

OVERFALLS FOUNDATION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

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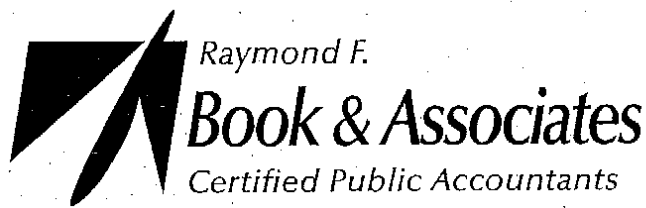
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Overfalls Foundation
Lewes, Delaware

We have reviewed the accompanying financial statements of Overfalls Foundation (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2017 and 2016, and the related statements of support, revenue, and expenses—modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

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Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

The supplementary information included on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the modified cash basis of accounting. We have not audited the information and, accordingly, do not express an opinion on such information.

Raymond F. Book & Associates, P.A.

RAYMOND F. BOOK & ASSOCIATES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Lewes, Delaware
April 18, 2018

OVERFALLS FOUNDATION
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

<u>Current Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 489,322	\$ 424,343
Inventory	3,850	4,709
<u>Total Current Assets</u>	<u>493,172</u>	<u>429,052</u>
 <u>Property</u>		
Lightship Overfalls	300,000	300,000
Ship restoration and new berthing	1,140,727	1,108,050
Enhancement of land	198,839	198,839
Ship model	4,500	4,500
Pilot house and monomoy surf boat	82,928	82,928
Building and equipment	16,349	16,349
	<u>1,743,343</u>	<u>1,710,666</u>
Less: Accumulated depreciation	(309,424)	(269,165)
<u>Total Property</u>	<u>1,433,919</u>	<u>1,441,501</u>
 <u>Long Term Investments</u>		
Board designated endowment fund	95,925	83,736
<u>Total Long Term Investments</u>	<u>95,925</u>	<u>83,736</u>
 <u>Total Assets</u>	 <u>\$ 2,023,016</u>	 <u>\$ 1,954,289</u>

LIABILITIES AND NET ASSETS

<u>Total Liabilities</u>	\$ -	\$ -
 <u>Net Assets</u>		
Board designated - endowment fund	95,925	83,736
Unrestricted - operating fund	442,972	429,052
- property	1,433,919	1,441,501
Temporarily restricted	50,200	-
<u>Total Net Assets</u>	<u>2,023,016</u>	<u>1,954,289</u>
 <u>Total Liabilities and Net Assets</u>	 <u>\$ 2,023,016</u>	 <u>\$ 1,954,289</u>

See accompanying notes and accountant's report.

OVERFALLS FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Government grant	\$ 1,762	\$ -	\$ 1,762
Other grants	-	50,200	50,200
Memberships	16,247	-	16,247
Gift shop sales	5,580	-	5,580
Ship tours	7,544	-	7,544
Contributed support	30,311	-	30,311
Rivets	250	-	250
Special events	39,881	-	39,881
Net assets released from restriction	-	-	-
<u>Total Support and Revenue</u>	<u>101,575</u>	<u>50,200</u>	<u>151,775</u>
	<u>55,554</u>	<u>-</u>	<u>55,554</u>
<u>Expenses</u>			
<u>Excess of Support and Revenue over Expenses</u>	46,021	50,200	96,221
<u>Other Income</u>			
Dividend and interest income	2,696	-	2,696
Unrealized gain (loss) on investments	11,261	-	11,261
Realized gain (loss) on investments	-	-	-
<u>Total Other Income</u>	<u>13,957</u>	<u>-</u>	<u>13,957</u>
<u>Other Expenses</u>			
Investment expenses	1,192	-	1,192
<u>Decrease in Capital Improvements</u>			
Depreciation	40,259	-	40,259
<u>Total Change in Capital Improvements</u>	<u>40,259</u>	<u>-</u>	<u>40,259</u>
<u>Increase in Net Assets</u>	18,527	50,200	68,727
<u>Net Assets at Beginning of Year</u>	<u>1,954,289</u>	<u>-</u>	<u>1,954,289</u>
<u>Net Assets at the End of Year</u>	<u>\$ 1,972,816</u>	<u>\$ 50,200</u>	<u>\$ 2,023,016</u>

See accompanying notes and accountant's report.

OVERFALLS FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMEBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Government grant	\$ 2,203	\$ -	\$ 2,203
Other grants	-	-	-
Memberships	16,550	-	16,550
Gift shop sales	4,771	-	4,771
Ship tours	7,397	-	7,397
Contributed support	100,726	-	100,726
Rivets	2,000	-	2,000
Special events	54,179	-	54,179
Net assets released from restriction	-	-	-
<u>Total Support and Revenue</u>	<u>187,826</u>	<u>-</u>	<u>187,826</u>
<u>Expenses</u>	<u>79,938</u>	<u>-</u>	<u>79,938</u>
<u>Excess of Support over Expenses</u>	107,888	-	107,888
<u>Other Income</u>			
Dividend and interest income	2,474	-	2,474
Unrealized gain (loss) on investments	6,653	-	6,653
Realized gain (loss) on investments	2,306	-	2,306
<u>Total Other Income</u>	<u>11,433</u>	<u>-</u>	<u>11,433</u>
<u>Other Expenses</u>			
Investment expenses	2,364	-	2,364
<u>Decrease in Capital Improvements</u>			
Depreciation	40,257	-	40,257
<u>Total Change in Capital Improvements</u>	<u>40,257</u>	<u>-</u>	<u>40,257</u>
<u>Increase in Net Assets</u>	76,700	-	76,700
<u>Net Assets at Beginning of Year</u>	<u>1,877,589</u>	<u>-</u>	<u>1,877,589</u>
<u>Net Assets at the End of Year</u>	<u>\$ 1,954,289</u>	<u>\$ -</u>	<u>\$ 1,954,289</u>

See accompanying notes and accountant's report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – ORGANIZATION AND PURPOSE

Overfalls Foundation (the Foundation) is a nonprofit organization incorporated in the State of Delaware in 2000. The mission of the Foundation is to collect, preserve, honor, and teach the maritime history of Lewes, the Delaware Bay and the coastal region using the Lightship Overfalls, the American Lightship Museum, as well as the Delaware Maritime Hall of Fame. The historic Lightship Overfalls is the cornerstone and main attraction. The Foundation's restored pilot house serves as the museum and is used to display other maritime artifacts. The Foundation changed its name from The Overfalls Maritime Museum Foundation to the Overfalls Foundation in 2010.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Revenue and Cost Recognition

The Foundation uses the modified cash-basis of accounting. Revenues and expenses are recorded on the basis of cash receipts and cash disbursements; consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Risk

The Foundation maintains bank accounts at several banks. The bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the Foundation had \$ 47,737 and \$ 0 of uninsured balances, respectively. The Foundation maintains investment accounts at M&T Securities, Citizens Investment Services, and The Delaware Community Foundation. These accounts are insured by Securities Investor Protection Corporation but are not federally insured.

For the year ended December 31, 2016, contributed support from one major contributor accounted for 97% of the total contributed support to the Organization.

Income Taxes

Overfalls Foundation is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. With few exceptions, the Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ending before December 31, 2014.

See Accountant's Report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES
(CONTINUED)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amount reported in its financial statements and accompanying notes. Actual results could differ from those estimates.

Inventories

Inventories consist of merchandise available for resale in the Ship's Store and are recorded at cost.

Advertising

The Foundation expenses advertising costs when paid.

Property

Property and equipment are stated at cost or fair value at date of donation. The Lightship Overfalls was recorded at its estimated fair market value per an appraisal dated June 18, 2003. Depreciation is not taken on the Lightship Overfalls because the Foundation views the Lightship Overfalls as a historical treasure, and the Foundation aims to preserve the Lightship in perpetuity. Depreciation is taken on the restoration and on other property and equipment using the straight-line method over the estimated useful lives of the assets as follows:

Ship's store and building	15 Years		
Ship restoration and slip	40 Years		
Land improvements	40 Years		
Furniture and small equipment	12 Years		
		<u>2017</u>	<u>2016</u>
The Lightship Overfalls		\$ 300,000	\$ 300,000
Ship's store and building		9,500	9,500
Ship restoration and slip		1,145,227	1,112,550
Land enhancement project		196,625	196,625
Land enhancements - other		2,214	2,214
Furniture and small equipment		6,849	6,849
Pilot house		14,729	14,729
Surf boat		68,199	68,199
Depreciation – current		(40,259)	(40,257)
Depreciation – prior		(269,165)	(228,908)
<u>Total</u>		<u>\$ 1,433,919</u>	<u>\$ 1,441,501</u>

See Accountant's Report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES
(CONTINUED)**

Financial Statement Presentation

The Foundation reports contributions received as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Assets are reported as unrestricted unless they are received with donor stipulations. Assets are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, the stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted assets and reported in the statement of activities as net assets released from restrictions. For the years ended December 31, 2017 and 2016, the Foundation did not have permanently restricted assets.

NOTE 3 – DONATED ASSETS

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

NOTE 4 – DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with maintenance of the Lightship Overfalls, fundraising, campaign solicitations, gift shop operations, and various committee assignments.

NOTE 5 – DONATED COLLECTION ITEMS

The Foundation does not capitalize donated historical artifacts or recognize them as revenues or gains. Donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of a grant received from the Longwood Foundation, Inc. for the cathodic protection system for the Lightship Overfalls.

See Accountant's Report.

**OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – INVESTMENTS

The Foundation classifies marketable securities as “available for sale.” Securities classified as “available for sale” are carried in the financial statements at fair value (Level 1 measurement). Realized gains and losses are determined using the first-in, first-out (FIFO) method for individual stocks and the average cost method for mutual funds. Investments are held in a Citizens’ “Investnet Asset Management Account”. For the year ended December 31, 2017 and 2016, \$523 of the Citizens’ account is held in cash and included in cash and cash equivalents on the statement of assets, liabilities, and net assets-modified cash basis.

The account activity and balance at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning – Fair Market Value of Investments	\$ -	\$ 159,673
Citizens’ Investment – Additions	-	-
Citizens’ Investments – Transfers from Citizens’ Cash	-	(164,786)
Citizens’ Investment – Income	-	2,173
Citizens’ Investment – Expense	-	(1,187)
Unrealized gain (loss)	-	4,127
Fair Market Value of Investments	<u>\$ -</u>	<u>\$ -</u>
Fair Market Value of Investments	\$ -	\$ -
Investment Cash, Included in Cash	<u>523</u>	<u>523</u>
Total Citizens’ Cash and Investments	<u>\$ 523</u>	<u>\$ 523</u>

NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND

The board of the Foundation approved and implemented an endowment fund in May 2013. The endowment fund includes a number of securities managed by an account with the Delaware Community Foundation. The Foundation had allocated \$ 10,787 in years prior to 2013 for the endowment fund, but it was not until 2013 that an endowment fund was officially adopted. The purpose of the fund is to pay for future repairs and maintenance for the Lightship Overfalls. The fair market value of the fund as of December 31, 2017 and 2016 was \$ 95,925 and \$ 83,736, respectively.

See Accountant’s Report.

**OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)

The account activity and balance at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning – Fair Market Value of Endowment Fund	\$ 83,736	\$ 80,432
Additions to Endowment Fund	-	-
Income (loss) – Endowment Fund	13,381	4,482
Expenses – Endowment Fund	<u>(1,192)</u>	<u>(1,178)</u>
Fair Market Value of Investments	<u>\$ 95,925</u>	<u>\$ 83,736</u>

NOTE 9 – SUBSEQUENT EVENTS

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through April 18, 2018, the date which the financial statements were available to be issued.

See Accountant's Report.

SUPPLEMENTARY INFORMATION

OVERFALLS FOUNDATION
SCHEDULES OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Cost of Goods Sold</u>		
Gift shop merchandise	\$ 3,095	\$ 2,690
<u>Grants and Contract</u>		
Scholarships	2,250	1,500
Outside contractors - ship preservation, dredging, and grounds maintenance	4,498	4,901
<u>Other Personnel Expenses</u>		
Accounting and auditing fees	4,000	6,550
Temporary help - bookkeeping	2,887	3,289
<u>Materials and Supplies</u>		
Fundraising events expenses	18,560	26,357
Awards and volunteer recognition	-	1,466
Preservation materials and supplies	4,834	4,556
Surf boat and pilot house restoration	482	6,732
Postage, shipping and delivery	1,367	1,378
Printing and copying	1,771	2,968
Dues and subscriptions	1,018	818
<u>Occupancy Expenses</u>		
Utilities	1,422	2,478
<u>Marketing</u>		
Advertising	669	3,626
<u>Administrative and General</u>		
Insurance	6,619	6,583
Bankcard and Paypal fees	1,615	3,550
Computer software support	100	100
Franchise taxes	25	25
Supplies	342	191
Safe deposit box	-	65
Meetings	-	115
<u>Total Expenses</u>	\$ 55,554	\$ 79,938

See accountant's report.