

PORT ROYAL SOUND FOUNDATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024



**PORT ROYAL SOUND FOUNDATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



CERTIFIED PUBLIC ACCOUNTANTS

Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA, CFE
Jordan Graham, CPA

Member:
American Institute of CPAs
South Carolina Association of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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, 2024, and the related statements of activities, functional expenses, 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, 2024, 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.

PO Box 481
1411 Queen Street
Beaufort, SC 29901
TEL (843) 379-1065 FAX (843) 379-1066

www.CWACPA.com

PO Box 80177
706 Orleans Rd, Suite 102
Charleston, SC 29416
TEL (843) 971-0882 FAX (843) 379-1066

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
Beaufort, South Carolina
February 28, 2025

**PORT ROYAL SOUND FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024**

ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
Cash and Cash Equivalents	\$ 458,839	\$ 267,312	\$ 726,151
Board Designated Operating Reserves	408,000	-	408,000
Investments	259,359	-	259,359
Accounts Receivable	42,634	-	42,634
Inventory	14,876	-	14,876
Prepaid Expenses	26,195	-	26,195
Promises to Give	-	196,250	196,250
Capital Assets, Net	6,487,995	-	6,487,995
Right-of-use assets, Net	14,588	-	14,588
Total Assets	<u>\$ 7,712,486</u>	<u>\$ 463,562</u>	<u>\$ 8,176,048</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 4,331	\$ -	\$ 4,331
Accrued Expenses	6,119	-	6,119
Unearned Revenues	50,200	-	50,200
Operating Lease Liability	14,588	-	14,588
Total Liabilities	<u>75,238</u>	<u>-</u>	<u>75,238</u>
Net Assets			
Without Donor Restrictions	1,149,254	-	1,149,254
Capital Assets, Net	6,487,994	-	6,487,994
With Donor Restrictions	-	463,562	463,562
Total Net Assets	<u>7,637,248</u>	<u>463,562</u>	<u>8,100,810</u>
Total Liabilities and Net Assets	<u>\$ 7,712,486</u>	<u>\$ 463,562</u>	<u>\$ 8,176,048</u>

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, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
REVENUES AND SUPPORT			
Fund Raising Events			
Revenue Generated	\$ 233,261	\$ -	\$ 233,261
Less Direct Costs of Events	(101,453)	-	(101,453)
Fundraising Events in Excess of Direct Costs	131,808	-	131,808
Contributions of Cash and Other Financial Assets	327,968	241,566	569,534
Contributions of Nonfinancial Assets	9,100	-	9,100
Rental of Facility	81,661	-	81,661
Program Income	192,960	-	192,960
Investment Income	44,975	24,562	69,537
Net Assets Released from Restrictions	434,199	(434,199)	-
Total Revenues and Support	1,222,671	(168,071)	1,054,600
FUNCTIONAL EXPENSES			
Program Services	932,297	-	932,297
General and Administrative	104,773	-	104,773
Fundraising	120,763	-	120,763
Total Functional Expenses	1,157,833	-	1,157,833
Change in Net Assets	64,838	(168,071)	(103,233)
Net Assets, Beginning of Year	7,572,410	631,633	8,204,043
Net Assets, End of Year	\$ 7,637,248	\$ 463,562	\$ 8,100,810

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, 2024**

	SUPPORTING SERVICES			TOTAL
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	
Payroll Expenses	\$ 393,442	\$ 78,139	\$ 108,521	\$ 580,102
Insurance	40,865	7,953	-	48,818
Occupancy Costs	31,013	5,676	-	36,689
Professional Fees	4,775	9,235	-	14,010
Interest and Service Charges	9,475	506	-	9,981
Supplies	97,342	-	2,625	99,967
Contractual Services	69,458	-	9,617	79,075
Equipment Rental and Maintenance	30,899	-	-	30,899
Membership Dues	792	-	-	792
Printing and Publications	70,473	-	-	70,473
Professional Development and Training	4,607	3,264	-	7,871
Total Expenses Before Depreciation	<u>753,141</u>	<u>104,773</u>	<u>120,763</u>	<u>978,677</u>
Depreciation	<u>179,156</u>	<u>-</u>	<u>-</u>	<u>179,156</u>
Total Functional Expenses	<u><u>\$ 932,297</u></u>	<u><u>\$ 104,773</u></u>	<u><u>\$ 120,763</u></u>	<u><u>\$ 1,157,833</u></u>

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, 2024

	2024
Cash Flows From Operating Activities	
Cash received without donor restriction	\$ 762,090
Cash received with donor restrictions	382,378
Cash paid for operating expenses	(932,250)
Net Cash Provided (Used) by Operating Activities	212,218
 Cash Flows From Investing Activities	
Interest and dividends earned on investments	(5,992)
Realized/unrealized gains and losses on investments	(23,669)
Purchases of capital assets	(166,178)
Disposal of capital assets	10,384
Net Cash Provided (Used) by Investing Activities	(185,455)
 NET INCREASE (DECREASE) IN CASH	 26,763
 CASH AT BEGINNING OF YEAR	 1,107,388
 CASH AT END OF YEAR	 \$ 1,134,151
 Reconciliation of Cash to Statement of Financial Position	
Cash and Cash Equivalents - Undesignated	\$ 726,151
Board Designated Operating Reserves	408,000
Cash and Cash Equivalents, End of Year	\$ 1,134,151
 Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ (103,233)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	179,156
(Increase) decrease in accounts receivable	(26,382)
(Increase) decrease in prepaid assets	5,404
(Increase) decrease in inventory	(4,274)
(Increase) decrease in promises to give	116,250
Increase (decrease) in accounts payable	(239)
Increase (decrease) in accrued expenses	681
Increase (decrease) in unearned revenues	44,855
Total adjustments	315,451
Net Cash Provided (Used) by Operations	\$ 212,218

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

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization: The Port Royal Sound Foundation (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, the free Maritime Center Museum, and a Pavilion, all utilized for programs, education and awareness through its onsite exhibits, events 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 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.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 expands 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.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024 was \$1,134,151 while the bank balance was \$1,128,428. 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. The Organization from time to time may have amounts on deposit in excess of the respective insurance and protection limits.

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.

Board Designated Operating Reserves: The Organization has established an operating reserve fund that is funded by surplus operating funds which are designated by the board of directors. The operating reserve fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The operating reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity.

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 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 expenses 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, 2024, 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.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of December 31, 2024:

Financial Assets at December 31,	2024
Assets at year end:	\$ 8,176,048
Less amounts not available to be used within one year:	
Accounts receivable	(42,634)
Inventory	(14,876)
Prepaid expenses	(26,195)
Promises to give	(196,250)
Capital assets, net	(6,487,995)
Right-of-use assets, net	(14,588)
	(6,782,538)
Less amounts not available to be used with one year due to:	
Donor restricted cash	(267,312)
Board Designated Operating Reserves	(408,000)
	(675,312)
Financial assets available to meet cash needs for general expenditures	\$ 718,198

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 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 board designated operating reserve funds. See Note 1 regarding the use of board designated operating reserve funds.

NOTE 4 INVESTMENTS

Investments carried at fair value consisted of the following at December 31, 2024:

	Fair Value	Cost	Accumulated Unrealized Gains (Losses)
Cash	\$ 437	\$ 437	\$ -
Exchange Traded Funds	258,912	218,408	40,504
	\$ 259,349	\$ 218,845	\$ 40,504

Investment income consists of the following:

Interest and dividends on investments	\$ 5,992
Interest on other accounts	39,876
Unrealized gains (losses)	23,669
Total investment income	\$ 69,537

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 \$196,250 as of December 31, 2024.

NOTE 6 CAPITAL ASSETS

Capital assets consist of the following at December 31, 2024:

Buildings	\$4,245,587
Land & Land Improvements	2,511,033
Leasehold Improvements	38,054
Furniture, Fixtures, and Equipment	596,618
Exhibits in Progress	55,576
Total Capital Assets	7,446,868
Less Accumulated Depreciation	(958,873)
Total Capital Assets, Net	\$6,487,995

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 \$179,156 and was charged as follows:

Buildings	\$ 123,811
Land Improvements	1,082
Leasehold Improvements	2,537
Furniture, Fixtures, and Equipment	51,726
Total Depreciation Expense	\$ 179,156

NOTE 7 NET ASSETS WITH DONOR RESTRICTION

The net assets with donor restrictions of \$463,562 at December 31, 2024 consisted of amounts that were donor restricted for capital purchases and program-related expenses.

NOTE 8 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, 2024, were \$434,199.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2024, contributed nonfinancial assets recognized within the statement of activities included:

	2024
Disposal Services	\$ 600
Program Expense	8,500
Total Contributed Nonfinancial Assets	\$ 9,100

The Organization recognized contributed nonfinancial assets within revenue, including waste disposal services, and program expenses. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

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 program expenses were used for a pollinator garden and kitchen supplies. In valuing program expenses, the estimated fair value in the financial statements is based on similar goods.

NOTE 10 LEASES

The Organization entered into an operating lease agreement for a right-of-use asset. As of December 31, 2024, the value of the operating lease liability and right-of-use asset was \$14,588. The terms of the lease are the use of a copier machine for five years with annual payments of approximately \$4,210 commencing in September of 2023.

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

Year Ending	Principal	Interest	Total
2025	\$ 3,818	\$ 392	\$ 4,210
2026	3,937	273	4,210
2027	4,058	152	4,210
2028	2,775	32	2,807
Total	\$ 14,588	\$ 849	\$ 15,437

NOTE 11 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, cyber security, and general liability with umbrella insurance, which do not include the docks, or the risk of flooding. 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 the 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 expenses 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.

Management has evaluated the risk of loss of the docks and of the risk of flooding, and has determined that while the assets are significant, the risks are minimal, and that the Organization has enough Reserves, along with an emergency operating line of credit to cover these risks should they occur. All buildings have been constructed with flood mitigation techniques.

**PORT ROYAL SOUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 SUBSEQUENT EVENTS

Management has reviewed subsequent events through February 28, 2025, the date on 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.