PORT ROYAL SOUND FOUNDATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Port Royal Sound Foundation

Opinion

We have audited the accompanying financial statements of Port Royal Sound Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year 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 Port Royal Sound Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Port Royal Sound Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Port Royal Sound Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Port Royal Sound Foundation'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 Port Royal Sound Foundation'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.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
May 18, 2023

PORT ROYAL SOUND FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash and Cash Equivalents	$ 389,054	$ 503,358	$ 892,412
Investments	198,511	-	198,511
Accounts Receivable	392	-	392
Due to/(from) Donor Restricted	226,588	(226,588)	-
Inventory	9,116	-	9,116
Prepaid Expenses	18,693	-	18,693
Promises to Give	-	522,550	522,550
Capital Assets, Net	5,649,995	-	5,649,995
Operating Lease, ROU Asset, Net	3,125	-	3,125
Total Assets	$ 6,495,474	$ 799,320	$ 7,294,794
LIABILITIES AND NET ASSETS			
Liabilities			
Current Portion of Long-Term Debt	$ 20,798	$ -	$ 20,798
Operating Lease Liability, Current	3,125	-	3,125
Accounts Payable	228,005	-	228,005
Accrued Expenses	8,503	-	8,503
Notes Payable	210,185	-	210,185
Total Liabilities	470,616	-	470,616
Net Assets			
Without Donor Restrictions	605,846	-	605,846
Capital Assets, Net	5,419,012	-	5,419,012
With Donor Restrictions	-	799,320	799,320
Total Net Assets	6,024,858	799,320	6,824,178
Total Liabilities and Net Assets	$ 6,495,474	$ 799,320	$ 7,294,794

The notes to the financial statements are an integral part of this statement.

PORT ROYAL SOUND FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
REVENUES AND SUPPORT			
Fund Raising Events			
Revenue Generated	$ 173,738	$ -	$ 173,738
Less Direct Costs of Events	(53,928)	-	(53,928)
Fundraising Events in Excess of Direct Costs	119,810	-	119,810
Contributions of Cash and Other Financial Assets	318,629	939,470	1,258,099
Contributions of Nonfinancial Assets	56,575	-	56,575
Rental of Facility	40,920	-	40,920
Progam Income	297,369	-	297,369
Investment Income	(34,355)	1,624	(32,731)
Other Income	50,535	-	50,535
Net Assets Released from Restrictions	1,793,714	(1,793,714)	-
Total Revenues and Support	2,643,197	(852,620)	1,790,577
FUNCTIONAL EXPENSES			
Program Services	660,085	-	660,085
General and Administrative	202,086	-	202,086
Fundraising	69,361	-	69,361
Total Functional Expenses	931,532	-	931,532
Change in Net Assets	1,711,665	(852,620)	859,045
Net Assets, Beginning of Year	4,313,193	1,651,940	5,965,133
Net Assets, End of Year	$ 6,024,858	$ 799,320	$ 6,824,178

The notes to the financial statements are an integral part of this statement.

PORT ROYAL SOUND FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

		SUPPORTING SERVICES		
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL
Payroll Expenses	$ 233,717	$ 175,468	$ 54,278	$ 463,463
Insurance	23,940	3,545	-	27,485
Occupancy Costs	25,499	5,171	-	30,670
Professional Fees	3,750	3,750	-	7,500
Service Charges	9,724	10,312	-	20,036
Supplies	166,224	-	7,682	173,906
Contractual Services	28,033	-	7,401	35,434
Equipment Rental and Maintenance	30,718	-	-	30,718
Membership Dues	688	-	-	688
Printing and Publications	38,871	-	-	38,871
Professional Development and Training	2,844	3,840	-	6,684
Total Expenses Before Depreciation	564,008	202,086	69,361	835,455
Depreciation	96,077	-	-	96,077
Total Functional Expenses	$ 660,085	$ 202,086	$ 69,361	$ 931,532

The notes to the financial statements are an integral part of this statement.

PORT ROYAL SOUND FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

		2022
Cash Flows From Operating Activities		
Cash received without donor restriction	$	814,626
Cash received with donor restrictions		663,544
Cash paid for operating expenses		(624,503)
Net Cash Provided (Used) by Operating Activities		853,667
Cash Flows From Investing Activities		
Interest and dividends earned on investments		(3,753)
Realized/unrealized gains and losses on investments		38,301
Purchases of capital assets		(1,668,069)
Net Cash Provided (Used) by Investing Activities		(1,633,521)
Cash Flows From Financing Activities		
Repayment of long-term debt		(29,673)
Net Cash Provided (Used) by Financing Activities		(29,673)
NET INCREASE (DECREASE) IN CASH		(809,527)
CASH AT BEGINNING OF YEAR		1,701,939
CASH AT END OF YEAR	$	892,412
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$	859,045
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation		96,077
(Increase) decrease in accounts receivable		374
(Increase) decrease in prepaid assets		(1,475)
(Increase) decrease in inventory		598
(Increase) decrease in promises to give		(277,550)
(Increase) decrease in donated property		(35,231)
Increase (decrease) in accounts payable		223,043
Increase (decrease) in accrued liabilities		(11,214)
Total adjustments		(5,378)
Net Cash Provided (Used) by Operations	$	853,667

The notes to the financial statements are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization: The Port Royal Sound Foundation (the "Organization") was incorporated February 5, 2001 as Friends of the River and then adopted the name of Port Royal Sound Foundation on May 23, 2011. The Organization was founded for the purpose of the betterment and conservation of the waters and lands of the unique salt marsh ecosystem that is the Port Royal Sound. This objective is achieved by advancing awareness of the Port Royal Sound and its contributions to the environmental, cultural, and economic well-being of our area, the region, and the Atlantic Ocean. Promotion of the objective is further emphasized by the operation of the Maritime Center, utilized for education and advance awareness through its onsite exhibits and tours.

Basis of Presentation: The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Financial Accounting Standards Board (FASB) establishes the FASB Accounting Standards Codification as the source of authoritative United States generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements. This authoritative guidance has been applied in the preparation of the Organization's financial statements. The following accounting policies are presented to facilitate the understanding of information presented in the financial statements.

The financial statements of the Organization have been prepared according to the FASB issued Accounting Standards Update 2016-14, Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This was meant to improve the presentation of financial statements and disclosures of not-for-profit organizations by providing more relevant information about their resources, and changes in those resources, to their donors, grantors, creditors and other users. This guidance requires not-for-profit entities to present the amount for each of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition – Contracts with Customers Accounted for in Accordance with ASC 606: The Organization recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods and services exist. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Organization management expects that the period between when the transfers of goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Organization has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: Contributions, including promises to give, are received from individuals, foundations, corporations, and governmental entities in support of the Organization's mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Organization receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Organization's discretion on use of funds. Such conditional promises are recognized when the conditions are substantially met.

Contributions of cash that must be used to acquire property and equipment or used for specific programs are reported as donor restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restriction when the acquired assets are placed in service or used for program expenses as instructed by the donor. The Organization reclassifies donor restricted net assets to net assets without donor restrictions at that time.

Nonfinancial assets contributed with explicit restrictions regarding their use and contributions of cash and other financial assets that must be used for an explicit reason are reported as restricted contributions. Absent donor stipulations regarding how long those contributed nonfinancial assets must be maintained, the Organization reports expirations of donor restrictions when the contributed or acquired nonfinancial assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Fair Value Measurements: The Organization accepts and applies FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expand disclosures about fair value measurements (FVM). Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

The three levels of hierarchy are as follows:

> Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable. Examples include quote prices for similar assets or liabilities in active markets; quote prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
>
> Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents: Deposits of the Organization are maintained in demand deposits, savings accounts, or certificates of deposits. The book balance of the Organization at December 31, 2022 was $892,412 while the bank balance was $932,522. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In addition, the Organization maintains Insured Cash Sweep (ICS) accounts.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk.

For purposes of the financial statements, the Organization considers all highly liquid debt instruments (cash equivalents) purchased with a maturity of three months or less to be cash. The statement of cash flows is prepared by the direct method. No income taxes were paid during the year.

Investments: Investments consist primarily of exchange traded funds (ETF). The investments are reported as level-one fair value in the statement of financial position based on quoted market prices. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost of the investments sold using the specific identification method. Unrealized gains and losses are charged or credited to the statement of activities. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Land, Buildings, and Equipment: The Organization capitalizes all expenses for land, buildings, and improvements with a value of $1,500 and an estimated life greater than one year. Donated property and equipment are recorded at fair value based on a Level 2 methodology from a certified appraiser at the date of the donation. The costs for replacements or additional components follow the same guidance. Accordingly, all costs of repairs and maintenance are charged to expense as incurred because they cannot be considered replacements or additional components.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building	15-40 years
Leasehold Improvements	15 years
Furniture, Fixtures, & Equipment	5-15 years

As required by the Asset Retirement and Environmental Obligations of the FASB Accounting Standards Codification, the Organization applies the provisions requiring a liability to be recorded for the fair value of a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. As of December 31, 2022, the Organization was unaware of any such obligations. The Organization will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate its fair value.

Leases: The Organization determines if an arrangement is a lease at inception. A right-of-use (ROU) asset represents the Organization's right to use an underlying asset for the lease term. A lease liability represents the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the term of the lease. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. If the individual lease contracts do not provide information about the discount rate implicit in the lease, the Organization will use their average borrowing rate for computing the present value of the lease liability. ROU assets will be reported with non-current assets and lease liabilities will be reported with long-term debt on the statement of financial position.

Short-term leases, or leases with terms of 12 months or less, will be expensed as incurred and not included as ROU assets or lease liabilities in the statement of financial position. Operating leases will recognize lease expense on a straight-line basis over the lease term.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses: Salaries and related expenses are allocated to the various programs and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical or are allocated based on space utilization.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Volunteers: The Organization receives a substantial amount of services donated by individuals in carrying out its programs. No amounts have been reflected in the financial statements for those services.

Contingencies: The Organization is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of the Organization.

NOTE 2 TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization follows FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. Management believes the Organization has no material uncertainties in income taxes. Generally, the Organization’s tax returns remain open for three years subsequent to their filing for examination by government authorities.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of December 31, 2022:

Financial Assets at December 31,	**2022**
Assets at year end:	$ 7,294,794
Less amounts not available to be used within one year:	
Accounts receivable	(392)
Inventory	(9,116)
Prepaid expenses	(18,693)
Promises to give	(522,550)
Capital assets, net	(5,649,995)
Operating lease asset, net	(3,125)
	(6,203,871)
Less amounts not available to be used with one year due to:	
Donor restricted cash	(503,358)
	(503,358)
Financial assets available to meet cash needs for general expenditures	$ 587,565

The operating cash cycle of the Organization is such that revenues are received throughout the year from donors with occasional high fluctuation of revenues during fundraising events, such as galas or golf tournaments. As part of their liquidity, the operating funds are held in a separate checking account from restricted funds. To help manage any unanticipated liquidity needs, the Organization established a promissory note in the amount of $200,000 which can be drawn with a maturity of November 22, 2024.

NOTE 4 INVESTMENTS

Investments carried at fair value consisted of the following at December 31, 2022:

	Fair Value	Cost	Accumulated Unrealized Gains (Losses)
Cash	$ 7,008	$ -	$ 7,008
Exchange Traded Funds	191,503	201,015	(9,512)
	$ 198,511	$ 201,015	$ (2,504)

Investment income consists of the following:	
Interest and dividends	$ 5,570
Unrealized gains (losses)	(38,301)
Total investment income	$ (32,731)

NOTE 5 PROMISES TO GIVE

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There has been no allowance for doubtful accounts established because it is the opinion of management that all amounts are deemed fully collectible. Promises to give were $522,550 as of December 31, 2022.

NOTE 6 CAPITAL ASSETS

Capital assets consist of the following at December 31, 2022:

Buildings	$ 1,545,517
Land	2,494,810
Leasehold Improvements	38,054
Furniture, Fixtures, and Equipment	474,996
Exhibits in Progress	1,772,333
Total Capital Assets	6,325,710
Less Accumulated Depreciation	(675,715)
Total Capital Assets, Net	$ 5,649,995

The Organization entered into a joint venture agreement with Beaufort County, South Carolina to share ownership of the property known as the Mobley Tract which consists of 95.824 acres. The Organization's share of the property is 24% while the County's share is 76%. The value of this ownership, $565,189, is reported in capital assets as land. The Organization has agreed to provide the maintenance and management of the property. No improvements have been made to the property.

Depreciation for the year was $96,077 and was charged as follows:

Buildings	$ 45,982
Leasehold Improvements	2,537
Furniture, Fixtures, and Equipment	47,558
Total Depreciation Expense	$ 96,077

NOTE 7 LONG TERM DEBT

Note Payable: On December 28, 2018, the Organization entered into a $500,000 mortgage with Beaufort Market LLC for the purchase of 1.12 acres of land referred to as 336 Okatie Highway. This amount will be paid to the Seller amortized over a 30-year period at an interest rate of 4.4% per annum, with monthly payments of $2,504. Payments commence on January 1, 2019 and continue until December 1, 2048, unless paid sooner. The land was purchased with a note payable financed through a related party. In February 2021, the Organization made an additional $215,000 payment from the proceeds received in the sale of Craven Street donated property. The balance at December 31, 2022 was $219,689. Interest paid during the year was $10,144.

Note Payable: On August 3, 2022, the Organization entered into a $1,400,000 promissory note with South Atlantic bank for the construction of the Pavilion. This amount will be drawn as needed by the Organization. The first three years will be interest only payments at 3.5%, with the remaining 22 years including principal payments of $7,648.92 unless paid sooner. In August 2022, the Organization drew $11,294 for closing costs related to the note. The balance at December 31, 2022 was $11,294. No interest was paid on this note during 2022.

Maturity of long-term debt is as follows:

Year Ending	Note Payable	Interest	Total
2023	$ 20,798	$ 9,250	$ 30,048
2024	21,732	8,316	30,048
2025	34,001	7,341	41,342
2026	23,727	6,321	30,048
2027	24,792	5,256	30,048
2028-2032	105,933	9,390	115,323
Total	$ 230,983	$ 45,874	$ 276,857

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

The net assets with donor restrictions of $799,320 at December 31, 2022 consisted of amounts that were donor restricted for capital purchases and program-related expenses.

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released for capital purchased and program-related expenses for the year ended December 31, 2022, were $1,793,714.

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2022, the Organization implemented Accounting Standards Update (ASU) 2020-07. Implementation and its effects are discussed in more detail in Note 13.

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	2022
Modular Building	$ 45,000
Equipment Rental Services	10,261
Disposal Services	600
Gift Shop Goods	414
Program Expense	300
Total Contributed Nonfinancial Assets	$ 56,575

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS – CONTINUED

The Organization recognized contributed nonfinancial assets within revenue, including a contributed modular building, equipment rental services, waste disposal services, gift shop goods, and program expenses. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed modular building will be used for general and administrative activities. In valuing the contributed building, which is located at 310 Okatie Highway, the Organization estimated the fair market value using an appraisal of the building from an independent third party.

The contributed equipment rental services are for equipment used in the construction of the pavilion. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

The contributed disposal services are for monthly waste disposal. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

The contributed gift shop goods were for cards to be sold in the gift shop. It is the policy of the Organization to sell all contributed items as soon as possible. The estimated fair value in the financial statements is based on similar goods.

The contributed program expenses were used for educational purposes in the maritime center. In valuing program expenses, the Organization estimated the fair value on the basis of estimates of similar items that would be received for selling similar products in the United States.

NOTE 11 LEASES

During the year ended December 31, 2022, the Organization implemented ASU 2016-02, Leases (Topic 842). The Organization elected to apply the short-term lease exception; therefore, leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position. Additional information regarding the purpose of the implementation and the effects can be found in Note 13.

The Organization has entered into an operating lease agreement for a right-of-use asset. As of December 31, 2022, the value of the operating lease liability and operating right-of-use asset was $3,125. The terms of the lease are the use of a copier machine for five years with annual payments of approximately $4,191 commencing in September of 2018.

The annual requirements to amortize the operating lease liability over the next five years are as follows:

Year Ending	Principal	Interest	Total
2023	$ 3,125	$ 18	$ 3,143
Total	$ 3,125	$ 18	$ 3,143

NOTE 12 RISK MANAGEMENT

The Organization is exposed to various types of risk of loss and maintains elements of both financed and purchased insurance policies divided into coverage of buildings, equipment, general liability with umbrella insurance, and dock insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. There have not been any reductions in insurance coverage from the prior year. The amounts of settlements have not exceeded coverage in each of the past three fiscal years. The Organization has recorded insurance premium expenses in the applicable functional expense categories of the unrestricted fund. These expenses do not include estimated claim losses and estimable premium adjustments. In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the Organization.

NOTE 13 ADOPTION OF ACCOUNTING STANDARDS

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure for Not-for-Profit Entities for Contributed Nonfinancial Assets.* (Topic 958). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) – Targeted Improvements, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments as of January 1, 2019, which resulted in the recognition of operating right-of-use assets totaling $3,125, as well as operating lease liability totaling $3,125. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of December 31, 2022, without restating any prior-year amounts or disclosures. There was no cumulative effect adjustment to the opening balance of retained earnings required.

NOTE 14 SUBSEQUENT EVENTS

Management has reviewed subsequent events through May 18, 2023, the date in which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in the financial statements.