

DRAFT

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

**Financial Statements
for the Year Ended
July 31, 2011**

*

AUDIT REPORT

*

January 9, 2011

THE OSSABAW ISLAND FOUNDATION, INC.

TABLE OF CONTENTS

DRAFT

	<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	5-9
Supplemental Information.....	10-11

Independent Auditor's Report

DRAFT

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 Foundation) as of July 31, 2011, 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, 2011, 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, 2011. 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.

January 9, 2011

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2011

DRAFT

<u>Assets</u>	
Current assets	
Cash and cash equivalents	406,947
Accounts receivable	13,952
Prepaid expenses	4,500
Total current assets	425,399
 Property, plant and equipment	
Building improvements	19,115
Machinery and equipment	225,356
Vehicles	16,226
	260,697
Less - accumulated depreciation	78,011
Total property and equipment	182,686
 Other assets	
Furniture collection	260,527
Endowment investments	46,136
Total other assets	306,663
Total assets	914,748
 <u>Liabilities and Net Assets</u>	
Current liabilities	
Accounts payable	3,167
Total current liabilities	3,167
 Net assets	
Unrestricted	487,318
Temporarily restricted	391,555
Permanently restricted	32,708
Total net assets	911,581
Total liabilities and net assets	914,748

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2011

DRAFT

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions and grants	103,770	64,504	32,708	200,982
Special event - pig roast (net of expenses of \$23,782)	44,187	-	-	44,187
Island use fees	82,039	-	-	82,039
Sales	2,803	-	-	2,803
Interest and dividend income	1,286	-	-	1,286
Unrealized loss on investments	(1,950)	-	-	(1,950)
Other income	2,095	-	-	2,095
Net assets released from restrictions	55,450	(55,450)	-	-
Total revenues	<u>289,680</u>	<u>9,054</u>	<u>32,708</u>	<u>331,442</u>
Expenses				
Program expenses	227,249	-	-	227,249
Management and general	135,652	-	-	135,652
Total expenses	<u>362,901</u>	<u>-</u>	<u>-</u>	<u>362,901</u>
Increase (decrease) in net assets	(73,221)	9,054	32,708	(31,459)
Net assets at beginning of year	<u>560,539</u>	<u>382,501</u>	<u>-</u>	<u>943,040</u>
Net assets at end of year	<u>487,318</u>	<u>391,555</u>	<u>32,708</u>	<u>911,581</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, 2011

DRAFT

Cash flows from (for) operating activities	
Decrease in net assets	(31,459)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donation of marketable securities	(37,995)
Donation of cash restricted for endowment fund	(4,736)
Unrealized gain (loss) on investments	1,950
Depreciation	15,027
Changes in operating assets and liabilities:	
Accounts receivable	53,578
Prepaid expenses	(4,500)
Accounts payable	(49,345)
Net cash used for operating activities	<u>(57,480)</u>
Cash flows for investing activities	
Purchase of equipment	<u>(9,900)</u>
Net increase in cash and cash equivalents	(67,380)
Beginning cash and cash equivalents	<u>479,682</u>
Ending cash and cash equivalents	<u><u>412,302</u></u>
Supplemental cash flow information	
Interest paid	<u><u>-</u></u>
Income taxes paid	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2011

DRAFT

Note 1 – Nature of Activities

The Ossabaw Island Foundation, Inc., a not-for-profit Foundation, 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

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:

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

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2011

DRAFT

Note 2 – Significant Accounting Policies - (Continued)

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.

Subsequent Events – Management has evaluated subsequent events through January 9, 2012, the date the financial statements were available to be issued. Management was not aware of any subsequent events through this date that would have a material effect on these financial statements.

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, 2011, there were no deposits that exceeded federally insured limits.

Note 5 - Endowment Investments

The Foundation's endowment consists of various contributions from donors and amounts designated by the board of directors for the creation of a permanent endowment for general purposes. Its endowment includes both donor restricted funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2011

DRAFT

Note 5 - Endowment Investments - (Continued)

The board of directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to be permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies -- The endowment fund is newly established, and the board of directors has not yet adopted investment and spending policies.

Endowment net asset composition by type of fund as of July 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	16,781	-	16,781
Donor-restricted endowment funds	<u>(3,353)</u>	<u>32,708</u>	<u>29,355</u>
Total funds	<u>13,428</u>	<u>32,708</u>	<u>46,136</u>

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2011

DRAFT

Note 5 - Endowment Investments - (Continued)

Changes in endowment net assets as of July 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	-	-	-
Contributions	10,023	32,708	42,731
Board designations	4,935	-	4,935
Investment income (net of expenses)	420	-	420
Net depreciation in value	<u>(1,950)</u>	<u>-</u>	<u>(1,950)</u>
Endowment net assets, end of year	<u>13,428</u>	<u>32,708</u>	<u>46,136</u>

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, a deficiency of this nature of (\$3,353) is reported in unrestricted net assets as of July 30, 2011. This deficiency resulted from unfavorable market fluctuations.

Note 6 – 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 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, 2011, the amount of purchases and donated furnishings totaled \$260,527.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2011

DRAFT

Note 7 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following:

North End Tabby restoration	223,618
Torrey-West House	128,304
Ossabaw Fellow Project	39,000
Kollock papers	484
Barrier island observatories	<u>149</u>
Total	<u>391,555</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. 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 bequest directed that the assets be used “as capital contributions and not used for current expenses”.

Note 8 – Related Party Transactions

During the year ended July 31, 2011, the Foundation paid Mark Frissell a total of \$6,170 for the performance of various services rendered to the Foundation. Mr. Frissell is the spouse of the executive director of the Foundation. The nature of the services provided includes building and vehicle repairs.

DRAFT

SUPPLEMENTAL INFORMATION

THE OSSABAW ISLAND FOUNDATION, INC.
SCHEDULE OF PROGRAM AND MANAGEMENT
AND GENERAL EXPENSES
YEAR ENDED JULY 31, 2011

DRAFT

	Program Expenses	Management and General	Total Expenses
Salaries and related costs	89,087	50,688	139,775
Contract labor	58,724	20,059	78,783
Accounting fees	-	6,111	6,111
Auto service	10,787	-	10,787
Boat expense	4,395	-	4,395
Board meetings	-	3,352	3,352
Cleaning	7,026	-	7,026
Credit card fees	1,644	176	1,820
Depreciation	15,027	-	15,027
Donor relations	114	1,943	2,057
Dues and subscriptions	1,441	2,786	4,227
Insurance	695	7,132	7,827
Miscellaneous	40	150	190
Office supplies and postage	2,492	3,262	5,754
On island utilities	2,947	-	2,947
Printing and paper	2,654	21,566	24,220
Promotional expense	-	11,329	11,329
Repairs and maintenance	8,038	-	8,038
Supplies - building	5,189	-	5,189
Telephone	10,223	2,098	12,321
Transportation to island	5,016	-	5,016
Travel	1,710	-	1,710
Use agreement	-	5,000	5,000
	227,249	135,652	362,901
Total expenses	227,249	135,652	362,901