

The Royal Oak Foundation

Financial Statements

Year Ended December 31, 2010

The Royal Oak Foundation

Financial Statements

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The Royal Oak Foundation

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Independent Auditors' Report

Board of Directors
The Royal Oak Foundation
New York, New York

We have audited the accompanying statement of financial position of The Royal Oak Foundation (the "Foundation") as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2009 is presented for comparative purposes only and was extracted from financial statements of The Royal Oak Foundation for that year, on which we expressed an unqualified opinion, dated May 17, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Royal Oak Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

June 22, 2011

The Royal Oak Foundation
Statement of Financial Position
(with comparative totals for 2009)

<i>December 31,</i>	2010	2009
Assets		
Cash and cash equivalents (Note 2)	\$ 984,916	\$ 440,424
Investments, at fair value (Notes 2 and 3)	3,050,279	2,272,918
Contributions receivable (Notes 2 and 4)	229,026	750,950
Charitable remainder trusts receivable (Notes 2, 3 and 5)	553,081	505,484
Other receivables (Note 2)	36,851	118,892
Prepaid expenses and other assets	49,480	62,024
Cash surrender value (Note 6)	29,210	27,366
Fixed assets, net (Notes 2 and 7)	44,886	65,903
	\$4,977,729	\$4,243,961
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 73,610	\$ 48,211
Grants payable	242,300	171,450
Total Liabilities	315,910	219,661
Commitments and Contingencies (Notes 2 and 8)		
Net Assets (Notes 2 and 10):		
Unrestricted	4,165,997	3,472,083
Board designated	278,055	242,564
Total Unrestricted	4,444,052	3,714,647
Temporarily restricted (Note 10)	217,767	309,653
Total Net Assets	4,661,819	4,024,300
	\$4,977,729	\$ 4,243,961

See accompanying notes to financial statements.

The Royal Oak Foundation
Statement of Activities
(with comparative totals for 2009)

Year ended December 31,

	Unrestricted	Temporarily restricted	Total	
			2010	2009
Revenue, Gains and Support:				
Contributions	\$ 489,829	\$ -	\$ 489,829	\$1,146,187
Charitable remainder trusts	441,006	-	441,006	-
Change in value of charitable remainder trusts	57,344	-	57,344	401
Membership dues	553,816	-	553,816	536,103
Royalty income, net of expenses of \$25,509	76,384	-	76,384	78,119
Educational programs	307,405	-	307,405	491,039
Investment income	341,112	-	341,112	493,668
Special events, net of expenses of \$77,690	259,785	-	259,785	140,244
Income on cash surrender value	1,844	-	1,844	27,366
Other income	12,857	-	12,857	21,092
Net assets released from restrictions (Note 9)	91,886	(91,886)	-	-
	2,633,268	(91,886)	2,541,382	2,934,219
Expenses (Note 2):				
Program services:				
Grants and scholarships	501,690	-	501,690	310,628
Membership and programs	851,864	-	851,864	796,826
Program development	128,155	-	128,155	135,378
Total Program Services	1,481,709	-	1,481,709	1,242,832
Supporting services:				
Management and general	294,516	-	294,516	290,595
Fundraising	127,638	-	127,638	151,744
Total Supporting Services	422,154	-	422,154	442,339
Total Expenses	1,903,863	-	1,903,863	1,685,171
Change In Net Assets	729,405	(91,886)	637,519	1,249,048
Net Assets, Beginning of Year	3,714,647	309,653	4,024,300	2,775,252
Net Assets, End of Year	\$4,444,052	\$217,767	\$4,661,819	\$4,024,300

See accompanying notes to financial statements.

The Royal Oak Foundation

Statement of Functional Expenses (with comparative totals for 2009)

Year ended December 31,

	Program Services				Supporting Services			Total	
	Grants and Scholarships	Memberships and Programs	Program Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	2010	2009
Salaries and Related Expenses:									
Salaries	\$ 33,652	\$236,163	\$ 70,854	\$ 340,669	\$ 162,887	\$ 30,534	\$ 193,421	\$ 534,090	\$ 555,314
Payroll taxes and benefits	7,452	52,299	15,691	75,442	36,072	6,762	42,834	118,276	120,453
Total Salaries and Related Expenses	41,104	288,462	86,545	416,111	198,959	37,296	236,255	652,366	675,767
Other Expenses:									
Grants and scholarships	460,586	-	-	460,586	-	-	-	460,586	268,035
Mission related marketing	-	69,677	-	69,677	-	48,732	48,732	118,409	125,032
Mailings, printings and publications and programs	-	402,279	-	402,279	-	-	-	402,279	362,809
Telephone	-	3,412	1,409	4,821	1,187	1,409	2,596	7,417	6,442
Insurance expense	-	-	-	-	5,818	-	5,818	5,818	5,499
Equipment expense	-	8,200	3,387	11,587	2,852	3,387	6,239	17,826	19,969
Occupancy (Note 8)	-	61,370	25,349	86,719	21,346	25,349	46,695	133,414	118,003
Professional fees	-	-	-	-	24,375	-	24,375	24,375	24,375
Office supplies	-	7,394	3,054	10,448	2,572	3,054	5,626	16,074	22,695
Dues and subscriptions	-	120	49	169	42	49	91	260	380
Travel and entertainment	-	-	3,839	3,839	-	3,839	3,839	7,678	1,888
Miscellaneous	-	-	-	-	28,704	-	28,704	28,704	19,422
Temporary help	-	-	-	-	4,853	-	4,853	4,853	11,706
Depreciation	-	10,950	4,523	15,473	3,808	4,523	8,331	23,804	23,149
Total Expenses	\$501,690	\$851,864	\$128,155	\$1,481,709	\$294,516	\$127,638	\$422,154	\$1,903,863	\$1,685,171

See accompanying notes to financial statements.

The Royal Oak Foundation
Statement of Cash Flows
(with comparative totals for 2009)

<i>Year ended December 31,</i>	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	\$ 637,519	\$1,249,048
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of charitable remainder trusts	(57,344)	(401)
Change in present value of cash surrender value of life insurance	(1,844)	(27,366)
Depreciation	23,804	23,149
Unrealized gain on marketable securities	(284,306)	(444,478)
(Increase) decrease in:		
Contributions receivable	521,924	(641,870)
Charitable remainder trust receivable	9,747	79,999
Other receivables	82,041	(99,706)
Prepaid and other assets	12,544	26,584
Increase (decrease) in:		
Accounts payable and other liabilities	25,399	1,992
Grants payable	70,850	(108,450)
Net Cash Provided By Operating Activities	1,040,334	58,501
Cash Flows From Investing Activities:		
Proceeds from sale of marketable securities	-	270,000
Purchase of marketable securities	(493,055)	(48,328)
Purchase of fixed assets	(2,787)	(11,624)
Net Cash Provided By (Used In) Investing Activities	(495,842)	210,048
Net Increase in Cash and Cash Equivalents	544,492	268,549
Cash and Cash Equivalents, Beginning of Year	440,424	171,875
Cash and Cash Equivalents, End of Year	\$ 984,916	\$ 440,424

See accompanying notes to financial statements.

The Royal Oak Foundation

Notes to Financial Statements

1. Description of Organization

The Royal Oak Foundation (the "Foundation") is incorporated under New York State Law as a not-for-profit organization. The Foundation works closely with the National Trust of England, Wales and Northern Ireland (the "National Trust"). The Foundation raises funds for the conservation of areas of natural beauty and the preservation of historic properties, including houses and gardens, in Britain and elsewhere and sponsors educational programs which address issues in conservation and preservation.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted Board Designated - Net assets consist of all monies or assets contributed to the Foundation which are designated for future programs by the Board of Directors of the Foundation.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Foundation considers all cash and money market accounts and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

The Royal Oak Foundation

Notes to Financial Statements

(d) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures" (formerly Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements"), defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Foundation classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

Investments primarily consist of marketable mutual funds and equity securities and are adjusted to their fair market value at the statement of financial position date, resulting in either an unrealized gain or loss. Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(e) Contributions

Contributions are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Promises to give are recorded as revenue when signed pledges are made. Both are classified as either unrestricted, temporarily restricted, or permanently restricted support. Contributions of investments, property and equipment, and works of art are recorded at the fair market value at the time of contribution.

Since contributions are collectible in more than one year, the appropriate measure of fair value is the present value of estimated future cash flows using a discounted rate (Note 4).

The Royal Oak Foundation

Notes to Financial Statements

(f) Other Receivables

Other receivables consist of royalties earned by the Foundation from nonrelated parties. These royalties are earned from collections of wallpaper, fabric and needlepoint, inspired by British country living.

(g) Fixed Assets

Fixed assets are stated at cost or at their appraisal value at the time of their donation. The Foundation capitalizes additions that are purchased and donated. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

	Lives
Furniture and fixtures	10 years
Equipment	5 years
Software development	5 years

(h) Expenses

Operating costs are recorded as expenses when incurred. Grants and related costs are treated as expenses when approved by the Board of Directors.

(i) Income Taxes

The Foundation is a charitable organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2010.

ASC 740 requires that organizations must recognize the tax impact of a tax position taken on a tax return when it is more likely than not that the position will be sustained on audit, based on the technical merits of the position. The Foundation does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2010, there was no interest or penalties recorded or included in the statement of activities.

(j) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

(k) Split-Interest Agreements

The Foundation accepts gifts subject to split-interest agreements. These gifts are generally in the form of charitable remainder unitrusts ("CRUTs") and charitable remainder annuity trusts ("CRATs"). At the time of receipt, a gift is recorded based upon the fair value of the assets donated less the present value of any applicable liabilities for projected distributions to third parties. The discount rate used to value the beneficiary liability is fixed at the gift date. CRUTs are revalued annually and the beneficiary payments adjusted accordingly.

The Foundation is the beneficiary of four externally managed charitable remainder trusts. These trusts are recorded at the present value of the estimated future cash receipts from the assets of the trust.

(l) Functional Allocation of Expenses

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

(m) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

(n) Concentration of Credit Risk

The financial instruments that potentially subject the Foundation's concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance Coverage ("FDIC") limit. Those financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(o) New Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Foundation does not expect the implementation of ASU 2010-06 to have a material impact on its financial statements.

The Royal Oak Foundation

Notes to Financial Statements

3. Investments at Fair Value

The cost and respective fair values of investments at December 31, 2010 for the Foundation are as follows:

December 31, 2010

	Cost	Fair Value
Equities	\$ 437,136	\$ 437,136
Bond mutual funds	1,563,565	2,278,244
Mutual funds	320,807	334,899
Total	\$2,321,508	\$3,050,279

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy. A description of the valuation techniques applied to the Foundation's major categories of assets and liabilities measured at fair value are as follows.

The Foundation's holdings consist of publicly-traded mutual funds and equities. The mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

Below sets forth a table of assets measured at fair value as of December 31, 2010:

	Fair Value Measurement at Reporting Date Using			Balance as of December 31, 2010
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
	\$ 437,136	\$-	\$-	\$ 437,136
Bond mutual funds	334,899	-	-	334,899
Mutual funds	2,278,244	-	-	2,278,244
Total investments	\$3,050,279	\$-	\$-	\$3,050,279

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Notes to Financial Statements

	Level 1	Level 1	Level 1	Total
Charitable remainder trusts:				
Cash	\$ -	\$ 32,657	\$ -	\$ 32,657
Mutual funds	-	53,339	-	53,339
Equities	-	91,346	-	91,346
Fixed income	-	51,023	-	51,023
Investment companies	-	276,484	-	276,484
Structured securities	-	44,853	-	44,853
Other	-	3,379	-	3,379
	\$ -	\$553,081	\$ -	\$553,081

The Board subcommittee on investments monitors the Foundation's investments in accordance with approved investment policy.

4. Contributions Receivable

At December 31, 2010, the net present value of contributions receivable is \$229,026. Net present value was calculated using a discounted rate equal to the estimated earnings rate of the Foundation. The estimated earnings rate of the Foundation was calculated to be approximately 3%.

Net present value of contributions receivable, net of a discount for net present value at December 31, 2010, is summarized below:

December 31,

Total contributions receivable at December 31, 2010	\$231,210
Discount at 3.00%	(2,184)
Net present value of contributions receivable at December 31, 2010	\$229,026

Amounts due in:	
One year	\$156,210
Two to five years	75,000
	\$231,210

5. Charitable Remainder Trusts Receivable

CRATs were recorded naming the Foundation as the recipient of remainder assets after the death of the respective donors and/or their beneficiaries (the "life tenants"). Each donor put certain assets in trust from which the trustee remits annuity payments to the life tenants, until such a time that the life tenants are deceased. Upon the death of the life tenants, all principal and income of the trusts designated for the Foundation will be distributed to the Foundation. As of December 31, 2010, the present value of net assets held for charitable remainder trusts, less the present value of expected annuity payments, amounted to \$553,081.

The Royal Oak Foundation

Notes to Financial Statements

6. Cash Surrender Value of Life Insurance

In September 2009, the Foundation received a contribution from a donor in which the Foundation is the beneficiary of a whole life insurance policy. The face value of the policy is \$75,000 and the premiums are being paid by the donor. The cash surrender value as of December 31, 2010 was \$29,210.

7. Fixed Assets

Major classes of fixed assets, net consist of the following:

<i>December 31,</i>	
Furniture and fixtures	\$ 20,225
Equipment	69,829
Software development	57,564
	147,618
Less: Accumulated depreciation	(102,732)
	\$ 44,886

8. Commitments

(a) *Operating Leases*

The Foundation rents office facilities at 35 West 35th Street, New York, New York under a lease expiring in January 2015.

The minimum annual lease payments are as follows:

<i>Year ended December 31,</i>	
2011	\$123,223
2012	126,920
2013	130,727
2014	134,649
2015	11,248
Thereafter	-
	\$526,767

Rent expense was \$133,414 for the year ended December 31, 2010.

(b) *Line of Credit*

The Foundation has an unsecured \$25,000 line of credit with a bank. Interest on any borrowings is at the bank's prime rate (3.25% at December 31, 2010) plus 3%. There is no expiration date on the line of credit. There were no borrowings outstanding at December 31, 2010.

The Royal Oak Foundation

Notes to Financial Statements

9. Net Assets Released from Restrictions

Temporarily restricted net assets that were released from donor - imposed restrictions by incurring expenses satisfying the restricted purpose are as follows:

The Mudge Foundation (Damaris Horan Prize)	\$16,886
Drue Heinz Lecture Series	75,000
	<hr/>
	\$91,886

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose at December 31, 2010:

The Mudge Foundation (Damaris Horan Prize)	\$ 67,767
Drue Heinz Lecture Series	150,000
	<hr/>
	\$217,767

11. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to December 31, 2010 for items that should potentially be recognized or disclosed in these financial statements. This evaluation was conducted through June 22, 2011, the date these financial statements were available to be issued.