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THE OSSABAW ISLAND FOUNDATION, INC.
SAVANNAH, GEORGIA

Financial Statements
for the Year Ended
July 31, 2019

*

AUDIT REPORT

*

December 30, 2019

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THE OSSABAW ISLAND FOUNDATION, INC.

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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, 2019, 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 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, 2019, 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.

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Report on Summarized Comparative Information

We have previously audited Ossabaw Island Foundation, Inc.'s July 31, 2018 financial statements, and our report dated December 12, 2018 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 30, 2019

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THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2019
(WITH COMPARATIVE TOTALS AS OF JULY 31, 2018)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	586,653	564,913
Accounts receivable	-	17,050
Prepaid expenses	186	186
Total current assets	586,839	582,149
Property, plant and equipment		
Building improvements	19,115	19,115
Machinery and equipment	264,689	264,689
Vehicles	4,950	4,950
	288,754	288,754
Less - accumulated depreciation	205,995	189,018
Total property and equipment	82,759	99,736
Other assets		
Furniture collection	266,340	266,340
Endowment investments	123,592	120,441
Total other assets	389,932	386,781
Total assets	1,059,530	1,068,666
Liabilities and Net Assets		
Current liabilities		
Accounts payable	19,780	2,570
Accrued retirement	13,125	-
Deferred revenue	26,650	-
Total current liabilities	59,555	2,570
Net assets		
Without donor restrictions	497,662	606,597
With donor restrictions	502,313	459,499
Total net assets	999,975	1,066,096
Total liabilities and net assets	1,059,530	1,068,666

The accompanying notes are an integral part of these financial statements

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THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2018)

	2019			
	Without donor Restrictions	With donor Restrictions	Total	2018 Total
Changes in Net Assets :				
Revenues				
Contributions and grants	46,145	50,000	96,145	108,189
Special event - pig roast (net of expenses of $28,902)	60,692	-	60,692	99,106
Island use fees	98,566	-	98,566	117,229
In-kind facilities	18,200	-	18,200	14,140
Sales (net of costs of $8,455)	2,526	-	2,526	2,112
Interest and dividend income	3,652	123	3,775	2,006
Realized gain on investments	1,023	-	1,023	976
Other income	1,253	-	1,253	4,938
Net assets released from restrictions	7,309	(7,309)	-	-
Total revenues	239,366	42,814	282,180	348,696
Expenses				
Program expenses	222,146	-	222,146	186,698
Management and general	86,955	-	86,955	77,108
Fundraising	39,200	-	39,200	32,506
Total expenses	348,301	-	348,301	296,312
Increase (Decrease) in net assets	(108,935)	42,814	(66,121)	52,384
Net assets at beginning of year	606,597	459,499	1,066,096	1,013,712
Net assets at end of year	497,662	502,313	999,975	1,066,096

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2018)

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	2019				
	Program Expenses	Management and General	Fundraising	Total Expenses	2018 Total
Salaries and related costs	71,863	35,411	31,313	138,587	117,799
Contract labor	13,680	413	-	14,093	19,770
Accounting fees	-	7,021	-	7,021	7,062
Auto service	3,894	-	-	3,894	3,128
Boat expense	4,919	-	-	4,919	3,630
Board meetings	-	730	-	730	512
Cleaning	3,212	-	-	3,212	3,909
Credit card fees	2,143	446	-	2,589	2,198
Depreciation	16,977	-	-	16,977	17,183
Donor relations	-	-	-	-	158
Dues and subscriptions	6,768	2,611	-	9,379	7,870
Insurance	3,763	8,386	-	12,149	9,218
Miscellaneous	268	67	-	335	1,891
Office supplies and postage	15,801	10,230	1,456	27,487	18,328
On island utilities	2,825	-	-	2,825	3,661
Printing and paper	2,111	8,445	3,519	14,075	13,813
Promotional expense	17,328	5,776	-	23,104	21,383
Rent expense	12,376	2,912	2,912	18,200	14,139
Repairs and maintenance	25,155	-	-	25,155	10,488
Supplies - building	1,508	-	-	1,508	3,421
Telephone	669	2,007	-	2,676	3,141
Transportation to island	12,700	-	-	12,700	8,610
Travel	1,686	-	-	1,686	-
Use agreement	2,500	2,500	-	5,000	5,000
Total expenses	222,146	86,955	39,200	348,301	296,312

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THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2018)

	2019	2018
Cash flows from (for) operating activities		
Increase (decrease) in net assets	(66,121)	52,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(3,151)	(2,367)
Depreciation	16,977	17,183
Changes in operating assets and liabilities:		
Accounts receivable	17,050	(11,510)
Prepaid expenses	-	(57)
Accounts payable	17,210	(1,545)
Accrued retirement	13,125	-
Deferred revenue	26,650	(17,750)
User deposits	-	(1,150)
Net cash provided by operating activities	21,740	35,188
Cash flows for investing activities		
Fixed asset purchase	-	(1,150)
Net cash used for investing activities	-	(1,150)
Net increase in cash and cash equivalents	21,740	34,038
Beginning cash and cash equivalents	564,913	530,875
Ending cash and cash equivalents	586,653	564,913

Supplemental cash flow information		
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are an integral part of these financial statements

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THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019

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.

Recent Accounting Pronouncements – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

A recap of the net asset reclassifications driven by the adoption of ASU-2016-14 as of July 31, 2018, follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	Without donor restrictions	With donor restrictions	Total Net Assets
As previously presented:			
Unrestricted	$ 606,597	-	$ 606,597
Temporarily Restricted	-	426,791	426,791
Permanently Restricted	-	32,708	32,708
Net assets as previously presented	606,597	459,499	1,066,096

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

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Note 2 – Significant Accounting Policies (Continued)

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 account which it could use in the event of an unanticipated liquidity need.

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, 2019, the years that remain subject to examination by taxing authorities begin with the year ended July 31, 2016.

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.

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Note 2 – Significant Accounting Policies (Continued)

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.

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.

Subsequent Events – Management has evaluated subsequent events through December 20, 2019 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 - Retirement Plan

The Foundation made a contribution towards each employee's SIMPLE IRA at the end of the year ended July 31, 2019. 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. The Foundation has not experienced any losses on such accounts.

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:

Note 7 – Endowment Investments (Continued)

(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;
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

Note 7 – Endowment Investments

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.

Changes in endowment net assets as of July 31, 2019 are as follows:

	Without donor Restrictions	With donor Restrictions	Total Total
Endowment net assets, beginning of year	87,733	32,708	120,441
Investment income	2,071	-	2,071
Net appreciation (realized and unrealized)	1,080	-	1,080
Endowment net assets, end of year	90,884	32,708	123,592

Note 7 – Endowment Investments (Continued)

The following table sets forth, by level, within the fair value hierarchy, the investment assets at fair value as of July 31, 2019. 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.

	Level 1	Level 2	Level 3	Total
Short-term investments				
Money market funds	123,592	-	-	123,592
Total endowment investments	123,592	-	-	123,592

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, 2019, the amount of purchased and donated furnishings totaled $266,340.

Note 9 – Net Assets with Donor Restrictions

The Foundation had the following net assets with donor restrictions at July 31, 2019:

North End Tabby restoration	211,454
Torrey-West House	85,963
Education Alliance	133,188
Ossabaw Fellow Project	39,000
Endowment fund assets	32,708
Total	502,313

Note 10 – Related Party Transactions

During the year ended July 31, 2019, the Foundation paid Mark Frissell a total of $8,100 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 11 – 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.

The schedule below summarizes activity for the Education Alliance for the year ended July 31, 2019.

Net assets with donor restrictions – July 31, 2018		90,374
Revenues:		
Grants and contributions	50,000	
Interest income	123	
		50,123
Expenses:		
Promotional	4,238	
Contract labor	2,091	
Travel and transportation	898	
Dues and subscriptions	15	
Supplies	67	
		(7,309)
Net assets with donor restrictions – July 31, 2019		133,188