

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

**Financial Statements
for the Year Ended
July 31, 2020**

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AUDIT REPORT

*

December 23, 2020

THE OSSABAW ISLAND FOUNDATION, INC.

TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditor’s Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-14

Independent Auditor's Report

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

DRAFT

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, 2020, and the related statement of activities, functional expenses, and cash flows 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 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 financial position of Ossabaw Island Foundation, Inc. as of July 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Ossabaw Island Foundation, Inc.'s July 31, 2019 financial statements, and our report dated December 30, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prior Period Adjustment

As described in Note 12 to the financial statements, Ossabaw Island Foundation, Inc.'s adjusted beginning net assets to record the effect thereon of net assets with donor restrictions not released in prior years. Our opinion is not modified with respect to this matter.

DRAFT

December 23, 2020

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2020
(WITH COMPARATIVE TOTALS AS OF JULY 31, 2019)

	2020	2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	527,761	586,653
Accounts receivable	5,000	-
Prepaid expenses	186	186
Total current assets	532,947	586,839
 Property, plant and equipment		
Building improvements	19,115	19,115
Machinery and equipment	264,689	264,689
Vehicles	9,950	4,950
	293,754	288,754
Less - accumulated depreciation	223,472	205,995
Total property and equipment	70,282	82,759
 Other assets		
Furniture collection	266,340	266,340
Endowment investments	125,506	123,592
Total other assets	391,846	389,932
Total assets	995,075	1,059,530
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	1,472	19,780
Accrued retirement	-	13,125
Deferred revenue	10,000	26,650
Payroll Protection Program loan	25,400	-
Total current liabilities	36,872	59,555
 Net assets		
Without donor restrictions	800,532	842,304
With donor restrictions	157,671	157,671
Total net assets	958,203	999,975
Total liabilities and net assets	995,075	1,059,530

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2019)

	<u>2020</u>			<u>2019</u>
	<u>Without donor</u>	<u>With donor</u>	<u>Total</u>	
Changes in Net Assets :	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues				
Contributions and grants	143,433	-	143,433	96,145
Special event - pig roast (net of expenses of \$23,896)	89,013	-	89,013	60,692
Island use fees	48,288	-	48,288	98,566
In-kind facilities	18,200	-	18,200	18,200
Sales (net of costs of \$4,870)	673	-	673	2,526
Interest and dividend income	1,690	-	1,690	3,718
Unrealized gain on investments	1,307	-	1,307	1,080
Other income	10,347	-	10,347	1,253
Total revenues	<u>312,951</u>	<u>-</u>	<u>312,951</u>	<u>282,180</u>
Expenses				
Program expenses	243,532	-	243,532	222,146
Management and general	68,590	-	68,590	86,955
Fundraising	42,601	-	42,601	39,200
Total expenses	<u>354,723</u>	<u>-</u>	<u>354,723</u>	<u>348,301</u>
Increase (Decrease) in net assets	(41,772)	-	(41,772)	(66,121)
Net assets at beginning of year, as restated	<u>842,304</u>	<u>157,671</u>	<u>999,975</u>	<u>1,066,096</u>
Net assets at end of year	<u><u>800,532</u></u>	<u><u>157,671</u></u>	<u><u>958,203</u></u>	<u><u>999,975</u></u>

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2019)

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	2020			Total Expenses	2019 Total
	Program Expenses	Management and General	Fundraising		
Salaries and related costs	70,895	35,011	30,866	136,772	138,587
Contract labor	10,770	100	-	10,870	14,093
Accounting fees	-	7,405	-	7,405	7,021
Auto service	4,376	-	-	4,376	3,894
Boat expense	5,557	-	-	5,557	4,919
Board meetings	-	227	-	227	730
Cleaning	1,119	-	-	1,119	3,212
Credit card fees	-	683	-	683	2,589
Depreciation	17,477	-	-	17,477	16,977
Dues and subscriptions	6,706	1,784	-	8,490	9,379
Insurance	4,010	8,881	-	12,891	12,149
Miscellaneous	890	-	-	890	335
Office supplies and postage	12,262	4,246	874	17,382	27,487
On island utilities	2,240	-	-	2,240	2,825
Printing and paper	14,770	3,692	6,154	24,616	14,075
Promotional expense	10,169	-	1,795	11,964	23,104
Rent expense	12,376	2,912	2,912	18,200	18,200
Repairs and maintenance	60,500	-	-	60,500	25,155
Supplies - building	247	-	-	247	1,508
Telephone	378	1,133	-	1,511	2,676
Transportation to island	4,800	-	-	4,800	12,700
Travel	1,474	-	-	1,474	1,686
Use agreement	2,516	2,516	-	5,032	5,000
Total expenses	243,532	68,590	42,601	354,723	348,301

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from (for) operating activities		
Decrease in net assets	(41,772)	(66,121)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(1,307)	(1,080)
Depreciation	17,477	16,977
Changes in operating assets and liabilities:		
Accounts receivable	(5,000)	17,050
Accounts payable	(18,308)	17,210
Accrued retirement	(13,125)	13,125
Deferred revenue	(16,650)	26,650
Net cash provided by (used for) operating activities	<u>(78,685)</u>	<u>23,811</u>
 Cash flows for investing activities		
Fixed asset purchases	(5,000)	-
Net activity in investment account	(607)	(2,071)
Net cash used for investing activities	<u>(5,607)</u>	<u>(2,071)</u>
 Cash flows for financing activities		
Payroll Protection Program loan proceeds	25,400	-
Net cash provided by financing activities	<u>25,400</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	(58,892)	21,740
 Beginning cash and cash equivalents	<u>586,653</u>	<u>564,913</u>
 Ending cash and cash equivalents	<u><u>527,761</u></u>	<u><u>586,653</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 STATEMENTS
JULY 31, 2020

DRAFT

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.

Liquidity Management - As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has set aside excess funds in interest-bearing savings accounts which it could use in the event of an unanticipated liquidity need. Financial assets consist mainly of unrestricted cash in the amount of \$370,090 and receivables of \$5,000 as of July 31, 2020.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

At July 31, 2020, the years that remain subject to examination by taxing authorities begin with the year ended July 31, 2017.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 2 – Significant Accounting Policies (Continued)

In-Kind Contributions – Donated facilities are recorded in accordance with generally accepted accounting principles. Donations are recorded at their estimated fair value at the date of donation.

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

Donor-Restricted and Unrestricted Revenue and Support – Contributions are recorded as unrestricted or donor-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 net assets without donor restrictions 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 net assets with donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Fair Value Measurements – Fair Value Measurements establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Ossabaw Island Foundation has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 2 – Significant Accounting Policies (Continued)

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 - Retirement Plan

The Foundation made a contribution towards each employee's SIMPLE IRA at the end of the year ended July 31, 2020. The contribution equaled 15% of the employee's annual salary. The employer contributions made to this plan for the year totaled \$13,125.

Note 5 – Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6 – 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. At July 31, 2020, the Foundation had cash balances in excess of the FDIC limits of approximately \$269,103. The Foundation has not experienced any losses on such accounts.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 7 – 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 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 donor-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. 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 purpose of the Endowment Fund is the preservation of capital and to improve the return on the funds held for expenditure for up to five years.

The investment objectives of the Endowment Fund are:

1. Preservation of capital;
2. Maintenance of adequate liquidity; and
3. Optimization of the investment return within the constraints below.

The Executive Director and Treasurer as authorized by the Finance and Capital Planning Committee may invest the Endowment Fund as follows:

1. Interest bearing savings account;
2. Certificates of Deposit at insured commercial banking institutions;
3. Money market funds that invest in government backed securities;
4. Interest bearing checking accounts;

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 7 – Endowment Investments (continued)

5. Direct obligations of the U.S. Government, its agencies and instrumentalities;
6. Mutual funds that invest in direct obligations of the U.S. Government, its agencies and instrumentalities;
7. Mutual funds that invest in broadly diversified portfolios of large-cap, mid-cap and small-cap equities. Mutual Fund Family corporate S&P credit rating shall be BBB or higher;
8. Mutual funds that invest in a broadly diversified portfolio of corporate bonds.

The Finance and Capital Planning Committees will determine the appropriate maturity of any particular investment whilst considering fully the liquidity needs of the Foundation from an operating perspective.

The Executive Director shall prepare the following reports for presentation/delivery at least once annually for the benefit of the Board of Trustees:

1. Schedule of Investments which includes schedule of performance since purchase or last 5 years.
2. Interest income year to date;
3. Current yield

The General Principles of the Investment of Funds are:

1. Investments shall be made solely in the interest of The Ossabaw Island Foundation Fund.
2. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in the capacity and familiar with such matters would use in the investment of a like fund.
3. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Ossabaw Island Foundation may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return when feasible.
6. Donations received in the form of common or preferred stock shall be converted to cash as soon as practicable upon receipt of such donation. The proceeds of the sale will be used as directed by the donor or in accordance with the foregoing investment policy.
7. Funds on deposit at a single financial institution in excess of the \$250,000 FDIC Insurance limit shall be reviewed by the Finance and Capital Planning committee at a minimum of once annually. If it is deemed that such concentration of funds is unacceptably risky, steps will be taken to distribute funds across institutions.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 7 – Endowment Investments (Continued)

Changes in endowment net assets as of July 31, 2020 are as follows:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total Total</u>
Endowment net assets, beginning of year	90,884	32,708	123,592
Investment income	1,307	-	1,307
Net appreciation (realized and unrealized)	<u>607</u>	<u>-</u>	<u>607</u>
Endowment net assets, end of year	<u>92,798</u>	<u>32,708</u>	<u>125,506</u>

The following table sets forth, by level, within the fair value hierarchy, the investment assets at fair value as of July 31, 2020. As required by this topic, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments				
Money market funds	<u>125,506</u>	<u>-</u>	<u>-</u>	<u>125,506</u>
Total endowment investments	<u>125,506</u>	<u>-</u>	<u>-</u>	<u>125,506</u>

Note 8 – 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, 2020, the amount of purchased and donated furnishings totaled \$266,340.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

DRAFT

Note 9 – Payroll Protection Program Loan

On April 15, 2020, the Foundation received loan proceeds in the amount of \$25,400 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Note 10 – Net Assets with Donor Restrictions

The Foundation had the following net assets with donor restrictions at July 31, 2020:

Torrey-West House	85,963
Ossabaw Fellow Project	39,000
Endowment fund assets	<u>32,708</u>
Total	<u>157,671</u>

Note 11 – Related Party Transactions

During the year ended July 31, 2020, the Foundation paid Mark Frissell a total of \$4,220 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 hosting overnight group trips and island cleaning days.

Note 12 – Prior Period Adjustment

Beginning net assets have been restated to correct a reporting error in the prior year. It was determined that a portion of beginning net assets with donor restrictions should have been released from restrictions in prior years. The effect of this adjustment was to increase beginning net assets without donor restrictions by \$344,642 and decrease net assets with donor restrictions by \$344,642.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

Note 13 – Subsequent Events

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COVID-19 Outbreak

Management has evaluated subsequent events through December 23, 2020, the date the financial statements were available. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings.

As of December 23, 2020, the COVID-19 primary impacts to the Foundation's overall financial position is fewer on-island programs and visitations being scheduled and a reduction in future grant awards from the Board of Regents of the University System of Georgia.

Education Alliance

The Board of Regents of the University System of Georgia notified the Foundation that due to budgetary constraints, the Education Alliance grant contribution will be reduced from \$50,000 to \$25,000 for the next two years.