

THE ROYAL OAK FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



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, 2024 and 2023, 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, 2024 and 2023, 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

THE ROYAL OAK FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
Assets		
Cash and cash equivalents (Notes 1b and 4)	\$ 190,989	\$ 294,619
Investments (Notes 1c, 1d, 5 and 9)	9,713,172	7,910,701
Accounts receivable (Note 1e)	31,940	22,565
Unconditional promises to give (Notes 1f and 6a)		
Without donor restrictions	52,817	329,501
With donor restrictions	76,410	54,241
Interest in charitable remainder trust (Notes 1c, 1g, 7 and 9)	259,655	239,818
Prepaid expenses and other assets	119,275	104,301
Cash surrender value of life insurance (Notes 8 and 9)	47,184	45,984
Operating lease right-of-use asset (Note 1k)	109,908	252,488
Security deposit	20,276	20,276
Property and equipment, at cost (net of accumulated depreciation) (Notes 1h and 10)	45,148	42,108
Total Assets	\$10,666,774	\$9,316,602
Liabilities and Net Assets		
Liabilities		
Accounts payable and other current liabilities	\$ 56,526	\$ 58,270
Grants payable (Note 1i)	6,785	6,208
Deferred revenue (Note 1j)	386,901	419,122
Operating lease liability (Notes 1k and 13)	122,201	277,569
Total Liabilities	572,413	761,169
Commitments (Notes 14 and 15)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	75,592	365,210
Board designated	8,098,089	6,441,206
Total Without Donor Restrictions	8,173,681	6,806,416
With Donor Restrictions		
Subject to time and purpose restriction	1,806,822	1,635,159
Perpetual in nature	113,858	113,858
Total With Donor Restrictions	1,920,680	1,749,017
Total Net Assets	10,094,361	8,555,433
Total Liabilities and Net Assets	\$10,666,774	\$9,316,602

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023				
	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)	\$ 1,120,651	\$ 45,428	\$ -	\$ 1,166,079	\$ 682,704	\$ 67,221	\$ 5,000	\$754,925
Membership dues	839,511	-	-	839,511	797,237	-	-	797,237
Fundraising benefit	151,124	-	-	151,124	163,107	-	-	163,107
Fundraising benefit - Gifts-in-kind (Note 12)	2,606	-	-	2,606	20,000	-	-	20,000
Less: Direct expenses	(25,242)	-	-	(25,242)	(42,903)	-	-	(42,903)
Educational programs	536,500	-	-	536,500	431,660	-	-	431,660
Royalty income	22,794	-	-	22,794	9,949	-	-	9,949
Net investment income (Note 5)	4	-	-	4	76	-	-	76
Increase in cash surrender value of life insurance (Note 8)	1,200	-	-	1,200	1,251	-	-	1,251
Other income	4,999	-	-	4,999	29	-	-	29
	<u>2,654,147</u>	<u>45,428</u>	<u>-</u>	<u>2,699,575</u>	<u>2,063,110</u>	<u>67,221</u>	<u>5,000</u>	<u>2,135,331</u>
Net assets released from restrictions (Note 3b)	100,660	(100,660)	-	-	62,766	(62,766)	-	-
Appropriation from board designated net assets to operations and grants (Note 3a)	-	-	-	-	149,165	-	-	149,165
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,165</u>	<u>-</u>	<u>-</u>	<u>149,165</u>
Total Revenues, Gains and Support	<u>2,754,807</u>	<u>(55,232)</u>	<u>-</u>	<u>2,699,575</u>	<u>2,275,041</u>	<u>4,455</u>	<u>5,000</u>	<u>2,284,496</u>
Expenses								
Program Services								
Grants and scholarships	882,435	-	-	882,435	473,596	-	-	473,596
Membership	325,763	-	-	325,763	317,181	-	-	317,181
Educational programs	807,301	-	-	807,301	683,552	-	-	683,552
Total Program Services	<u>2,015,499</u>	<u>-</u>	<u>-</u>	<u>2,015,499</u>	<u>1,474,329</u>	<u>-</u>	<u>-</u>	<u>1,474,329</u>
Supporting Services								
Management and general	344,329	-	-	344,329	281,799	-	-	281,799
Fundraising	334,434	-	-	334,434	358,275	-	-	358,275
Total Supporting Services	<u>678,763</u>	<u>-</u>	<u>-</u>	<u>678,763</u>	<u>640,074</u>	<u>-</u>	<u>-</u>	<u>640,074</u>
Total Expenses	<u>2,694,262</u>	<u>-</u>	<u>-</u>	<u>2,694,262</u>	<u>2,114,403</u>	<u>-</u>	<u>-</u>	<u>2,114,403</u>
Increase (Decrease) in Net Assets Before Other Revenues and Expenses	<u>60,545</u>	<u>(55,232)</u>	<u>-</u>	<u>5,313</u>	<u>160,638</u>	<u>4,455</u>	<u>5,000</u>	<u>170,093</u>
Other Revenues and Expenses								
Change in value of interest in charitable remainder trust (Note 7)	19,837	-	-	19,837	10,344	-	-	10,344
Contributions - non-operating (Note 1f)	578,249	-	-	578,249	937,897	-	-	937,897
Appropriation from board designated net assets to operations and grants (Note 3a)	-	-	-	-	(149,165)	-	-	(149,165)
Net investment income (Note 5)	<u>708,634</u>	<u>226,895</u>	<u>-</u>	<u>935,529</u>	<u>519,577</u>	<u>172,030</u>	<u>-</u>	<u>691,607</u>
Total Other Revenues and Expenses	<u>1,306,720</u>	<u>226,895</u>	<u>-</u>	<u>1,533,615</u>	<u>1,318,653</u>	<u>172,030</u>	<u>-</u>	<u>1,490,683</u>
Increase in net assets	1,367,265	171,663	-	1,538,928	1,479,291	176,485	5,000	1,660,776
Net assets, beginning of year	<u>6,806,416</u>	<u>1,635,159</u>	<u>113,858</u>	<u>8,555,433</u>	<u>5,327,125</u>	<u>1,458,674</u>	<u>108,858</u>	<u>6,894,657</u>
Net Assets, End of Year	<u>\$ 8,173,681</u>	<u>\$1,806,822</u>	<u>\$113,858</u>	<u>\$10,094,361</u>	<u>\$ 6,806,416</u>	<u>\$1,635,159</u>	<u>\$113,858</u>	<u>\$8,555,433</u>

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services			Total Expenses
	Grants and Scholarships	Membership	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ -	\$ 128,163	\$ 190,273	\$ 318,436	\$ 131,908	\$ 183,037	\$314,945	\$ 633,381
Payroll taxes and benefits	-	28,890	42,891	71,781	29,734	41,260	70,994	142,775
Grants and scholarships	876,200	-	-	876,200	-	-	-	876,200
Mission related marketing	6,235	34,723	312	41,270	-	21,819	21,819	63,089
Member services	-	85,995	-	85,995	-	-	-	85,995
Lectures and tours	-	-	502,577	502,577	-	-	-	502,577
Telephone and internet	-	1,773	2,632	4,405	1,825	2,532	4,357	8,762
Insurance	-	-	-	-	18,850	-	18,850	18,850
Equipment, software and technology	-	-	-	-	69,752	2,250	72,002	72,002
Occupancy	-	30,045	44,606	74,651	41,356	42,910	84,266	158,917
Professional fees	-	-	-	-	31,448	-	31,448	31,448
Office supplies	-	786	1,166	1,952	808	1,122	1,930	3,882
Travel and meetings	-	-	-	-	2,813	-	2,813	2,813
Merchant service fees	-	7,261	10,780	18,041	7,472	10,370	17,842	35,883
Other expenses	-	1,336	1,983	3,319	1,374	1,908	3,282	6,601
Indirect gala fundraising benefit expenses	-	-	-	-	-	17,528	17,528	17,528
Total expenses before depreciation	882,435	318,972	797,220	1,998,627	337,340	324,736	662,076	2,660,703
Depreciation	-	6,791	10,081	16,872	6,989	9,698	16,687	33,559
Total Expenses	<u>\$ 882,435</u>	<u>\$ 325,763</u>	<u>\$ 807,301</u>	<u>\$2,015,499</u>	<u>\$ 344,329</u>	<u>\$ 334,434</u>	<u>\$678,763</u>	<u>\$2,694,262</u>

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services			Total Expenses
	Grants and Scholarships	Membership	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ -	\$ 128,849	\$ 193,464	\$ 322,313	\$ 96,181	\$ 201,104	\$297,285	\$ 619,598
Payroll taxes and benefits	-	32,756	49,183	81,939	24,451	51,125	75,576	157,515
Grants and scholarships	464,371	-	-	464,371	-	-	-	464,371
Mission related marketing	9,225	24,821	156	34,202	-	14,761	14,761	48,963
Member services	-	83,015	-	83,015	-	-	-	83,015
Lectures and tours	-	-	369,069	369,069	-	-	-	369,069
Telephone and internet	-	1,924	2,889	4,813	1,437	3,004	4,441	9,254
Insurance	-	-	-	-	18,094	-	18,094	18,094
Equipment, software and technology	-	-	-	-	65,015	2,833	67,848	67,848
Occupancy	-	30,878	46,363	77,241	31,859	48,194	80,053	157,294
Professional fees	-	-	-	-	26,324	-	26,324	26,324
Office supplies	-	815	1,223	2,038	608	1,272	1,880	3,918
Travel and meetings	-	-	-	-	7,152	-	7,152	7,152
Merchant service fees	-	6,933	10,409	17,342	5,175	10,820	15,995	33,337
Other expenses	-	1,142	1,715	2,857	988	1,783	2,771	5,628
Indirect gala fundraising benefit expenses	-	-	-	-	-	13,938	13,938	13,938
Total expenses before depreciation	473,596	311,133	674,471	1,459,200	277,284	348,834	626,118	2,085,318
Depreciation	-	6,048	9,081	15,129	4,515	9,441	13,956	29,085
Total Expenses	<u>\$ 473,596</u>	<u>\$ 317,181</u>	<u>\$ 683,552</u>	<u>\$1,474,329</u>	<u>\$ 281,799</u>	<u>\$ 358,275</u>	<u>\$640,074</u>	<u>\$2,114,403</u>

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,538,928	\$1,660,776
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	33,559	29,085
Net realized and unrealized gain on investments	(680,508)	(534,892)
Non-cash operating lease expense	142,580	138,292
Change in value of interest in charitable remainder trust	(19,837)	(10,344)
Change in cash surrender value of life insurance	(1,200)	(1,251)
(Increase) decrease in:		
Accounts receivable	(9,375)	(9,615)
Unconditional promises to give	254,515	(336,000)
Prepaid expenses and other assets	(14,974)	(4,286)
Increase (decrease) in:		
Accounts payable and other current liabilities	(1,744)	(32,046)
Grants payable	577	1,971
Deferred revenue	(32,221)	(5,118)
Operating lease liability	(155,368)	(146,382)
Net Cash Provided By Operating Activities	1,054,932	750,190
 Cash Flows From Investing Activities		
Purchase of investments	(2,426,730)	(822,395)
Proceeds from sale of investments	1,304,767	50,937
Purchase of property and equipment	(36,599)	-
Net Cash Used By Investing Activities	(1,158,562)	(771,458)
 Net decrease in cash and cash equivalents	(103,630)	(21,268)
Cash and cash equivalents, beginning of year	294,619	315,887
 Cash and Cash Equivalents, End of Year	\$ 190,989	\$ 294,619
 Supplemental disclosure of non-cash investing activities:		
Operating lease right-of-use asset obtained in exchange for lease liability	\$ -	\$ 390,780

See notes to financial statements.

THE ROYAL OAK FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2024 AND 2023****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 - Current Expected Credit Loss

Accounts receivable are presented net of an allowance for credit losses, if any, which is an estimate of amounts that may not be collectible. In determining the amount of the allowance as of the statement of financial position date, the Foundation develops a loss rate based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Based on management's assessment, the Foundation does not anticipate any credit losses on accounts receivable as of June 30, 2024.

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.

32% and 44% of contributions were from two donors during the years ended June 30, 2024 and 2023, respectively.

THE ROYAL OAK FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Unconditional Promises to Give and Contributions (continued)**

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.

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, 2024, 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 - Operating Lease Right-of-Use Asset and Operating Lease Liability

For leases with an initial term greater than twelve months, the Foundation's operating lease liability was initially recorded at the present value of the unpaid lease payments. The Foundation's operating lease right-of-use asset was initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

THE ROYAL OAK FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2024 AND 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****p - New Accounting Standards**

During 2024, the Foundation adopted Accounting Standards Update (“ASU”) No. 2016-13, *Current Expected Credit Losses (“Topic 326”)*. The core principles of ASU 2016-13 (the “ASU”) significantly change the way Organizations recognize credit losses from the incurred loss model to the expected loss model for most financial assets. The financial asset held by the Foundation that is subject to the ASU is accounts receivable. The adoption of the ASU did not have a significant impact to the Foundation’s net assets.

q - Subsequent Events

The Foundation has evaluated subsequent events through November 25, 2024, 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 \$9,700,000 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 ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2 - Information Regarding Liquidity and Availability (continued)

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

	<u>2024</u>	<u>2023</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 190,989	\$ 294,619
Investments and cash equivalents	9,713,172	7,910,701
Accounts receivable	31,940	22,565
Unconditional promises to give	<u>129,227</u>	<u>383,742</u>
Total Financial Assets	10,065,328	8,611,627
Less: Amounts not Available to be Used within One Year:		
Net assets without donor restrictions, board designated	(8,098,089)	(6,441,206)
Plus: Net assets with board designation expected to be used within one year	1,149,797	823,873
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,806,822)	(1,635,159)
Plus: Net assets with restrictions to be met in less than one year	69,411	117,325
Net assets with donor restrictions for endowment, perpetual in nature	<u>(113,858)</u>	<u>(113,858)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,265,767</u>	<u>\$1,362,602</u>

In addition to these financial assets available for use within one year, the Board maintains funds designated for specific uses of approximately \$8,100,000. 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 14, that could be used for general expenditure.

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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:

	2024	2023
Legacy Fund	\$5,468,286	\$4,533,275
National Trust	1,095,706	702,652
Other board-restricted	1,534,097	1,205,279
	\$8,098,089	\$6,441,206

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

	2024	2023
Sheffield Park	\$ -	\$ 101,184
Dyrham Park	-	550
Other board-restricted	-	47,431
	\$ -	\$149,165

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.

The Board also designated net assets to restore an important interior at Dyrham Park, in Gloucestershire, 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, 2024 AND 2023

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>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose:		
Ervin Fund	\$1,117,524	\$ 980,678
Seeley Fellowship Fund	271,957	239,778
Damaris Horan Prize	179,640	155,786
Fleming Lecture Fund - accumulated earnings	113,687	82,455
Chartwell	29,411	34,241
Adoption of Future Lectures	33,545	32,845
Program Grants	25,000	75,000
Red House	25,000	-
Lake District	-	33,363
Various Sponsored Projects	<u>11,058</u>	<u>1,013</u>
	1,806,822	1,635,159
Perpetual in nature:		
Endowment	<u>113,858</u>	<u>113,858</u>
	<u>\$1,920,680</u>	<u>\$1,749,017</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>2024</u>	<u>2023</u>
Seeley Fellowship Fund	\$ 2,784	\$ 2,459
Chartwell	6,000	6,000
Various sponsored projects	1,013	1,500
Program Grants	50,000	50,000
Lake District	33,363	-
Adoption of Future Lectures	<u>7,500</u>	<u>2,807</u>
	<u>\$100,660</u>	<u>\$62,766</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, 2024 and 2023 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>2024</u>		<u>2023</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$2,379,289	\$2,379,289	\$ 224,418	\$ 224,418
Mutual Funds:				
500 Index - equity	2,103,159	924,491	1,691,768	898,289
Extended Market Index - equity	869,589	534,762	756,382	523,711
Mid Cap Grade Index - equity	672,164	385,592	598,390	380,735
Short Term Investment Grade - fixed	1,948,278	2,035,127	1,837,635	1,963,739
Short Term Corporate Bond ETF - fixed	-	-	1,196,383	1,278,104
International - equity	<u>1,740,693</u>	<u>1,673,459</u>	<u>1,605,725</u>	<u>1,625,830</u>
	<u>\$9,713,172</u>	<u>\$7,932,720</u>	<u>\$7,910,701</u>	<u>\$6,894,826</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5 - Investments (continued)

Net investment income for the years ended June 30, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$255,025	\$156,791
Net realized losses	(84,069)	(2,373)
Net unrealized gains	<u>764,577</u>	<u>537,265</u>
Total	<u>\$935,533</u>	<u>\$691,683</u>

Net investment income has been allocated as follows:

	<u>2024</u>	<u>2023</u>
Without donor restrictions:		
Operations	\$ 4	\$ 76
Other	708,634	519,577
With donor restrictions	<u>226,895</u>	<u>172,030</u>
	<u>\$935,533</u>	<u>\$691,683</u>

Note 6 - Promises to Give

a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2024</u>	<u>2023</u>
Due in one year	\$ 94,316	\$342,001
Due in two to ten years	<u>38,500</u>	<u>46,500</u>
	132,816	388,501
Less: Discount to present value	<u>(3,589)</u>	<u>(4,759)</u>
	<u>\$129,227</u>	<u>\$383,742</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, 2024 AND 2023

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, 2024, the Foundation raised \$113,858 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, 2024 and 2023, the present value of net assets held for charitable remainder trusts, less the present value of expected annuity payments, amounted to \$259,655 and \$239,818, 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, 2024 and 2023:

	Fair Value	
	2024	2023
Balance, beginning of period	\$239,818	\$229,474
Change in present value	19,837	10,344
Balance, End of Period	\$259,655	\$239,818

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, 2024 and 2023 was \$47,184 and \$45,984, respectively.

Note 9 - Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2024 and 2023 are as follows:

	2024		
	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments in marketable securities	\$9,713,172	\$9,713,172	\$ -
Interest in charitable remainder trust	259,655	-	259,655
Cash surrender value of life insurance	<u>47,184</u>	<u>-</u>	<u>47,184</u>
	<u>10,020,011</u>	<u>\$9,713,172</u>	<u>\$306,839</u>
	2023		
	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments in marketable securities	\$7,910,701	\$7,910,701	\$ -
Interest in charitable remainder trust	239,818	-	239,818
Cash surrender value of life insurance	<u>45,984</u>	<u>-</u>	<u>45,984</u>
	<u>\$8,196,503</u>	<u>\$7,910,701</u>	<u>\$285,802</u>

Note 10 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2024</u>	<u>2023</u>
Furniture and fixtures	10 years	\$ 85,300	\$ 85,300
Equipment	5 years	19,852	19,253
Software development	3 years	<u>201,603</u>	<u>165,603</u>
		306,755	270,156
Less: Accumulated depreciation		<u>(261,607)</u>	<u>(228,048)</u>
		<u>\$ 45,148</u>	<u>\$ 42,108</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11 - 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 consist of the following:

	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Donor-restricted funds, 2024	<u>\$113,687</u>	<u>\$113,858</u>	<u>\$227,545</u>
Donor-restricted funds, 2023	<u>\$ 82,455</u>	<u>\$113,858</u>	<u>\$196,313</u>

THE ROYAL OAK FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11 - Endowment Funds (continued)

Changes in endowment funds are summarized as follows for the years ended June 30, 2024 and 2023:

	2024		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ 82,455	\$113,858	\$196,313
Net investment income	<u>31,232</u>	<u>-</u>	<u>31,232</u>
Endowment Funds, End of year	<u>\$113,687</u>	<u>\$113,858</u>	<u>\$227,545</u>
	2023		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$59,053	\$108,858	\$167,911
Net investment income	23,402	-	23,402
Contributions	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Endowment Funds, End of year	<u>\$82,455</u>	<u>\$113,858</u>	<u>\$196,313</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, 2024 AND 2023

Note 12 - Gifts-in-Kind

During the year ended June 30, 2024, The Foundation received donated catering of \$2,606 for the Foundation's fundraising benefit. During the year ended June 30, 2023, The Foundation received donated airline vouchers of \$20,000 for the Foundation's fundraising benefit. The value of the gifts-in-kind was provided by the service provider based on rates charged for similar services.

Note 13 - Operating Lease Liability

The Foundation occupies space under an operating lease agreement expiring March 31, 2025.

Operating lease expense, including other operating expenses, for the years ended June 30, 2024 and 2023 was \$158,917 and \$157,294, respectively. There were no variable lease costs incurred. As of June 30, 2024, the remaining term of the Foundation's operating lease is nine months and the discount rate is 2.85%

Maturities of the Foundation's operating lease liability as of June 30, 2024 are as follows:

Thereafter, through March 31, 2025	\$123,656
Less: Amount attributable to interest	<u>(1,455)</u>
	<u>\$122,201</u>

Note 14 - Line of Credit

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, 2024 and 2023 and no outstanding balances.

Note 15 - 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, 2024 and 2023 was \$18,800 and \$19,970, respectively.