

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

**Financial Statements
for the Year Ended
July 31, 2013**

*

AUDIT REPORT

*

DRAFT

December 17, 2013

THE OSSABAW ISLAND FOUNDATION, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Supplemental Information	12-13

DRAFT

Independent Auditor's Report

To the Board of Directors

The Ossabaw Island Foundation, Inc.

Savannah, Georgia

We have audited the accompanying financial statements of Ossabaw Island Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of July 31, 2013, and the related statement of activities 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 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.

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 of 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 financial position of Ossabaw Island Foundation, Inc. as of July 31, 2013, and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFT

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Program and Management and General Expenses 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.

December 17, 2013

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2013

Assets

Current assets

Cash and cash equivalents	401,084
Accounts receivable	10,720
Total current assets	411,804

Property, plant and equipment

Building improvements	19,115
Machinery and equipment	245,756
Vehicles	16,225
	281,096
Less - accumulated depreciation	113,776
Total property and equipment	167,320

Other assets

Furniture collection	260,527
Endowment investments	102,865
Total other assets	363,392

Total assets	942,516
---------------------	----------------

Liabilities and Net Assets

Current liabilities

Accounts payable	7,527
Payroll liabilities	1,760
Total current liabilities	9,287

Net assets

Unrestricted	493,118
Temporarily restricted	407,403
Permanently restricted	32,708
Total net assets	933,229

Total liabilities and net assets	942,516
---	----------------

DRAFT

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions and grants	132,503	90,000	-	222,503
Special event - pig roast (net of expenses of \$28,301)	66,143	-	-	66,143
Island use fees	59,909	-	-	59,909
Sales (net of costs of \$7,733)	314	-	-	314
Interest and dividend income	1,122	-	-	1,122
Unrealized gain on investments	11,242	-	-	11,242
Other income	9,100	-	-	9,100
Realized loss on sale of investments	(6,142)	-	-	(6,142)
Net assets released from restrictions	85,693	(85,693)	-	-
Total revenues	<u>359,884</u>	<u>4,307</u>	<u>-</u>	<u>364,191</u>
Expenses				
Program expenses	169,553	-	-	169,553
Management and general	103,608	-	-	103,608
Total expenses	<u>273,161</u>	<u>-</u>	<u>-</u>	<u>273,161</u>
Increase in net assets	86,723	4,307	-	91,030
Net assets at beginning of year	<u>406,395</u>	<u>403,096</u>	<u>32,708</u>	<u>842,199</u>
Net assets at end of year	<u><u>493,118</u></u>	<u><u>407,403</u></u>	<u><u>32,708</u></u>	<u><u>933,229</u></u>

DRAFT

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2013

Cash flows from (for) operating activities	
Increase in net assets	91,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(5,100)
Depreciation	18,699
Changes in operating assets and liabilities:	
Accounts receivable	(6,881)
Accounts payable	7,131
Net cash provided by operating activities	<u>104,879</u>
Cash flows for investing activities	
Dividend income reinvested	<u>(745)</u>
Net cash used for investing activities	<u>(745)</u>
Net increase in cash and cash equivalents	104,134
Beginning cash and cash equivalents	<u>296,950</u>
Ending cash and cash equivalents	<u><u>401,084</u></u>
Supplemental cash flow information	
Interest paid	<u><u>-</u></u>
Income taxes paid	<u><u>-</u></u>

DRAFT

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

Note 1 – Nature of Activities

The Ossabaw Island Foundation, Inc., a not-for-profit Foundation, through a public-private partnership with the State of Georgia, inspires, promotes, and manages exceptional educational, cultural, and scientific programs that are designed to maximize the experience of Ossabaw Island, while minimizing the impact on its resources.

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.

Receivables – Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance for uncollectible accounts has been recorded since management considers all outstanding balances to be collectible.

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 year

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

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 December 17, 2013, 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, 2013, cash balances exceeded federally insured limits by \$125,520.

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.

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

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, 2013 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	80,153	-	80,153
Donor-restricted endowment funds	<u>(9,996)</u>	<u>32,708</u>	<u>22,712</u>
Total funds	<u>70,157</u>	<u>32,708</u>	<u>102,865</u>

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

Note 5 - Endowment Investments - (Continued)

Changes in endowment net assets as of July 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	64,311	32,708	97,019
Investment income	745		745
Net appreciation in value	<u>5,100</u>	<u>-</u>	<u>5,100</u>
Endowment net assets, end of year	<u>70,157</u>	<u>32,708</u>	<u>102,865</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 Foundation to retain as a fund of perpetual duration. In accordance with GAAP, a deficiency of this nature of (\$ 9,996) is reported in unrestricted net assets as of July 30, 2013. 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, 2013, the amount of purchased and donated furnishings totaled \$260,527.

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

Note 7 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following:

Field Lab restoration	25,721
North End Tabby restoration	214,339
Torrey-West House	97,059
Education Alliance	30,800
Ossabaw Fellow Project	39,000
Kollock papers	<u>484</u>
Total	<u>407,403</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, 2013, the Foundation paid Mark Frissell a total of \$10,880 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.

Note 9 - Education Alliance

The Ossabaw Island Education Alliance is a partnership of the Ossabaw Island Foundation, the Georgia Department of Natural Resources, and the Board of Regents of the University System of Georgia. The purpose is to provide the means for designing and managing education and research programs on the island for units of the university system, to market and promote these programs to a wide variety of disciplines and stakeholders, and to seek funding through grants and donations to support these efforts.

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT
JULY 31, 2013

Note 10 - Education Alliance (continued)

The schedule below summarizes activity for the Education Alliance for the year ended July 31, 2013.

Net assets (temporarily restricted) – beginning of year		24,926
Revenues:		
Grants and Contributions	<u>55,000</u>	55,000
Expenses:		
Personnel	48,443	
Printing and paper	15	
Telephone	<u>668</u>	
		<u>(49,126)</u>
Net assets (temporarily restricted) – end of year		<u>30,800</u>

DRAFT

SUPPLEMENTAL INFORMATION

DRAFT

THE OSSABAW ISLAND FOUNDATION, INC.
SCHEDULE OF PROGRAM AND MANAGEMENT
AND GENERAL EXPENSES
YEAR ENDED JULY 31, 2013

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related costs	50,434	60,253	110,687
Contract labor	27,298	5,559	32,857
Accounting fees	-	6,782	6,782
Auto service	5,154	-	5,154
Boat expense	2,269	-	2,269
Board meetings	-	3,275	3,275
Cleaning	4,015	-	4,015
Credit card fees	87	664	751
Depreciation	18,699	-	18,699
Donor relations	1,047	4,021	5,068
Dues and subscriptions	3,698	2,108	5,806
Insurance	7,269	995	8,264
Miscellaneous	2,172	1,387	3,559
Office supplies and postage	25	2,578	2,603
On island utilities	2,911	-	2,911
Printing and paper	15	6,145	6,160
Promotional expense	-	1,884	1,884
Repairs and maintenance	28,956	-	28,956
Supplies - building	7,007	-	7,007
Telephone	7,229	2,609	9,838
Transportation to island	902	312	1,214
Travel	366	36	402
Use agreement	-	5,000	5,000
	<u>169,553</u>	<u>103,608</u>	<u>273,161</u>
Total expenses	<u>169,553</u>	<u>103,608</u>	<u>273,161</u>

DRAFT