

**THE ROYAL OAK FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND DECEMBER 31, 2018**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Royal Oak Foundation, Inc.

We have audited the accompanying financial statements of The Royal Oak Foundation, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2020 and December 31, 2018, and the related statements of activities, functional expenses and cash flows for the eighteen months ended June 30, 2020 and the year ended December 31, 2018, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 The Royal Oak Foundation, Inc. as of June 30, 2020 and December 31, 2018, and the changes in its net assets and its cash flows for the eighteen months ended June 30, 2020 and for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 15 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, The Royal Oak Foundation, Inc. has suspended or adapted some of its program activities at the direction of state and local government authorities. Our opinion is not modified with respect to this matter.

*Lutz + Carr, LLP*

New York, New York  
January 20, 2021

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

	<u>2020</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 4)	\$ 236,985	\$ 318,408
Investments (Notes 1c, 1d and 5)	9,492,226	6,988,669
Accounts receivable (Note 1e)	28,890	42,923
Unconditional promises to give (Notes 1f and 6a)		
Without donor restrictions	45,853	4,700
With donor restrictions	87,508	15,000
Interest in charitable remainder trusts (Notes 1c, 1g and 7)	210,305	198,464
Prepaid expenses and other assets	81,200	57,877
Cash surrender value of life insurance (Note 8)	42,183	39,818
Security deposit	20,276	20,276
Property and equipment, at cost (net of accumulated depreciation) (Notes 1h and 9)	<u>29,459</u>	<u>82,383</u>
<b>Total Assets</b>	<b><u>\$10,274,885</u></b>	<b><u>\$7,768,518</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and other current liabilities	\$ 65,278	\$ 106,918
Grants payable (Note 1i)	252,524	29,580
Deferred revenue (Note 1j)	47,670	22,193
Deferred rent (Note 1k)	35,803	13,756
Loan payable (Note 11)	<u>147,375</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>548,650</u></b>	<b><u>172,447</u></b>
Commitments and Contingencies (Notes 13, 14 and 15)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	1,675,154	743,282
Board designated	<u>6,570,621</u>	<u>5,719,720</u>
<b>Total Without Donor Restrictions</b>	<b><u>8,245,775</u></b>	<b><u>6,463,002</u></b>
With Donor Restrictions		
Subject to time and purpose restriction	1,371,602	1,024,211
Perpetual in nature	<u>108,858</u>	<u>108,858</u>
<b>Total With Donor Restrictions</b>	<b><u>1,480,460</u></b>	<b><u>1,133,069</u></b>
<b>Total Net Assets</b>	<b><u>9,726,235</u></b>	<b><u>7,596,071</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$10,274,885</u></b>	<b><u>\$7,768,518</u></b>

See notes to financial statements.

## THE ROYAL OAK FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES

EIGHTEEN MONTHS ENDED JUNE 30, 2020 AND YEAR ENDED DECEMBER 31, 2018

	2020				2018			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual in Nature			Time and Purpose	Perpetual in Nature	
<b>Changes in Net Assets</b>								
Revenues, Gains and Support								
Contributions (Note 1f)	\$ 2,102,835	\$ 206,544	\$ -	\$2,309,379	\$ 754,602	\$ 43,730	\$ -	\$ 798,332
Membership dues	1,188,792	-	-	1,188,792	854,092	-	-	854,092
Fundraising benefit	209,526	-	-	209,526	137,723	-	-	137,723
Less: Direct expenses	(31,640)	-	-	(31,640)	(62,484)	-	-	(62,484)
Educational programs	511,864	-	-	511,864	367,730	-	-	367,730
Royalty income	22,298	-	-	22,298	17,343	-	-	17,343
Net investment income (Note 5)	130	-	-	130	125	-	-	125
Increase in cash surrender value of life insurance (Note 8)	2,365	-	-	2,365	1,345	-	-	1,345
Other income	4,939	-	-	4,939	5,442	-	-	5,442
	<u>4,011,109</u>	<u>206,544</u>	<u>-</u>	<u>4,217,653</u>	<u>2,075,918</u>	<u>43,730</u>	<u>-</u>	<u>2,119,648</u>
Net assets released from restrictions (Note 3b)	58,493	(58,493)	-	-	141,789	(141,789)	-	-
Appropriation from board designated net assets to operations and grants (Note 3a)	<u>264,036</u>	<u>-</u>	<u>-</u>	<u>264,036</u>	<u>1,344,208</u>	<u>-</u>	<u>-</u>	<u>1,344,208</u>
Total Revenues, Gains and Support	<u>4,333,638</u>	<u>148,051</u>	<u>-</u>	<u>4,481,689</u>	<u>3,561,915</u>	<u>(98,059)</u>	<u>-</u>	<u>3,463,856</u>
Expenses								
Program Services								
Grants and scholarships	858,759	-	-	858,759	1,873,078	-	-	1,873,078
Membership	642,067	-	-	642,067	448,626	-	-	448,626
Educational programs	951,053	-	-	951,053	650,059	-	-	650,059
Total Program Services	<u>2,451,879</u>	<u>-</u>	<u>-</u>	<u>2,451,879</u>	<u>2,971,763</u>	<u>-</u>	<u>-</u>	<u>2,971,763</u>
Supporting Services								
Management and general	435,683	-	-	435,683	257,899	-	-	257,899
Fundraising	526,045	-	-	526,045	453,075	-	-	453,075
Total Supporting Services	<u>961,728</u>	<u>-</u>	<u>-</u>	<u>961,728</u>	<u>710,974</u>	<u>-</u>	<u>-</u>	<u>710,974</u>
Total Expenses	<u>3,413,607</u>	<u>-</u>	<u>-</u>	<u>3,413,607</u>	<u>3,682,737</u>	<u>-</u>	<u>-</u>	<u>3,682,737</u>
Increase (Decrease) in Net Assets Before Other Revenues and Expenses	<u>920,031</u>	<u>148,051</u>	<u>-</u>	<u>1,068,082</u>	<u>(120,822)</u>	<u>(98,059)</u>	<u>-</u>	<u>(218,881)</u>
Other Revenues and Expenses								
Change in value of interest in charitable remainder trusts (Note 7)	11,841	-	-	11,841	(31,302)	-	-	(31,302)
Contributions - non-operating (Note 1f)	120,165	-	-	120,165	764,036	-	-	764,036
Appropriation from board designated net assets to operations and grants (Note 3a)	(264,036)	-	-	(264,036)	(1,344,208)	-	-	(1,344,208)
Net investment income (loss) (Note 5)	<u>994,772</u>	<u>199,340</u>	<u>-</u>	<u>1,194,112</u>	<u>(371,664)</u>	<u>(73,488)</u>	<u>-</u>	<u>(445,152)</u>
Total Other Revenues and Expenses	<u>862,742</u>	<u>199,340</u>	<u>-</u>	<u>1,062,082</u>	<u>(983,138)</u>	<u>(73,488)</u>	<u>-</u>	<u>(1,056,626)</u>
Increase (decrease) in net assets	<u>1,782,773</u>	<u>347,391</u>	<u>-</u>	<u>2,130,164</u>	<u>(1,103,960)</u>	<u>(171,547)</u>	<u>-</u>	<u>(1,275,507)</u>
Net assets, beginning of year	<u>6,463,002</u>	<u>1,024,211</u>	<u>108,858</u>	<u>7,596,071</u>	<u>7,566,962</u>	<u>1,195,758</u>	<u>108,858</u>	<u>8,871,578</u>
<b>Net Assets, End of Year</b>	<u>\$ 8,245,775</u>	<u>\$1,371,602</u>	<u>\$108,858</u>	<u>\$9,726,235</u>	<u>\$ 6,463,002</u>	<u>\$1,024,211</u>	<u>\$108,858</u>	<u>\$7,596,071</u>

See notes to financial statements.

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**EIGHTEEN MONTHS ENDED JUNE 30, 2020**

	Program Services				Supporting Services			Total Expenses
	Grants and Scholarships	Membership	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ -	\$ 276,885	\$ 285,117	\$ 562,002	\$ 135,088	\$ 270,982	\$406,070	\$ 968,072
Payroll taxes and benefits	-	64,203	66,112	130,315	31,324	62,834	94,158	224,473
Grants and scholarships	856,302	50,463	-	906,765	-	-	-	906,765
Mission related marketing	2,457	24,951	-	27,408	-	41,633	41,633	69,041
Member services	-	122,661	-	122,661	-	-	-	122,661
Lectures and tours	-	-	493,861	493,861	-	-	-	493,861
Telephone and internet	-	4,386	4,516	8,902	2,140	4,293	6,433	15,335
Insurance	-	-	-	-	18,979	-	18,979	18,979
Equipment, software, and technology	-	-	-	-	98,604	7,355	105,959	105,959
Occupancy	-	62,753	64,619	127,372	48,240	61,415	109,655	237,027
Professional fees	-	-	-	-	79,010	18,366	97,376	97,376
Office supplies	-	4,021	4,141	8,162	1,962	3,936	5,898	14,060
Travel and meetings	-	-	-	-	4,847	8,968	13,815	13,815
Merchant service fees	-	11,259	11,593	22,852	5,493	11,018	16,511	39,363
Other expenses	-	2,323	2,392	4,715	1,134	2,274	3,408	8,123
Indirect gala fundraising benefit expenses	-	-	-	-	-	15,196	15,196	15,196
Total expenses before depreciation	858,759	623,905	932,351	2,415,015	426,821	508,270	935,091	3,350,106
Depreciation	-	18,162	18,702	36,864	8,862	17,775	26,637	63,501
Total Expenses	<u>\$ 858,759</u>	<u>\$ 642,067</u>	<u>\$ 951,053</u>	<u>\$2,451,879</u>	<u>\$ 435,683</u>	<u>\$ 526,045</u>	<u>\$961,728</u>	<u>\$3,413,607</u>

See notes to financial statements.

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			Total Expenses
	Grants and Scholarships	Membership	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ -	\$ 196,919	\$ 185,605	\$ 382,524	\$ 74,764	\$ 266,893	\$341,657	\$ 724,181
Payroll taxes and benefits	-	42,116	39,696	81,812	15,989	57,081	73,070	154,882
Grants and scholarships	1,866,106	50,825	-	1,916,931	-	-	-	1,916,931
Mission related marketing	6,972	21,511	-	28,483	-	21,410	21,410	49,893
Member services	-	84,174	-	84,174	-	-	-	84,174
Lectures and tours	-	-	374,728	374,728	-	-	-	374,728
Telephone and internet	-	2,807	2,646	5,453	1,066	3,805	4,871	10,324
Insurance	-	-	-	-	12,747	-	12,747	12,747
Equipment, software, and technology	-	-	-	-	64,834	4,788	69,622	69,622
Occupancy	-	25,907	24,418	50,325	21,785	35,113	56,898	107,223
Professional fees	-	-	-	-	52,789	11,798	64,587	64,587
Office supplies	-	3,000	2,827	5,827	1,139	4,065	5,204	11,031
Travel and meetings	-	-	-	-	4,675	9,063	13,738	13,738
Merchant service fees	-	7,625	7,187	14,812	2,895	10,333	13,228	28,040
Other expenses	-	2,364	2,228	4,592	897	3,204	4,101	8,693
Indirect gala fundraising benefit expenses	-	-	-	-	-	10,101	10,101	10,101
Total expenses before depreciation	1,873,078	437,248	639,335	2,949,661	253,580	437,654	691,234	3,640,895
Depreciation	-	11,378	10,724	22,102	4,319	15,421	19,740	41,842
Total Expenses	<u>\$ 1,873,078</u>	<u>\$ 448,626</u>	<u>\$ 650,059</u>	<u>\$2,971,763</u>	<u>\$ 257,899</u>	<u>\$ 453,075</u>	<u>\$710,974</u>	<u>\$3,682,737</u>

See notes to financial statements.

## THE ROYAL OAK FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

EIGHTEEN MONTHS ENDED JUNE 30, 2020 AND YEAR ENDED DECEMBER 31, 2018

	<u>2020</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 2,130,164	\$(1,275,507)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	63,501	41,842
Net realized and unrealized (gain) loss on investments	(930,104)	606,799
Donated artwork	-	48,000
Deferred rent	22,047	(6,847)
Change in value of interest in charitable remainder trusts	(11,841)	31,302
Change in cash surrender value of life insurance	(2,365)	(1,345)
(Increase) decrease in:		
Accounts receivable	14,033	4,770
Unconditional promises to give	(113,661)	240,300
Prepaid expenses and other assets	(23,323)	(12,816)
Increase (decrease) in:		
Accounts payable and other current liabilities	(41,640)	(420)
Grants payable	222,944	(27,434)
Deferred revenue	25,477	2,863
Net Cash Provided (Used) By Operating Activities	<u>1,355,232</u>	<u>(348,493)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(3,752,187)	(4,991,886)
Proceeds from sale of investments	2,178,734	5,355,954
Purchase of property and equipment	(10,577)	(63,672)
Net Cash Provided (Used) By Investing Activities	<u>(1,584,030)</u>	<u>300,396</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	147,375	-
Net decrease in cash and cash equivalents	(81,423)	(48,097)
Cash and cash equivalents, beginning of year	<u>318,408</u>	<u>366,505</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 236,985</u>	<u>\$ 318,408</u>

See notes to financial statements.



**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

The Royal Oak Foundation, Inc. (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. Effective January 1, 2019, the Foundation has changed its year end to June 30 from December 31.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less, other than those held as investments, to be cash equivalents.

c - Fair Value Measurements

Fair value is 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 and establishes a framework for measuring fair values.

A three-level valuation hierarchy is used for fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1     Quoted prices for identical instruments in active markets.
- Level 2     Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are observable.
- Level 3     Instruments the significant inputs of which are unobservable.

The Foundation's investments in equities, mutual funds, money market funds and cash are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

The interest in charitable remainder trust is classified within Level 3 of the fair value hierarchy because it has little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

**THE ROYAL OAK FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND DECEMBER 31, 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements (continued)**

The values assigned to the Foundation's interest in charitable remainder trusts, and any unrealized gains or losses reported, are based on available information and do not necessarily represent amounts that might be realized if a ready market existed. Such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and, therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

**d - Investments**

The Foundation reflects investments at fair value in the statement of financial position. Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which they are generated. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**e - Accounts Receivable**

The Foundation does not anticipate any losses on accounts receivable as of June 30, 2020.

**f - Unconditional Promises to Give and Contributions**

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

The Foundation received 31% of its contributions from one bequest during the eighteen months ended June 30, 2020.

The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

g - Interest in Charitable Remainder Trusts

The Foundation accepts gifts subject to split-interest agreements. These gifts are generally in the form of charitable remainder unitrusts and charitable remainder annuity trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives their interest in the assets remaining in the trust. At the time of receipt, a gift is recorded based upon the fair value of the assets donated less the present value of projected distributions to beneficiaries. The discount rate used to value the beneficiary liability is fixed at the gift date. Charitable remainder unitrusts are revalued annually.

As of June 30, 2020, the Foundation is the beneficiary of one externally managed charitable remainder trust.

h - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

i - Grants Payable

Grants are recognized as liabilities when awarded.

j - Revenue Recognition

Educational programming and royalty income are recognized as revenue in the period that the related goods or services are provided.

k - Deferred Rent

The Foundation records rent expense associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the period is recorded as a liability and an expense in the accompanying financial statements.

l - Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

l - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Foundation or the passage of time. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

m - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are applied directly to programs, where applicable, or allocated on a reasonable and consistent basis. A substantial portion of the Foundation's expenses are directly related to program activities, which are made up of the grants, membership and educational programs. The expenses that are allocated include salaries and employee benefits, telephone and internet, rent, office supplies, merchant service fees, other expenses, and depreciation, which are allocated on the basis of estimated staff time and effort.

n - Tax Status

The Royal Oak Foundation, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

o - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

p - Recent Accounting Pronouncements

For 2020, the Foundation adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of these standards resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

p - Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the impact of ASU 2016-02 on its financial statements.

q - Subsequent Events

The Foundation has evaluated subsequent events through January 20, 2021, the date that the financial statements are considered available to be issued.

**Note 2 - Information Regarding Liquidity and Availability**

The Foundation prepares an annual budget in the third quarter for approval by the board before year-end. The budget is divided between operating and non-operating expenditures. Non-operating expenditures pertain to grant making activities while operating expenditures relate to income from membership, educational programs, general development and the associated expenses thereof within the fiscal year.

It is the Foundation's intent to have a balanced operating budget each year. In years in which the expenses exceed income, the balance is made up by income from the investment account. However, it is the board policy that investment income is generally not used for operating expense but reserved for grant making activities. In addition, unusual income in the form of bequests is invested and used for future grants.

Membership revenue is received throughout the year and funds general and administrative costs. Program and development income occur seasonally and are linked to the respective expense. Accounts payable and receivable are regularly monitored and paid/received timely.

The Foundation maintains checking, savings and investment accounts. Investment accounts are approximately \$9.5M and are invested solely in mutual funds that are readily convertible to cash. Checking and savings accounts are maintained between \$200K and \$250K. Excess balances over \$250K are invested in the investment accounts such that sufficient cash flow is not an issue.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Foundation's financial assets as of June 30, 2020 and December 31, 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 236,985	\$ 318,408
Investments and cash equivalents	9,492,226	6,988,669
Accounts receivables	28,890	42,923
Unconditional promises to give	<u>133,361</u>	<u>19,700</u>
Total Financial Assets	9,891,462	7,369,700
Less: Amounts not Available to be Used within One Year:		
Net assets without donor restrictions - board designated	(6,570,621)	(5,719,720)
Plus: Net assets with board designation expected to be used within one year	4,120,165	297,773
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(1,371,602)	(1,024,211)
Plus: Net assets with restrictions to be met in less than a year	143,369	98,731
Net assets with donor restrictions for endowment, subject to Spending policy and appropriation	<u>(108,858)</u>	<u>(108,858)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$6,103,915</u>	<u>\$ 913,415</u>

In addition to these financial assets available for use within one year, the Board maintains funds designated for specific uses of approximately \$6,600,000 (excluding a projected appropriation for 2021 of approximately \$4,100,000). These amounts could be made available to meet cash needs for general expenditure at the discretion of the Board. The Foundation also maintains a line of credit of \$25,000, as more fully described in Note 13b, that could be used for general expenditure.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3 - Net Assets**

a - Net Assets Without Donor Restrictions - Board Designated

Board designated net assets consist of all monies or assets contributed to the Foundation which have been designated by the Board for future activities. The board designated net assets at June 30, 2020 and December 31, 2018 consist of the following:

	<u>2020</u>	<u>2018</u>
Legacy Fund	\$6,010,951	\$5,203,744
Fountains Abbey	119,965	-
Stowe House	-	248,748
Other board-restricted	<u>439,705</u>	<u>267,228</u>
	<u>\$6,570,621</u>	<u>\$5,719,720</u>

Net assets without donor restrictions - board designated have been released as follows:

	<u>2020</u>	<u>2018</u>
Legacy Fund	\$ -	\$ 433,047
Chartwell	-	880,531
Stowe House	248,748	10,000
Other board-restricted	<u>15,288</u>	<u>20,630</u>
	<u>\$264,036</u>	<u>\$1,344,208</u>

In December 2013, the Board of Directors established the Royal Oak Legacy Fund to support the Foundation's work with the National Trust. The assets of the fund are held in a designated investment account. A conservative annual draw policy of 3% to 5% is generally in effect. However, in 2021, the Board of Directors plans to approve a one-time \$4 million draw.

The Stowe House funds were designated by the Board to restore the gardens and parkland of Stowe House, in Buckinghamshire, England.

The Board also designated net assets to preserve the monastic ruins of Fountains Abbey in North Yorkshire, England.

Other net assets have been designated by the Board toward the preservation and restoration of National Trust properties in England.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3 - Net Assets (continued)**

b - Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and December 31, 2018 are available for future programs and periods as follows:

	<u>2020</u>	<u>2018</u>
Operating		
Ervin Fund	\$ 797,230	\$ 672,715
Seeley Fellowship Fund	200,869	173,362
Damaris Horan Prize	124,857	110,867
Fleming Lecture Fund - accumulated earnings	42,102	18,536
Educational Outreach Programs	-	5,000
Various Sponsored Projects	25,436	43,731
Chartwell	52,508	-
Lake District	44,000	-
National Trust	33,600	-
International National Trust Organization	25,000	-
Website Development	25,000	-
Blickling Hall	1,000	-
	<u>1,371,602</u>	<u>1,024,211</u>
Perpetual in Nature Endowment	<u>108,858</u>	<u>108,858</u>
	<u>\$1,480,460</u>	<u>\$1,133,069</u>

The principal received for the Ervin Fund, Damaris Horan Prize, and Seeley Fellowship Fund have been invested and net assets with donor restrictions includes investment income earned.

Net assets with donor restrictions have been released from restriction as follows:

	<u>2020</u>	<u>2018</u>
Seeley Fellowship Fund	\$ 3,064	\$ 12,789
Lecture Series	-	75,000
Damaris Horan Prize	6,698	3,000
Educational Outreach Programs	5,000	5,000
Various sponsored projects	<u>43,731</u>	<u>46,000</u>
	<u>\$58,493</u>	<u>\$141,789</u>



**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 - Net Assets (continued)**

c - Net assets of a perpetual nature consist of donations to the Ronald Lee Fleming Lecture Fund which is restricted for educational lectures in accordance with the terms of a conditional challenge grant (Note 6b). The funds as of June 30, 2020 and December 31, 2018 consisted solely of cash donations received. Pledges dependent on the occurrence of future events were not recognized. The draw policy relating to the fund is to be determined annually by the Board of Directors as outlined in the fund pledge agreement (Note 12).

**Note 4 - Concentration of Credit Risk**

The Foundation maintains cash accounts in a number of financial institutions. Certain balances are insured by the Federal Deposit Insurance Corporation.

**Note 5 - Investments**

Investments are all classified within Level 1 of the fair value hierarchy and consist of the following at June 30, 2020 and December 31, 2018:

	<u>2020</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 852,476	\$ 852,476	\$ 243,921	\$ 243,921
Mutual Funds				
500 Index - equity	2,324,550	1,655,537	1,712,860	1,340,726
Extended Market Index - equity	912,132	709,767	696,411	617,754
Mid Cap Grade Index - equity	876,966	648,191	563,726	552,285
Short Term Investment Grade - fixed	2,597,026	2,536,738	2,164,921	2,213,996
International - equity	<u>1,929,076</u>	<u>2,116,612</u>	<u>1,606,830</u>	<u>1,843,954</u>
	<u>\$9,492,226</u>	<u>\$8,519,321</u>	<u>\$6,988,669</u>	<u>\$6,812,636</u>

Net investment income (loss) for the eighteen months ended June 30, 2020 and year ended December 31, 2018 is summarized as follows:

	<u>2020</u>	<u>2018</u>
Interest and dividends	\$ 264,138	\$ 161,772
Net realized gains	133,232	365,009
Net unrealized gains (losses)	<u>796,872</u>	<u>(971,808)</u>
Total	<u>\$1,194,242</u>	<u>\$(445,027)</u>

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5 - Investments (continued)**

Net investment income (loss) has been allocated as follows:

	<u>2020</u>	<u>2018</u>
Without Donor Restrictions		
Operations	\$ 130	\$ 125
Other	994,772	(371,664)
With Donor Restrictions	<u>199,340</u>	<u>(73,488)</u>
	<u>\$1,194,242</u>	<u>\$(445,027)</u>

**Note 6 - Promises to Give**

a - Unconditional Promises

Unconditional promises to give at June 30, 2020 are due within one year. Uncollectible promises are expected to be insignificant. Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%.

b - Conditional Promise to Give

The Foundation received a conditional pledge toward establishing an endowment fund, perpetual in nature, designated to support the Ronald Lee Fleming Lecture Fund. The pledge required matching contributions on a two-to-one basis. The donor will contribute a maximum of \$500,000 toward the Lecture Fund if an additional \$1,000,000 is raised. As of June 30, 2020, the Foundation raised \$108,858 in cash and \$700,000 in conditional pledges toward the challenge match. The match will be received from the estate of the donor. Due to the nature of the challenge and the matching pledges, they have not been recorded in the accompanying financial statements.

**Note 7 - Interest in Charitable Remainder Trusts**

Charitable remainder trusts 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 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. The trusts are held in various investment accounts administered by independent third parties. As of June 30, 2020 and December 31, 2018, the present value of net assets held for charitable remainder trusts, less the present value of expected annuity payments, amounted to \$210,305 and \$198,464, respectively.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 7 - Interest in Charitable Remainder Trusts (continued)**

The following summarizes changes in fair values of the Foundation's Level 3 asset, interest in charitable remainder trusts, for the eighteen months ended June 30, 2020 and year ended December 31, 2018:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2018</u>
Balance, beginning of period	\$198,464	\$229,766
Change in present value	<u>11,841</u>	<u>(31,302)</u>
Balance, End of Period	<u>\$210,305</u>	<u>\$198,464</u>

**Note 8 - Cash Surrender Value of Life Insurance**

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 June 30, 2020 and December 31, 2018 was \$42,183 and \$39,818, respectively.

**Note 9 - Property and Equipment**

Property and equipment consist of the following at June 30, 2020 and December 31, 2018:

	<u>Life</u>	<u>2020</u>	<u>2018</u>
Furniture and fixtures	10 years	\$ 85,300	\$ 85,300
Equipment	5 years	46,404	41,301
Software development	3 years	<u>295,697</u>	<u>316,408</u>
		427,401	443,009
Less: Accumulated depreciation		<u>(397,942)</u>	<u>(360,626)</u>
		<u>\$ 29,459</u>	<u>\$ 82,383</u>

**Note 10 - Contributed Works of Art**

The Foundation received contributions of art work which were displayed in properties the Foundation supports. The Foundation valued these pieces of art at their fair value on the dates they were received. The Foundation donated the remaining pieces of art in 2018.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND DECEMBER 31, 2018**

**Note 11 - Loan Payable**

In April 2020, the Foundation received a \$147,375 Paycheck Protection Program loan having an interest rate of 1% and a maturity of 2 years. The loan and any accrued interest can be forgiven in its entirety if the loan proceeds are applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act.

**Note 12 - Endowment Funds**

Consistent with New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment with donor restrictions that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Foundation and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected return from income and the appreciation of investments;
- (vi) other resources of the Foundation
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and
- (viii) the investment policy of the Foundation

Invested endowment funds at June 30, 2020 and December 31, 2018 consist of the following:

	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Donor-restricted funds, 2020	<u>\$42,102</u>	<u>\$108,858</u>	<u>\$150,960</u>
Donor-restricted funds, 2018	<u>\$18,536</u>	<u>\$108,858</u>	<u>\$127,394</u>

**THE ROYAL OAK FOUNDATION, INC.**  
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**Note 12 - Endowment Funds (continued)**

Changes in endowment funds are summarized as follows for the eighteen months ended June 30, 2020 and year ended December 31, 2018:

	<b>2020</b>		
	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Endowment funds, beginning of year	<u>\$18,536</u>	<u>\$108,858</u>	<u>\$127,394</u>
Interest and dividends	4,544	-	4,544
Net unrealized gains	<u>19,022</u>	-	<u>19,022</u>
Net Investment Income	<u>23,566</u>	-	<u>23,566</u>
 Endowment Funds, End of Year	 <u>\$42,102</u>	 <u>\$108,858</u>	 <u>\$150,960</u>
	<b>2018</b>		
	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Endowment funds, beginning of year	<u>\$27,096</u>	<u>\$108,858</u>	<u>\$135,954</u>
Interest and dividends	2,801	-	2,801
Realized gain	610	-	610
Net unrealized loss	<u>(11,971)</u>	-	<u>(11,971)</u>
Net Investment Loss	<u>(8,560)</u>	-	<u>(8,560)</u>
 Endowment Funds, End of Year	 <u>\$18,536</u>	 <u>\$108,858</u>	 <u>\$127,394</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as undistributed accumulated earnings from those assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that, over time, will provide a balanced rate of return. Actual returns in any given year may vary. The Foundation is in the process of adopting a spending policy.

**THE ROYAL OAK FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 13 - Commitments**

- a - The Foundation rents office space pursuant to an operating lease that expires March 31, 2025. The lease provides for future minimum rental payments as follows:

<u>Year Ending June 30,</u>	
2021	\$147,587
2022	152,015
2023	156,575
2024	161,273
Thereafter to March 31, 2025	123,656

Total rent expense, including other operating expenses, for the eighteen months ended June 30, 2020 and year ended December 31, 2018 was \$237,027 and \$107,223, respectively.

- b - The Foundation has a line of credit in the amount of \$25,000, borrowings of which bear interest at the bank's prime rate plus 5.25%. There is no expiration date on the line of credit. There were no borrowings during the eighteen months ended June 30, 2020 and year ended December 31, 2018 and no outstanding balances.

**Note 14 - Retirement Plan**

The Foundation has a defined contribution 403(b) plan (the "Plan") for eligible employees. The Plan provides for employee and employer contributions, subject to IRS limitations. The Foundation will match the contributions of eligible employees up to 4% of their annual salary. The retirement plan cost for the eighteen months ended June 30, 2020 and year ended December 31, 2018 was \$26,180 and \$14,706, respectively.

**Note 15 - Risks and Uncertainties**

In March 2020, The United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Foundation has suspended or adapted some of its program activities at the direction of state and local governmental authorities.

The Foundation has adjusted its budget to account for potential revenue shortfalls compared to previous years. Management and the Board of Directors are conducting regular reviews of the Foundation's financial position and will make adjustments to expenses, as necessary. The Royal Oak Foundation, Inc. believes that its current financial assets are sufficient to support its operations on an ongoing basis.