

**THE ROYAL OAK FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



**LUTZ AND CARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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## **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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for year ended June 30, 2021 and the eighteen months ended June 30, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2021 and for the eighteen months ended June 30, 2020 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. Our opinion is not modified with respect to this matter.

*Lotz + Carr, LLP*

New York, New York  
November 4, 2021

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 4)	\$ 291,026	\$ 236,985
Investments (Notes 1c, 1d, 5 and 9)	7,466,459	9,492,226
Accounts receivable (Note 1e)	7,500	28,890
Unconditional promises to give (Notes 1f and 6a)		
Without donor restrictions	8,501	45,853
With donor restrictions	44,943	87,508
Interest in charitable remainder trust (Notes 1c, 1g, 7 and 9)	282,735	210,305
Prepaid expenses and other assets	64,905	81,200
Cash surrender value of life insurance (Notes 8 and 9)	43,458	42,183
Security deposit	20,276	20,276
Property and equipment, at cost (net of accumulated depreciation) (Notes 1h and 10)	<u>87,172</u>	<u>29,459</u>
<b>Total Assets</b>	<b><u>\$8,316,975</u></b>	<b><u>\$10,274,885</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and other current liabilities	\$ 106,387	\$ 65,278
Grants payable (Note 1i)	-	252,524
Deferred revenue (Note 1j)	319,932	47,670
Deferred rent (Note 1k)	36,701	35,803
Loans payable (Note 11)	<u>121,055</u>	<u>147,375</u>
Total Liabilities	<u>584,075</u>	<u>548,650</u>
Commitments and Contingencies (Notes 13, 14 and 15)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	1,984,842	1,675,154
Board designated	4,013,513	6,570,621
Total Without Donor Restrictions	<u>5,998,355</u>	<u>8,245,775</u>
With Donor Restrictions		
Subject to time and purpose restriction	1,625,687	1,371,602
Perpetual in nature	<u>108,858</u>	<u>108,858</u>
Total With Donor Restrictions	<u>1,734,545</u>	<u>1,480,460</u>
Total Net Assets	<u>7,732,900</u>	<u>9,726,235</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$8,316,975</u></b>	<b><u>\$10,274,885</u></b>

See notes to financial statements.

## THE ROYAL OAK FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2021				Eighteen Months Ended June 30, 2020			
	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)	\$ 1,146,442	\$ 18,573	\$ -	\$ 1,165,015	\$ 2,102,835	\$ 206,544	\$ -	\$ 2,309,379
Membership dues	673,678	-	-	673,678	1,188,792	-	-	1,188,792
Fundraising benefit	-	-	-	-	209,526	-	-	209,526
Less: Direct expenses	-	-	-	-	(31,640)	-	-	(31,640)
Forgiveness of loan payable - Paycheck Protection Program (Note 11)	147,375	-	-	147,375	-	-	-	-
Educational programs	216,280	-	-	216,280	511,864	-	-	511,864
Royalty income	17,250	-	-	17,250	22,298	-	-	22,298
Net investment income (Note 5)	15	-	-	15	130	-	-	130
Increase in cash surrender value of life insurance (Note 8)	1,275	-	-	1,275	2,365	-	-	2,365
Other income	1,021	-	-	1,021	4,939	-	-	4,939
	<u>2,203,336</u>	<u>18,573</u>	<u>-</u>	<u>2,221,909</u>	<u>4,011,109</u>	<u>206,544</u>	<u>-</u>	<u>4,217,653</u>
Net assets released from restrictions (Note 3b)	165,701	(165,701)	-	-	58,493	(58,493)	-	-
Appropriation from board designated net assets to operations and grants (Note 3a)	4,120,165	-	-	4,120,165	264,036	-	-	264,036
<b>Total Revenues, Gains and Support</b>	<u>6,489,202</u>	<u>(147,128)</u>	<u>-</u>	<u>6,342,074</u>	<u>4,333,638</u>	<u>148,051</u>	<u>-</u>	<u>4,481,689</u>
Expenses								
Program Services								
Grants and scholarships	4,736,265	-	-	4,736,265	858,759	-	-	858,759
Membership	262,913	-	-	262,913	642,067	-	-	642,067
Educational programs	328,500	-	-	328,500	951,053	-	-	951,053
Total Program Services	<u>5,327,678</u>	<u>-</u>	<u>-</u>	<u>5,327,678</u>	<u>2,451,879</u>	<u>-</u>	<u>-</u>	<u>2,451,879</u>
Supporting Services								
Management and general	367,520	-	-	367,520	435,683	-	-	435,683
Fundraising	298,256	-	-	298,256	526,045	-	-	526,045
Total Supporting Services	<u>665,776</u>	<u>-</u>	<u>-</u>	<u>665,776</u>	<u>961,728</u>	<u>-</u>	<u>-</u>	<u>961,728</u>
<b>Total Expenses</b>	<u>5,993,454</u>	<u>-</u>	<u>-</u>	<u>5,993,454</u>	<u>3,413,607</u>	<u>-</u>	<u>-</u>	<u>3,413,607</u>
Increase (Decrease) in Net Assets Before Other Revenues and Expenses	<u>495,748</u>	<u>(147,128)</u>	<u>-</u>	<u>348,620</u>	<u>920,031</u>	<u>148,051</u>	<u>-</u>	<u>1,068,082</u>
Other Revenues and Expenses								
Change in value of interest in charitable remainder trust (Note 7)	72,430	-	-	72,430	11,841	-	-	11,841
Contributions - non-operating (Note 1f)	193,652	-	-	193,652	120,165	-	-	120,165
Appropriation from board designated net assets to operations and grants (Note 3a)	(4,120,165)	-	-	(4,120,165)	(264,036)	-	-	(264,036)
Net investment income (Note 5)	1,369,405	401,213	-	1,770,618	994,772	199,340	-	1,194,112
<b>Total Other Revenues and Expenses</b>	<u>(2,484,678)</u>	<u>401,213</u>	<u>-</u>	<u>(2,083,465)</u>	<u>862,742</u>	<u>199,340</u>	<u>-</u>	<u>1,062,082</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(1,988,930)</u>	<u>254,085</u>	<u>-</u>	<u>(1,734,845)</u>	<u>1,782,773</u>	<u>347,391</u>	<u>-</u>	<u>2,130,164</u>
Net assets, beginning of year, as previously reported	8,245,775	1,371,602	108,858	9,726,235	6,463,002	1,024,211	108,858	7,596,071
Cumulative effect of change in accounting principle (Note 1p)	(258,490)	-	-	(258,490)	-	-	-	-
Net assets, beginning of year, as adjusted	<u>7,987,285</u>	<u>1,371,602</u>	<u>108,858</u>	<u>9,467,745</u>	<u>6,463,002</u>	<u>1,024,211</u>	<u>108,858</u>	<u>7,596,071</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,998,355</u>	<u>\$ 1,625,687</u>	<u>\$ 108,858</u>	<u>\$ 7,732,900</u>	<u>\$ 8,245,775</u>	<u>\$ 1,371,602</u>	<u>\$ 108,858</u>	<u>\$ 9,726,235</u>

See notes to financial statements.

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2021

	Program Services			Supporting Services			Total Expenses	
	Grants and Scholarships	Membership	Educational Programs	Total	Management and General	Fundraising		Total
Salaries	\$ -	\$ 125,022	\$ 174,812	\$ 299,834	\$ 142,280	\$ 170,642	\$312,922	\$ 612,756
Payroll taxes and benefits	-	27,751	38,803	66,554	31,582	37,877	69,459	136,013
Grants and scholarships	4,714,145	-	-	4,714,145	-	-	-	4,714,145
Mission related marketing	22,120	6,859	-	28,979	-	12,721	12,721	41,700
Member services	-	60,092	-	60,092	-	-	-	60,092
Lectures and tours	-	-	54,496	54,496	-	-	-	54,496
Telephone and internet	-	1,705	2,385	4,090	1,941	2,328	4,269	8,359
Insurance	-	-	-	-	13,800	-	13,800	13,800
Equipment, software and technology	-	-	-	-	59,812	4,977	64,789	64,789
Occupancy	-	30,296	42,361	72,657	45,099	41,350	86,449	159,106
Professional fees	-	-	-	-	58,916	13,090	72,006	72,006
Office supplies	-	567	794	1,361	646	775	1,421	2,782
Travel and meetings	-	-	-	-	1,357	-	1,357	1,357
Merchant service fees	-	5,057	7,070	12,127	5,755	6,902	12,657	24,784
Other expenses	-	1,323	1,849	3,172	1,505	1,805	3,310	6,482
Indirect gala fundraising benefit expenses	-	-	-	-	-	-	-	-
Total expenses before depreciation	4,736,265	258,672	322,570	5,317,507	362,693	292,467	655,160	5,972,667
Depreciation	-	4,241	5,930	10,171	4,827	5,789	10,616	20,787
Total Expenses	<u>\$ 4,736,265</u>	<u>\$ 262,913</u>	<u>\$ 328,500</u>	<u>\$5,327,678</u>	<u>\$ 367,520</u>	<u>\$ 298,256</u>	<u>\$665,776</u>	<u>\$5,993,454</u>

See notes to financial statements.

**THE ROYAL OAK FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Eighteen Months Ended June 30, 2020**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Grants and Scholarships</b>	<b>Membership</b>	<b>Educational Programs</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
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.

## STATEMENTS OF CASH FLOWS

	<b>Year Ended June 30, 2021</b>	<b>Eighteen Months Ended June 30, 2020</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (1,734,845)	\$ 2,130,164
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Cumulative effect of change in accounting principle	(258,490)	-
Depreciation	20,787	63,501
Net realized and unrealized gain on investments	(1,637,120)	(930,104)
Deferred rent	898	22,047
Change in value of interest in charitable remainder trust	(72,430)	(11,841)
Change in cash surrender value of life insurance	(1,275)	(2,365)
Forgiveness of loan payable - Paycheck Protection Program	(147,375)	-
(Increase) decrease in:		
Accounts receivable	21,390	14,033
Unconditional promises to give	79,917	(113,661)
Prepaid expenses and other assets	16,295	(23,323)
Increase (decrease) in:		
Accounts payable and other current liabilities	41,109	(41,640)
Grants payable	(252,524)	222,944
Deferred revenue	272,262	25,477
Net Cash Provided (Used) By Operating Activities	<u>(3,651,401)</u>	<u>1,355,232</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(4,682,538)	(3,752,187)
Proceeds from sale of investments	8,345,425	2,178,734
Purchase of property and equipment	(78,500)	(10,577)
Net Cash Provided (Used) By Investing Activities	<u>3,584,387</u>	<u>(1,584,030)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loans payable	<u>121,055</u>	<u>147,375</u>
Net increase (decrease) in cash and cash equivalents	54,041	(81,423)
Cash and cash equivalents, beginning of year	<u>236,985</u>	<u>318,408</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 291,026</u></u>	<u><u>\$ 236,985</u></u>

See notes to financial statements.



**THE ROYAL OAK FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****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, 2021 AND 2020****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, 2021.

**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.

17% and 33% of contributions were from one donor during the year ended June 30, 2021 and the eighteen months ended June 30, 2020, respectively.

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, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****g - Interest in Charitable Remainder Trust**

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, 2021, 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**

The Foundation has multiple revenue streams that are accounted for as exchange transactions. Educational programming and royalty income are recognized as revenue in the period that the related goods or services are provided. The Foundation sells annual memberships of various categories that last for a one-year term and provide members with benefits that include tiered levels of discounts and access to Royal Oak and National Trust sites, events, and publications. The Foundation allocates fees from membership between contribution and exchange transactions and recognizes the contribution portion upon sale, and the exchange transaction ratably over the membership term. Memberships are billed and collected at the beginning of the membership period.

**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.

**THE ROYAL OAK FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - Financial Statement Presentation (continued)**

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, 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.

**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, whereby 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.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

p - New Accounting Standards

For 2021, the Foundation adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which required entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the Foundation satisfies the performance obligations. ASU 2014-09 was adopted as of July 1, 2020 using the modified retrospective method applied to contracts which were not completed as of July 1, 2020.

The cumulative effect of this change in accounting principle, and its impact to the June 30, 2020 statement of financial position, is summarized as follows:

	<u>As Reported</u>	<u>Impact of Adoption of ASU 2014-09</u>	<u>As Adjusted</u>
Deferred revenue	\$ 47,670	\$258,490	\$ 306,160
Net assets without donor restrictions	8,245,775	(258,490)	7,987,285

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 statements 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 November 4, 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.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

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 \$7,500,000 and are invested solely in mutual funds that are readily convertible to cash. Checking and savings accounts are maintained between \$200,000 and \$250,000. Excess balances over \$250,000 are invested in the investment accounts such that sufficient cash flow is not an issue.

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

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 291,026	\$ 236,985
Investments and cash equivalents	7,466,459	9,492,226
Accounts receivables	7,500	28,890
Unconditional promises to give	<u>53,444</u>	<u>133,361</u>
Total Financial Assets	7,818,429	9,891,462
Less: Amounts not Available to be Used within One Year:		
Net assets without donor restrictions, board designated	(4,013,513)	(6,570,621)
Plus: Net assets with board designation expected to be used within one year	197,548	4,120,165
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,625,687)	(1,371,602)
Plus: Net assets with restrictions to be met in less than one year	28,242	143,369
Net assets with donor restrictions for endowment, perpetual in nature	<u>(108,858)</u>	<u>(108,858)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,296,161</u>	<u>\$6,103,915</u>

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

In addition to these financial assets available for use within one year, the Board maintains funds designated for specific uses of approximately \$4,000,000. 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 12b, that could be used for general expenditure.

**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 consist of the following:

	<u>2021</u>	<u>2020</u>
Legacy Fund	\$3,070,132	\$6,010,951
Dyrham Park	188,552	-
Fountains Abbey	100	119,965
Other board-restricted	<u>754,729</u>	<u>439,705</u>
	<u>\$4,013,513</u>	<u>\$6,570,621</u>

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

	<u>2021</u>	<u>2020</u>
Legacy Fund	\$4,000,000	\$ -
Fountains Abbey	119,965	-
Other board-restricted	200	15,288
Stowe House	<u>-</u>	<u>248,748</u>
	<u>\$4,120,165</u>	<u>\$264,036</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 approved a one-time \$4 million draw.

## THE ROYAL OAK FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 3 - Net Assets (continued)**a - Net Assets Without Donor Restrictions - Board Designated (continued)

The Board also designated net assets to restore an important interior at Dyrham Park, in Gloucestershire, England.

The Fountains Abbey funds were designated by the Board 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.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are available for future programs and periods as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Ervin Fund	\$1,044,980	\$ 797,230
Seeley Fellowship Fund	260,250	200,869
Damaris Horan Prize	167,218	124,857
Fleming Lecture Fund - accumulated earnings	91,158	42,102
Chartwell	44,943	52,508
Adoption of Future Lectures	12,638	-
Various Sponsored Projects	4,500	25,436
International National Trust Organization	-	25,000
Website Development	-	25,000
Lake District	-	44,000
National Trust	-	33,600
Blickling Hall	-	1,000
	<u>1,625,687</u>	<u>1,371,602</u>
Perpetual in nature:		
Endowment	<u>108,858</u>	<u>108,858</u>
	<u>\$1,734,545</u>	<u>\$1,480,460</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.



**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

b - Net Assets With Donor Restrictions (continued)

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

	<b>2021</b>	<b>2020</b>
Seeley Fellowship Fund	\$ 2,665	\$ 3,064
Damaris Horan Prize	-	6,698
Chartwell	9,000	-
International National Trust Organization	25,000	-
Website Development	25,000	-
Various sponsored projects	25,436	43,731
Lake District	44,000	-
National Trust	33,600	-
Blickling Hall	1,000	-
Educational Outreach Programs	-	5,000
	<b>\$165,701</b>	<b>\$58,493</b>

c - Net Assets of Perpetual Nature

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, 2021 and 2020 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 11).

**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.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 5 - Investments**

Investments are all classified within Level 1 of the fair value hierarchy and consist of the following at June 30:

	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 334,726	\$ 334,726	\$ 852,476	\$ 852,476
Mutual Funds:				
500 Index - equity	1,682,195	859,396	2,324,550	1,655,537
Extended Market Index - equity	826,781	399,105	912,132	709,767
Mid Cap Grade Index - equity	587,349	298,958	876,966	648,191
Short Term Investment Grade - fixed	1,779,890	1,743,296	2,597,026	2,536,738
Short Term Corporate Bond ETF- fixed	740,833	742,910	-	-
International - equity	<u>1,514,685</u>	<u>1,232,708</u>	<u>1,929,076</u>	<u>2,116,612</u>
	<u>\$7,466,459</u>	<u>\$5,611,099</u>	<u>\$9,492,226</u>	<u>\$8,519,321</u>

Net investment income for the year ended June 30, 2021 and the eighteen months ended June 30, 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 133,513	\$ 264,138
Net realized gains	754,665	133,232
Net unrealized gains	<u>882,455</u>	<u>796,872</u>
Total	<u>\$1,770,633</u>	<u>\$1,194,242</u>

Net investment income has been allocated as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Operations	\$ 15	\$ 130
Other	1,369,405	994,772
With donor restrictions	<u>401,213</u>	<u>199,340</u>
	<u>\$1,770,633</u>	<u>\$1,194,242</u>

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 6 - Promises to Give**

a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<b>2021</b>	<b>2020</b>
Due in one year	\$ 16,001	\$ 91,353
Due in two to ten years	43,500	49,500
	59,501	140,853
Less: Discount to present value	(6,057)	(7,492)
	<b>\$ 53,444</b>	<b>\$133,361</b>

Unconditional promises to give due in two to ten years are discounted to present value using a discount rate of 3%. Uncollectible promises to give are expected to be insignificant.

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, 2021, the Foundation raised \$108,858 in cash and \$700,000 in conditional pledges toward the challenge match. The matching period ended on June 15, 2015. 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 Trust**

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, 2021 and 2020, the present value of net assets held for charitable remainder trusts, less the present value of expected annuity payments, amounted to \$282,735 and \$210,305, respectively.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

The following summarizes changes in fair values of the Foundation's Level 3 asset, interest in charitable remainder trust, for the year ended June 30, 2021 and the eighteen months ended June 30, 2020:

	<b>Fair Value</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of period	\$210,305	\$198,464
Change in present value	72,430	11,841
Balance, End of Period	<b>\$282,735</b>	<b>\$210,305</b>

**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 determined by the insurance provider, as of June 30, 2021 and 2020 was \$43,458 and \$42,183, respectively.

**Note 9 - Fair Value Measurements**

Fair value of assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

	<b>2021</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 3</b>
Investments in marketable securities	\$7,466,459	\$7,466,459	\$ -
Interest in charitable remainder trust	282,735	-	282,735
Cash surrender value of life insurance	43,458	-	43,458
	<b>\$7,792,652</b>	<b>\$7,466,459</b>	<b>\$326,193</b>
	<b>2020</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 3</b>
Investments in marketable securities	\$9,492,226	\$9,492,226	\$ -
Interest in charitable remainder trust	210,305	-	210,305
Cash surrender value of life insurance	42,183	-	42,183
	<b>\$9,744,714</b>	<b>\$9,492,226</b>	<b>\$252,488</b>

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 10 - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Furniture and fixtures	10 years	\$ 85,300	\$ 85,300
Equipment	5 years	23,959	46,404
Software development	3 years	<u>372,876</u>	<u>295,697</u>
		482,135	427,401
Less: Accumulated depreciation		<u>(394,963)</u>	<u>(397,942)</u>
		<u>\$ 87,172</u>	<u>\$ 29,459</u>

**Note 11 - Loans Payable**

a - In April 2020, the Foundation received a \$147,375 Paycheck Protection Program loan having an interest rate of 1% and a maturity of two years. The full amount of the loan was forgiven in March 2021 and, accordingly, has been recognized as revenue for the year ended June 30, 2021.

b - In January 2021, the Foundation received a second Paycheck Protection Program loan of \$121,055 having an interest rate of 1% and a maturity of two years. The full amount of the loan was forgiven in October 2021 and, accordingly, will be recognized as revenue for the year ended June 30, 2022.

**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.

**THE ROYAL OAK FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 12 - Endowment Funds (continued)**

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 consist of the following:

	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Donor-restricted funds, 2021	<u>\$91,158</u>	<u>\$108,858</u>	<u>\$200,016</u>
Donor-restricted funds, 2020	<u>\$42,102</u>	<u>\$108,858</u>	<u>\$150,960</u>

Changes in endowment funds are summarized as follows for the year ended June 30, 2021 and the eighteen months ended June 30, 2020:

	<b>2021</b>		
	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Endowment funds, beginning of year	\$42,102	\$108,858	\$150,960
Net investment income	<u>49,056</u>	<u>-</u>	<u>49,056</u>
Endowment Funds, End of year	<u>\$91,158</u>	<u>\$108,858</u>	<u>\$200,016</u>

## THE ROYAL OAK FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 12 - Endowment Funds (continued)

	<u>2020</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of period	\$18,536	\$108,858	\$127,394
Net investment income	<u>23,566</u>	<u>-</u>	<u>23,566</u>
Endowment Funds, End of Period	<u>\$42,102</u>	<u>\$108,858</u>	<u>\$150,960</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.

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>	
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 year ended June 30, 2021 and the eighteen months ended June 30, 2020 was \$159,106 and \$237,027, 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 year ended June 30, 2021 and the eighteen months ended June 30, 2020 and no outstanding balances.

**THE ROYAL OAK FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****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 year ended June 30, 2021 and the eighteen months ended June 30, 2020 was \$18,324 and \$26,180, 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.