Net assets released from restrictions	169,861	(169,861)	-	-
Total revenues	<u>379,755</u>	<u>(6,365)</u>	<u>-</u>	<u>373,390</u>
Expenses				
Program expenses	219,117	-	-	219,117
Management and general	115,787	-	-	115,787
Total expenses	<u>334,904</u>	<u>-</u>	<u>-</u>	<u>334,904</u>
Increase (decrease) in net assets	44,851	(6,365)	-	38,486
Net assets at beginning of year	<u>515,688</u>	<u>388,866</u>	<u>-</u>	<u>904,554</u>
Net assets at end of year	<u>560,539</u>	<u>382,501</u>	<u>-</u>	<u>943,040</u>

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2010

Cash flows from (for) operating activities	
Increase in net assets	38,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,610
Changes in operating assets and liabilities:	
Accounts receivable	(43,187)
Inventory	4,566
Accounts payable	48,075
Net cash provided by operating activities	<u>59,550</u>
Cash flows from investing activities	
Redemption of short-term investments	95,000
Purchase of equipment	(60,250)
Net cash provided by investing activities	<u>34,750</u>
Net increase in cash and cash equivalents	94,300
Beginning cash and cash equivalents	<u>385,382</u>
Ending cash and cash equivalents	<u>479,682</u>
Supplemental cash flow information	
Interest paid	<u>-</u>
Income taxes paid	<u>-</u>

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2010

Note 1 – Nature of Activities

The Ossabaw Island Foundation, Inc., a not-for-profit organization, encourages natural, scientific, and cultural study, research and education on Ossabaw Island. The Foundation conserves and protects Ossabaw Island's unique resources, in partnership with the State of Georgia for the benefit of present and future generations.

The Foundation provides facilities for educational, historic, literary and environmental projects and activities.

Revenue is derived from contributions, user fees, grants from foundations and governmental agencies, and in-kind contributions from the State of Georgia.

Note 2 – Significant Accounting Policies

Authoritative Guidance – In June 2009, the FASB Accounting Standards Codification (Codification) was issued to become the source of authoritative U.S. generally accepted accounting principles to be applied by non-governmental entities and supersede all then-existing accounting and reporting standards. All other non-grandfathered accounting literature not included in the Codification will become non-authoritative. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption did not impact the organization's financial statements.

Accounting Method – The Ossabaw Island Foundation, Inc. uses the accrual method of accounting, recognizing revenues when earned and expenses when incurred.

Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Basis of Presentation – The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Tax – The Foundation is exempt from income tax under Internal Revenue Code Section 501(c) (3) of the U.S. Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation under Section 509 (a) of the Code.

Property and Equipment – Property and equipment are capitalized at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line and declining balance methods over the estimated useful lives of the respective assets as follows:

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2010

Note 2 – Significant Accounting Policies - (Continued)

Building improvements	10 years
Machinery and equipment	5-20 years
Office furniture and fixtures	5-7 years
Vehicle	5 years

Restricted and Unrestricted Revenue and Support – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Note 3 – 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 4 – Concentration of Credit Risk

The Foundation occasionally maintains deposits in excess of federally insured limits. Accounting standards identify these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. As of July 31, 2010, there were no deposits that exceeded federally insured limits.

Note 5 – Furniture Collection

The Foundation purchased a one-half interest in certain furnishings of the Torrey-West House, located on Ossabaw Island. In addition, the remaining one-half interest in the furnishings was received through a donation by Mr. William Torrey, Jr. These furnishings include furniture, rugs, and works of art.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2010

Note 5 – Furniture Collection – (Continued)

The purchase of these furnishings are part of the Foundation's efforts to preserve the history of Georgia and Ossabaw Island. The purchased furnishings are recorded at their cost. The donated furnishings are recorded at their fair market value at the date of donation. As of July 31, 2010, the amount of purchases and donated furnishings totaled \$260,527.

Note 6 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following:

North End Tabby restoration	\$ 223,618
Torrey-West House	119,250
Ossabaw Fellow Project	39,000
Kollock papers	484
Barrier island observatories	<u>149</u>
Total	\$ <u>382,501</u>

Note 7 – Related Party Transactions

During the year ended July 31, 2010, the Foundation paid Mark Frissell a total of \$9,970 for the performance of various services rendered to the organization. Mr. Frissell is the spouse of the executive director of the Foundation. The nature of the services provided includes building and vehicle repairs.

Note 8 – Subsequent Events

Management has evaluated subsequent events through December 9, 2010, the date the financial statements were available to be issued. The following subsequent event was identified by management:

In August, 2010, the Foundation received a bequest of \$32,708 from the estate of a deceased individual. The bequest was received in the form of 700 shares of stock of Hewlett Packard Corp., plus cash of \$4,736.

The decedent's will directed that this bequest be used specifically to establish an endowment account for the Foundation.

SUPPLEMENTAL INFORMATION

THE OSSABAW ISLAND FOUNDATION, INC.
SCHEDULE OF PROGRAM AND MANAGEMENT
AND GENERAL EXPENSES
YEAR ENDED JULY 31, 2010

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related costs	99,330	55,817	155,147
Contract labor	26,995	13,640	40,635
Accounting fees	-	5,573	5,573
Auto service	4,119	-	4,119
Boat Service	3,909	-	3,909
Board meetings	-	746	746
Cleaning	1,673	-	1,673
Credit card fees	567	528	1,095
Depreciation	11,610	-	11,610
Donor relations	646	3,455	4,101
Dues and subscriptions	-	1,746	1,746
Insurance	1,024	2,105	3,129
Miscellaneous	663	626	1,289
Office supplies and postage	671	2,569	3,240
On island utilities	3,388	-	3,388
Printing and paper	451	10,946	11,397
Promotional expense	7,250	8,773	16,023
Repairs and maintenance	22,487	-	22,487
Supplies - building	17,988	-	17,988
Telephone	9,692	3,460	13,152
Transportation to island	4,938	-	4,938
Travel	1,716	803	2,519
Use agreement	-	5,000	5,000
	<u>219,117</u>	<u>115,787</u>	<u>334,904</u>
Total expenses	<u><u>219,117</u></u>	<u><u>115,787</u></u>	<u><u>334,904</u></u>