

THE ROYAL OAK FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



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.

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Royal Oak Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Royal Oak Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Royal Oak Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Lotz + Carr, LLP

New York, New York
November 15, 2022

THE ROYAL OAK FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 4)	\$ 315,887	\$ 291,026
Investments (Notes 1c, 1d, 5 and 9)	6,604,351	7,466,459
Accounts receivable (Note 1e)	12,950	7,500
Unconditional promises to give (Notes 1f and 6a)		
Without donor restrictions	6,001	8,501
With donor restrictions	41,741	44,943
Interest in charitable remainder trust (Notes 1c, 1g, 7 and 9)	229,474	282,735
Prepaid expenses and other assets	100,015	64,905
Cash surrender value of life insurance (Notes 8 and 9)	44,733	43,458
Security deposit	20,276	20,276
Property and equipment, at cost (net of accumulated depreciation) (Notes 1h and 10)	<u>71,193</u>	<u>87,172</u>
Total Assets	<u>\$7,446,621</u>	<u>\$8,316,975</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other current liabilities	\$ 90,316	\$ 106,387
Grants payable (Note 1i)	4,237	-
Deferred revenue (Note 1j)	424,240	319,932
Deferred rent (Note 1k)	33,171	36,701
Loans payable (Note 11)	-	121,055
Total Liabilities	<u>551,964</u>	<u>584,075</u>
Commitments (Notes 13 and 14)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	344,228	1,984,842
Board designated	<u>4,982,897</u>	<u>4,013,513</u>
Total Without Donor Restrictions	<u>5,327,125</u>	<u>5,998,355</u>
With Donor Restrictions		
Subject to time and purpose restriction	1,458,674	1,625,687
Perpetual in nature	<u>108,858</u>	<u>108,858</u>
Total With Donor Restrictions	<u>1,567,532</u>	<u>1,734,545</u>
Total Net Assets	<u>6,894,657</u>	<u>7,732,900</u>
Total Liabilities and Net Assets	<u>\$7,446,621</u>	<u>\$8,316,975</u>

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose	Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions Time and Purpose	Perpetual in Nature	Total
Changes in Net Assets								
Revenues, Gains and Support								
Contributions (Note 1f)	\$ 928,843	\$ 130,605	\$ -	\$1,059,448	\$ 1,146,442	\$ 18,573	\$ -	\$1,165,015
Membership dues	696,871	-	-	696,871	673,678	-	-	673,678
Forgiveness of loan payable - Paycheck Protection Program (Note 11)	121,055	-	-	121,055	147,375	-	-	147,375
Educational programs	260,021	-	-	260,021	216,280	-	-	216,280
Royalty income	11,557	-	-	11,557	17,250	-	-	17,250
Net investment income (Note 5)	29	-	-	29	15	-	-	15
Increase in cash surrender value of life insurance (Note 8)	1,275	-	-	1,275	1,275	-	-	1,275
Other income	7,108	-	-	7,108	1,021	-	-	1,021
	<u>2,026,759</u>	<u>130,605</u>	<u>-</u>	<u>2,157,364</u>	<u>2,203,336</u>	<u>18,573</u>	<u>-</u>	<u>2,221,909</u>
Net assets released from restrictions (Note 3b)	25,374	(25,374)	-	-	165,701	(165,701)	-	-
Appropriation from board designated net assets to operations and grants (Note 3a)	<u>193,652</u>	<u>-</u>	<u>-</u>	<u>193,652</u>	<u>4,120,165</u>	<u>-</u>	<u>-</u>	<u>4,120,165</u>
Total Revenues, Gains and Support	<u>2,245,785</u>	<u>105,231</u>	<u>-</u>	<u>2,351,016</u>	<u>6,489,202</u>	<u>(147,128)</u>	<u>-</u>	<u>6,342,074</u>
Expenses								
Program Services								
Grants and scholarships	826,090	-	-	826,090	4,736,265	-	-	4,736,265
Membership	290,241	-	-	290,241	262,913	-	-	262,913
Educational programs	405,513	-	-	405,513	328,500	-	-	328,500
Total Program Services	<u>1,521,844</u>	<u>-</u>	<u>-</u>	<u>1,521,844</u>	<u>5,327,678</u>	<u>-</u>	<u>-</u>	<u>5,327,678</u>
Supporting Services								
Management and general	342,433	-	-	342,433	367,520	-	-	367,520
Fundraising	310,911	-	-	310,911	298,256	-	-	298,256
Total Supporting Services	<u>653,344</u>	<u>-</u>	<u>-</u>	<u>653,344</u>	<u>665,776</u>	<u>-</u>	<u>-</u>	<u>665,776</u>
Total Expenses	<u>2,175,188</u>	<u>-</u>	<u>-</u>	<u>2,175,188</u>	<u>5,993,454</u>	<u>-</u>	<u>-</u>	<u>5,993,454</u>
Increase (Decrease) in Net Assets Before Other Revenues and Expenses	<u>70,597</u>	<u>105,231</u>	<u>-</u>	<u>175,828</u>	<u>495,748</u>	<u>(147,128)</u>	<u>-</u>	<u>348,620</u>
Other Revenues and Expenses								
Change in value of interest in charitable remainder trust (Note 7)	(53,261)	-	-	(53,261)	72,430	-	-	72,430
Contributions - non-operating (Note 1f)	334,061	-	-	334,061	193,652	-	-	193,652
Appropriation from board designated net assets to operations and grants (Note 3a)	(193,652)	-	-	(193,652)	(4,120,165)	-	-	(4,120,165)
Net investment income (loss) (Note 5)	<u>(828,975)</u>	<u>(272,244)</u>	<u>-</u>	<u>(1,101,219)</u>	<u>1,369,405</u>	<u>401,213</u>	<u>-</u>	<u>1,770,618</u>
Total Other Revenues and Expenses	<u>(741,827)</u>	<u>(272,244)</u>	<u>-</u>	<u>(1,014,071)</u>	<u>(2,484,678)</u>	<u>401,213</u>	<u>-</u>	<u>(2,083,465)</u>
Increase (decrease) in net assets	(671,230)	(167,013)	-	(838,243)	(1,988,930)	254,085	-	(1,734,845)
Net assets, beginning of year	<u>5,998,355</u>	<u>1,625,687</u>	<u>108,858</u>	<u>7,732,900</u>	<u>7,987,285</u>	<u>1,371,602</u>	<u>108,858</u>	<u>9,467,745</u>
Net Assets, End of Year	<u>\$ 5,327,125</u>	<u>\$1,458,674</u>	<u>\$108,858</u>	<u>\$6,894,657</u>	<u>\$ 5,998,355</u>	<u>\$1,625,687</u>	<u>\$108,858</u>	<u>\$7,732,900</u>

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Grants and Scholarships</u>	<u>Membership</u>	<u>Educational Programs</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ -	\$ 119,426	\$ 135,537	\$ 254,963	\$ 119,708	\$ 159,275	\$278,983	\$ 533,946
Payroll taxes and benefits	-	32,325	36,686	69,011	32,401	43,112	75,513	144,524
Grants and scholarships	817,712	-	-	817,712	-	-	-	817,712
Mission related marketing	8,378	16,802	656	25,836	-	28,275	28,275	54,111
Member services	-	74,831	-	74,831	-	-	-	74,831
Lectures and tours	-	-	179,455	179,455	-	-	-	179,455
Telephone and internet	-	2,133	2,421	4,554	2,137	2,845	4,982	9,536
Insurance	-	-	-	-	15,786	-	15,786	15,786
Equipment, software and technology	-	-	-	-	61,252	2,635	63,887	63,887
Occupancy	-	33,211	37,692	70,903	42,495	44,293	86,788	157,691
Professional fees	-	-	-	-	53,391	15,120	68,511	68,511
Office supplies	-	587	666	1,253	589	783	1,372	2,625
Travel and meetings	-	-	-	-	3,722	-	3,722	3,722
Merchant service fees	-	5,416	6,147	11,563	5,429	7,224	12,653	24,216
Other expenses	-	1,181	1,340	2,521	1,183	1,575	2,758	5,279
Total expenses before depreciation	826,090	285,912	400,600	1,512,602	338,093	305,137	643,230	2,155,832
Depreciation	-	4,329	4,913	9,242	4,340	5,774	10,114	19,356
Total Expenses	<u>\$ 826,090</u>	<u>\$ 290,241</u>	<u>\$ 405,513</u>	<u>\$1,521,844</u>	<u>\$ 342,433</u>	<u>\$ 310,911</u>	<u>\$653,344</u>	<u>\$2,175,188</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
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Decrease in net assets	\$ (838,243)	\$(1,734,845)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Cumulative effect of change in accounting principle	-	(258,490)
Depreciation	19,356	20,787
Net realized and unrealized (gain) loss on investments	1,219,366	(1,637,120)
Deferred rent	(3,530)	898
Change in value of interest in charitable remainder trust	53,261	(72,430)
Change in cash surrender value of life insurance	(1,275)	(1,275)
Forgiveness of loan payable - Paycheck Protection Program	(121,055)	(147,375)
(Increase) decrease in:		
Accounts receivable	(5,450)	21,390
Unconditional promises to give	5,702	79,917
Prepaid expenses and other assets	(35,110)	16,295
Increase (decrease) in:		
Accounts payable and other current liabilities	(16,071)	41,109
Grants payable	4,237	(252,524)
Deferred revenue	104,308	272,262
Net Cash Provided (Used) By Operating Activities	385,496	(3,651,401)
 Cash Flows From Investing Activities		
Purchase of investments	(657,258)	(4,682,538)
Proceeds from sale of investments	300,000	8,345,425
Purchase of property and equipment	(3,377)	(78,500)
Net Cash Provided (Used) By Investing Activities	(360,635)	3,584,387
 Cash Flows From Financing Activities		
Proceeds from loans payable	-	121,055
Net increase in cash and cash equivalents	24,861	54,041
Cash and cash equivalents, beginning of year	291,026	236,985
 Cash and Cash Equivalents, End of Year	\$ 315,887	\$ 291,026

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****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.

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, 2022 AND 2021****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, 2022.

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.

55% of contributions were from three donors during the year ended June 30, 2022 and 17% of contributions were from one donor during the year ended June 30, 2021.

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, 2022 AND 2021****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, 2022, 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, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - Financial Statement Presentation**

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, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****p - New Accounting Standards**

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 15, 2022, 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 ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Foundation maintains checking, savings and investment accounts. Investment accounts are approximately \$6,600,000 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 approximately \$300,000 are invested in the investment accounts such that sufficient cash flow is not an issue.

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

	2022	2021
Financial Assets at Year End:		
Cash and cash equivalents	\$ 315,887	\$ 291,026
Investments and cash equivalents	6,604,351	7,466,459
Accounts receivables	12,950	7,500
Unconditional promises to give	47,742	53,444
Total Financial Assets	6,980,930	7,818,429
Less: Amounts not Available to be Used within One Year:		
Net assets without donor restrictions, board designated	(4,982,897)	(4,013,513)
Plus: Net assets with board designation expected to be used within one year	109,570	197,548
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,458,674)	(1,625,687)
Plus: Net assets with restrictions to be met in less than one year	69,411	28,242
Net assets with donor restrictions for endowment, perpetual in nature	(108,858)	(108,858)
Financial Assets Available to Meet General Expenditures within One Year	\$ 609,482	\$2,296,161

In addition to these financial assets available for use within one year, the Board maintains funds designated for specific uses of approximately \$5,000,000. 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 13b, that could be used for general expenditure.

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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>2022</u>	<u>2021</u>
Legacy Fund	\$3,916,831	\$3,070,132
Sheffield Park	101,184	-
Dyrham Park	550	188,552
Fountains Abbey	-	100
Other board-restricted	<u>964,332</u>	<u>754,729</u>
	<u>\$4,982,897</u>	<u>\$4,013,513</u>

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

	<u>2022</u>	<u>2021</u>
Legacy Fund	\$ -	\$4,000,000
Dyrham Park	188,552	-
Fountains Abbey	100	119,965
Other board-restricted	<u>5,000</u>	<u>200</u>
	<u>\$193,652</u>	<u>\$4,120,165</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 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.

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Ervin Fund	\$877,678	\$1,044,980
Seeley Fellowship Fund	215,080	260,250
Damaris Horan Prize	137,315	167,218
Fleming Lecture Fund - accumulated earnings	59,053	91,158
Chartwell	40,241	44,943
Adoption of Future Lectures	2,807	12,638
Program Grants	125,000	-
Various Sponsored Projects	<u>1,500</u>	<u>4,500</u>
	1,458,674	1,625,687
Perpetual in nature:		
Endowment	<u>108,858</u>	<u>108,858</u>
	<u>\$1,567,532</u>	<u>\$1,734,545</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>2022</u>	<u>2021</u>
Seeley Fellowship Fund	\$ 2,236	\$ 2,665
Chartwell	6,000	9,000
International National Trust Organization	-	25,000
Website Development	-	25,000
Various sponsored projects	4,500	25,436
Lake District	-	44,000
National Trust	-	33,600
Blickling Hall	-	1,000
Program Grants	25,000	-
Adoption of Future Lectures	<u>12,638</u>	<u>-</u>
	<u>\$50,374</u>	<u>\$165,701</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3 - Net Assets (continued)

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, 2022 and 2021 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:

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 300,638	\$ 300,638	\$ 334,726	\$ 334,726
Mutual Funds:				
500 Index - equity	1,329,985	776,894	1,682,195	859,396
Extended Market Index - equity	497,130	345,107	826,781	399,105
Mid Cap Grade Index - equity	438,052	301,729	587,349	298,958
Short Term Investment Grade - fixed	1,671,348	1,779,507	1,779,890	1,743,296
Short Term Corporate Bond ETF- fixed	951,496	1,032,941	740,833	742,910
International - equity	<u>1,415,702</u>	<u>1,588,925</u>	<u>1,514,685</u>	<u>1,232,708</u>
	<u>\$6,604,351</u>	<u>\$6,125,741</u>	<u>\$7,466,459</u>	<u>\$5,611,099</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5 - Investments (continued)

Net investment income (loss) for the years ended June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 118,176	\$ 133,513
Net realized gains	157,384	754,665
Net unrealized gains (losses)	<u>(1,376,750)</u>	<u>882,455</u>
Total	<u>\$(1,101,190)</u>	<u>\$1,770,633</u>

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Operations	\$ 29	\$ 15
Other	(828,975)	1,369,405
With donor restrictions	<u>(272,244)</u>	<u>401,213</u>
	<u>\$(1,101,190)</u>	<u>\$1,770,633</u>

Note 6 - Promises to Givea - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2022</u>	<u>2021</u>
Due in one year	\$ 15,001	\$ 16,001
Due in two to ten years	<u>37,500</u>	<u>43,500</u>
	52,501	59,501
Less: Discount to present value	<u>(4,759)</u>	<u>(6,057)</u>
	<u>\$ 47,742</u>	<u>\$ 53,444</u>

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.

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6 - Promises to Give (continued)

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, 2022, 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, 2022 and 2021, the present value of net assets held for charitable remainder trusts, less the present value of expected annuity payments, amounted to \$229,474 and \$282,735, respectively.

The following summarizes changes in fair values of the Foundation's Level 3 asset, interest in charitable remainder trust, for the years ended June 30, 2022 and 2021:

	<u>Fair Value</u>	
	<u>2022</u>	<u>2021</u>
Balance, beginning of period	\$282,735	\$210,305
Change in present value	<u>(53,261)</u>	<u>72,430</u>
Balance, End of Period	<u>\$229,474</u>	<u>\$282,735</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021 was \$44,733 and \$43,458, respectively.

Note 9 - Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	2022		
	Total	Level 1	Level 3
Investments in marketable securities	\$6,604,351	\$6,604,351	\$ -
Interest in charitable remainder trust	229,474	-	229,474
Cash surrender value of life insurance	<u>44,733</u>	<u>-</u>	<u>44,733</u>
	<u>\$6,878,558</u>	<u>\$6,604,351</u>	<u>\$274,207</u>
	2021		
	Total	Level 1	Level 3
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	<u>43,458</u>	<u>-</u>	<u>43,458</u>
	<u>\$7,792,652</u>	<u>\$7,466,459</u>	<u>\$326,193</u>

Note 10 - Property and Equipment

Property and equipment consist of the following at June 30:

	Life	2022	2021
Furniture and fixtures	10 years	\$ 85,300	\$ 85,300
Equipment	5 years	22,448	23,959
Software development	3 years	<u>372,876</u>	<u>372,876</u>
		480,624	482,135
Less: Accumulated depreciation		<u>(409,431)</u>	<u>(394,963)</u>
		<u>\$ 71,193</u>	<u>\$ 87,172</u>

THE ROYAL OAK FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****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, has been 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.

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

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 12 - Endowment Funds (continued)

Invested endowment funds at June 30 consist of the following:

	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted funds, 2022	<u>\$59,053</u>	<u>\$108,858</u>	<u>\$167,911</u>
Donor-restricted funds, 2021	<u>\$91,158</u>	<u>\$108,858</u>	<u>\$200,016</u>

Changes in endowment funds are summarized as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$91,158	\$108,858	\$200,016
Net investment loss	<u>(32,105)</u>	<u>-</u>	<u>(32,105)</u>
Endowment Funds, End of year	<u>\$59,053</u>	<u>\$108,858</u>	<u>\$167,911</u>
	<u>2021</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of period	\$42,102	\$108,858	\$150,960
Net investment income	<u>49,056</u>	<u>-</u>	<u>49,056</u>
Endowment Funds, End of Period	<u>\$91,158</u>	<u>\$108,858</u>	<u>\$200,016</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

JUNE 30, 2022 AND 2021

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>	
2023	\$156,575
2024	161,273
Thereafter to March 31, 2025	123,656

Total rent expense, including other operating expenses, for the years ended June 30, 2022 and 2021 was \$157,691 and \$159,106, 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 years ended June 30, 2022 and 2021 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 years ended June 30, 2022 and 2021 was \$24,053 and \$18,324, respectively.