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

**Financial Statements
for the Year Ended
July 31, 2023**

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AUDIT REPORT

*

December 20, 2023

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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

Opinion

We have audited the accompanying financial statements of The Ossabaw Island Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ossabaw Island Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Royce Learning Center's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ossabaw Island Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ossabaw Island Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Ossabaw Island Foundation, Inc.'s July 31, 2022, financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 20, 2023

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2023
(WITH COMPARATIVE TOTALS AS OF JULY 31, 2022)

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	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	874,602	781,752
Pledge receivable(net of allowance of doubtful accounts)	10,000	20,000
Prepaid expenses	104	104
Total current assets	<u>884,706</u>	<u>801,856</u>
 Property, plant and equipment		
Building improvements	19,115	19,115
Machinery and equipment	270,734	270,734
Vehicles	13,950	13,950
	<u>303,799</u>	<u>303,799</u>
Less - accumulated depreciation	270,397	257,427
Total property and equipment	<u>33,402</u>	<u>46,372</u>
 Other assets		
Furniture collection	266,340	266,340
Endowment investments	132,268	130,570
Pledge receivable - noncurrent portion	20,000	40,000
Total other assets	<u>418,608</u>	<u>436,910</u>
 Total assets	<u><u>1,336,716</u></u>	<u><u>1,285,138</u></u>
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	6,500	944
Accrued retirement	1,450	-
Payroll liabilities	1,964	2,579
Deferred revenue	28,399	2,250
Total current liabilities	<u>38,313</u>	<u>5,773</u>
 Net assets		
Without donor restrictions	1,025,544	1,009,711
With donor restrictions	272,859	269,654
Total net assets	<u>1,298,403</u>	<u>1,279,365</u>
 Total liabilities and net assets	<u><u>1,336,716</u></u>	<u><u>1,285,138</u></u>

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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2022)

	2023			2022
	<u>Without donor</u>	<u>With donor</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>		
Changes in Net Assets :				
Revenues				
Contributions and grants	136,654	5,000	141,654	270,603
Special event - pig roast (net of expenses of \$14,728)	92,571	-	92,571	105,193
PPP income	-	-	-	24,928
Island use fees	162,144	-	162,144	183,791
In-kind facilities	18,200	-	18,200	18,200
Sales (net of costs of \$15,345)	3,930	-	3,930	(1,337)
Interest and dividend income	3,753	-	3,753	433
Unrealized gain on investments	662	-	662	2,474
Other income	7,688	-	7,688	-
Net assets released from restrictions	1,795	(1,795)	-	-
Total revenues	<u>427,397</u>	<u>3,205</u>	<u>430,602</u>	<u>604,285</u>
Expenses				
Program expenses	287,521	-	287,521	257,092
Management and general	85,629	-	85,629	41,491
Fundraising	38,414	-	38,414	33,747
Total expenses	<u>411,564</u>	<u>-</u>	<u>411,564</u>	<u>332,330</u>
Increase in net assets	15,833	3,205	19,038	271,955
Net assets at beginning of year	<u>1,009,711</u>	<u>269,654</u>	<u>1,279,365</u>	<u>1,007,410</u>
Net assets at end of year	<u><u>1,025,544</u></u>	<u><u>272,859</u></u>	<u><u>1,298,403</u></u>	<u><u>1,279,365</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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2022)

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	2023				2022
	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Total</u>
Salaries and related costs	122,667	26,495	33,410	182,572	158,480
Bad debts	-	38,987	-	38,987	-
Contract labor	8,750	-	-	8,750	5,486
Accounting fees	-	7,160	-	7,160	7,500
Auto service	5,740	-	-	5,740	4,063
Boat expense	5,927	-	-	5,927	1,725
Board meetings	-	584	-	584	87
Cleaning	8,876	-	-	8,876	8,203
Credit card fees	-	45	-	45	-
Depreciation	12,971	-	-	12,971	16,150
Dues and subscriptions	3,091	5,230	-	8,321	7,184
Insurance	13,786	2,354	-	16,140	11,042
Miscellaneous	29	967	-	996	774
Office supplies and postage	8,277	1,166	-	9,443	7,312
On island utilities	3,682	-	-	3,682	5,650
Printing and paper	30,662	-	-	30,662	19,203
Professional fees	5,000	-	-	5,000	-
Program expenses	27,599	-	-	27,599	29,632
Promotional expense	9,479	-	1,673	11,152	8,661
Rent expense	12,228	2,641	3,331	18,200	18,200
Repairs and maintenance	1,483	-	-	1,483	16,356
Supplies - building	134	-	-	134	572
Telephone	1,289	-	-	1,289	947
Travel	851	-	-	851	103
Use agreement	5,000	-	-	5,000	5,000
Total expenses	287,521	85,629	38,414	411,564	332,330

The accompanying notes are an integral part of these financial statements

THE OSSABAW ISLAND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2022)

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	<u>2023</u>	<u>2022</u>
Cash flows from (for) operating activities		
Increase in net assets	19,038	271,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(663)	(2,474)
Depreciation	12,971	16,150
Noncash debt forgiveness	-	(24,928)
Changes in operating assets and liabilities:		
Pledges receivable	30,000	(60,000)
Prepaid expenses	-	(104)
Accounts payable and accrued expenses	7,006	944
Payroll liabilities	(615)	613
Deferred revenue	26,149	(17,000)
Net cash provided by operating activities	<u>93,886</u>	<u>185,156</u>
 Cash flows for investing activities		
Fixed asset purchases	-	(10,045)
Net activity in investment account	(1,036)	(178)
Net cash used for investing activities	<u>(1,036)</u>	<u>(10,223)</u>
 Net increase in cash and cash equivalents	92,850	174,933
 Beginning cash and cash equivalents	<u>781,752</u>	<u>606,819</u>
 Ending cash and cash equivalents	<u><u>874,602</u></u>	<u><u>781,752</u></u>
 Supplemental cash flow information		
Interest paid	<u><u>-</u></u>	<u><u>-</u></u>
 Income taxes paid	<u><u>-</u></u>	<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, 2023

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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 \$606,743 as of July 31, 2023.

Pledge Receivables – Unconditional promises to give from grantors and donors are measured at fair value and recorded as revenues in the period in which the promise is received. An allowance for uncollectible accounts is provided for those receivables which are considered to be uncollectible based on management's evaluation of the likelihood of payment.

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, 2023, the years that remain subject to examination by taxing authorities begin with the year ended July 31, 2020.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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
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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 to all covered employee's SIMPLE IRA at the end of the year ended July 31, 2023. The contribution equaled 15% of the employee's annual salary. The employer contributions made to this plan for the year totaled \$15,450.

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, 2023, the Foundation had cash balances in excess of the FDIC limits of approximately \$337,640. The Foundation has not experienced any losses on such accounts.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

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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.

Note 8 – Endowment Investments

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 OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 8 – Endowment Investments (continued)

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

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.

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 8 – Endowment Investments (continued)

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, 2023 are as follows:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total Total</u>
Endowment net assets, beginning of year	97,862	32,708	130,570
Investment income	1,036	-	1,036
Net appreciation (unrealized)	<u>662</u>	<u>-</u>	<u>662</u>
Endowment net assets, end of year	<u>99,560</u>	<u>32,708</u>	<u>132,268</u>

The following table sets forth, by level, within the fair value hierarchy, the investment assets at fair value as of July 31, 2023. 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>132,268</u>	<u>=</u>	<u>=</u>	<u>132,268</u>

THE OSSABAW ISLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 9 – 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, 2023, the amount of purchased and donated furnishings totaled \$266,340.

Note 10 – Payroll Protection Program Loan

On February 18, 2021, the Foundation received an additional \$24,928 in loan proceeds under the Paycheck Protection Program ("PPP") round two. 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. In order to qualify for round two of PPP, an organization must have experienced financial hardship due to the ongoing Coronavirus (COVID-19) pandemic and have a 25% decrease in any quarter's gross receipts from 2019 to 2020. The unforgiven portion is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. On July 7, 2022, the entire loan balance was fully forgiven.

Note 11 – Net Assets with Donor Restrictions

The Foundation had the following net assets with donor restrictions at July 31, 2023:

Window Restoration – Little	
Torrey House	5,000
Torrey-West House	197,946
Ossabaw Fellow Project	37,205
Endowment fund assets	<u>32,708</u>
Total	<u>267,859</u>

Note 12 – Subsequent Events

Management has evaluated subsequent events through December 20, 2023, the date the financial statements were available.