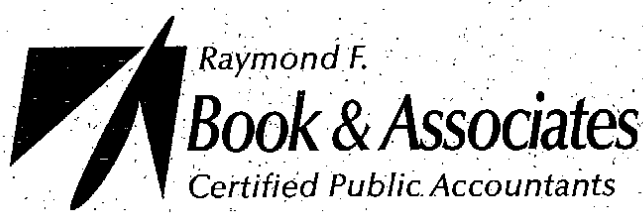


OVERFALLS FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 (REVIEWED)
AND 2018 (AUDITED)

**OVERFALLS FOUNDATION
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Raymond F. Book, III, MS, CPA/PFS
Scott R. Brown, CPA/PFS
Ronald P. Vascik, Jr., CPA
Christine Lawrence, CPA
Emily McCauley, MS, CPA
Samuel C. Warrington, II, CPA
Sarah E. Dill, CPA, CFE

Raymond F. Book, Jr., CPA
1926-1996

INDEPENDENT ACCOUNTANT'S 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, 2019, and the related statements of support, revenue, and expenses—modified cash basis and statement of functional expenses—modified cash basis for the year 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; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of 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 engagement 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2019 financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Report on 2018 Financial Statements

The 2018 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated April 17, 2019. We have not performed any auditing procedures since that date.

Raymond F. Book & Associates, P.A.

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

**Lewes, Delaware
March 13, 2020**

OVERFALLS FOUNDATION
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

ASSETS

<u>Current Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 204,999	\$ 240,523
Inventories	2,605	3,448
<u>Total Current Assets</u>	207,604	243,971
<u>Property</u>		
Lightship Overfalls	300,000	300,000
Ship restoration and new berthing	1,367,296	1,314,390
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	19,466	19,466
	<u>1,973,029</u>	<u>1,920,123</u>
Less: Accumulated depreciation	(400,100)	(353,379)
<u>Total Property</u>	1,572,929	1,566,744
<u>Long Term Investments</u>		
Board designated endowment fund	234,494	200,746
<u>Total Long Term Investments</u>	234,494	200,746
<u>Total Assets</u>	<u>\$ 2,015,027</u>	<u>\$ 2,011,461</u>

LIABILITIES AND NET ASSETS

<u>Total Liabilities</u>	\$ -	\$ -
<u>Net Assets</u>		
Without Donor Restrictions		
Board designated - endowment fund	234,494	200,746
Unrestricted - operating fund	207,604	193,770
- property	1,572,929	1,566,744
With Donor Restrictions	-	50,200
<u>Total Net Assets</u>	<u>2,015,027</u>	<u>2,011,461</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 2,015,027</u>	<u>\$ 2,011,461</u>

See accompanying notes and independent auditor's report.

OVERFALLS FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMEBER 31, 2019 (REVIEWED)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Government grant	\$ 5,000	\$ -	\$ 5,000
Memberships	14,645	-	14,645
Gift shop sales	5,003	-	5,003
Ship tours	9,148	-	9,148
Contributed support	19,457	-	19,457
Rivets	250	-	250
Special events	32,443	-	32,443
Net assets released from restriction	50,200	(50,200)	-
<u>Total Support and Revenue</u>	136,146	(50,200)	85,946
<u>Expenses</u>	69,800	-	69,800
<u>Excess of Support and Revenue over Expenses</u>	66,346	(50,200)	16,146
<u>Other Income</u>			
Dividend and interest income	4,751	-	4,751
Unrealized loss on investments	32,377	-	32,377
<u>Total Other Income</u>	37,128	-	37,128
<u>Other Expenses</u>			
Investment expenses	2,987	-	2,987
<u>Decrease in Capital Improvements</u>			
Depreciation	46,721	-	46,721
<u>Total Change in Capital Improvements</u>	46,721	-	46,721
<u>Increase (Decrease) in Net Assets</u>	53,766	(50,200)	3,566
<u>Net Assets at Beginning of Year</u>	1,961,261	50,200	2,011,461
<u>Net Assets at the End of Year</u>	\$ 2,015,027	\$ -	\$ 2,015,027

See accompanying notes and independent auditor's report.

OVERFALLS FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018 (AUDITED)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Government grant	\$ 4,733	\$ -	\$ 4,733
Memberships	17,030	-	17,030
Gift shop sales	6,501	-	6,501
Ship tours	10,237	-	10,237
Contributed support	24,259	-	24,259
Rivets	500	-	500
Special events	52,323	-	52,323
Net assets released from restriction	-	-	-
<u>Total Support and Revenue</u>	<u>115,583</u>	<u>-</u>	<u>115,583</u>
<u>Expenses</u>	<u>69,010</u>	<u>-</u>	<u>69,010</u>
<u>Excess of Support over Expenses</u>	46,573	-	46,573
<u>Other Income</u>			
Dividend and interest income	631	-	631
Unrealized gain on investments	(13,253)	-	(13,253)
<u>Total Other Income</u>	<u>(12,622)</u>	<u>-</u>	<u>(12,622)</u>
<u>Other Expenses</u>			
Investment expenses	1,551	-	1,551
<u>Decrease in Capital Improvements</u>			
Depreciation	43,955	-	43,955
<u>Total Change in Capital Improvements</u>	<u>43,955</u>	<u>-</u>	<u>43,955</u>
<u>Decrease in Net Assets</u>	(11,555)	-	(11,555)
<u>Net Assets at Beginning of Year</u>	<u>1,972,816</u>	<u>50,200</u>	<u>2,023,016</u>
<u>Net Assets at the End of Year</u>	<u>\$ 1,961,261</u>	<u>\$ 50,200</u>	<u>\$ 2,011,461</u>

See accompanying notes and independent auditor's report.

OVERFALLS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

	<u>2019</u>	<u>2018</u>
<u>Cost of Goods Sold</u>		
Gift shop merchandise	\$ 3,921	\$ 4,752
<u>Grants and Contract</u>		
Scholarships	1,500	1,500
Outside contractors - ship preservation, dredging, and grounds maintenance	11,866	4,010
<u>Other Personnel Expenses</u>		
Accounting and auditing fees	6,950	4,100
Temporary help - bookkeeping	2,615	3,713
<u>Materials and Supplies</u>		
Preservation materials and supplies	5,565	6,233
Surf boat and pilot house restoration	4,863	90
Postage, shipping and delivery	991	1,281
Printing and copying	1,828	2,593
<u>Occupancy Expenses</u>		
Utilities	2,420	1,160
<u>Marketing</u>		
Advertising	2,110	3,120
<u>Administrative and General</u>		
Awards and volunteer recognition	608	2,267
Bankcard and PayPal fees	1,366	2,556
Computer software support	100	-
Dues and subscriptions	545	673
Franchise taxes	25	25
Insurance	6,697	6,667
Meetings	-	300
Supplies	697	333
Safe deposit box	66	65
Travel	586	283
<u>Fundraising</u>		
Fundraising events expenses	14,481	23,289
	<u>\$ 69,800</u>	<u>\$ 69,010</u>

See accompanying notes and independent auditor's report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

NOTE 1 – NATURE OF ACTIVITIES

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

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Company has not recognized accounts receivable or accounts payable to vendors and their related effects on the change in net assets in the accompanying financial statements.

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, 2019 and 2018, the Foundation had no uninsured balances. The Foundation maintains investment accounts at M&T Securities and The Delaware Community Foundation. These accounts are insured by Securities Investor Protection Corporation but are not federally insured.

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, 2016.

See Accountant's Review Report.

**OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)**

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

Financial Statement Presentation

The Organization reports 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 Organization. These net assets may be used at the discretion of Overfalls Foundation's 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, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of revenues, expenses, and changes in net assets-tax basis as net assets released from restrictions.

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.

See Accountant's Review Report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

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

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of assets, liabilities, and net assets-modified cash basis, and changes in fair value are reported as investment return in the statements of support, revenue, and expenses-modified cash basis.

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>2019</u>	<u>2018</u>
The Lightship Overfalls	\$ 300,000	\$ 300,000
Ship's store and building	9,500	9,500
Ship restoration and slip	1,371,796	1,318,890
Land enhancement project	196,625	196,625
Land enhancements - other	2,214	2,214
Furniture and small equipment	9,966	9,966
Pilot house	14,729	14,729
Surf boat	68,199	68,199
Depreciation – current	(46,721)	(43,955)
Depreciation – prior	(353,379)	(309,424)
<u>Total</u>	<u>\$ 1,572,929</u>	<u>\$ 1,566,744</u>

See Accountant's Review Report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

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

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. The fair value hierarchy prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Long-lived Assets

As required by the Property, Plant, and Equipment Topic of FASB Accounting Standards Codification No. 360 ("FASB ASC 360"), long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When required, impairment losses on assets to be held and used are recorded based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell. There was no impairment loss as of December 31, 2019.

See Accountant's Review Report.

**OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)**

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

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Support, Revenue, and Expenses-Modified Cash Basis and in the Statements of Functional Expenses-Modified Cash Basis. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Foundation has \$204,999 of financial assets available within one year of the statement of assets, liabilities, and net assets – modified cash basis date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents. See NOTE 9 for the board restricted endowment fund amount not available for general operating expenditures.

NOTE 4 – DONATED ASSETS

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

NOTE 5 – 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 6 – DONOR RESTRICTED NET ASSETS

At December 31, 2018, donor restricted net assets consist of a grant received from the Longwood Foundation, Inc. for the cathodic protection system for the Lightship Overfalls. Subsequent to year end, Longwood Foundation, Inc. allowed the Foundation to use the funds to improve and restore the ships' ballast tank.

NOTE 7 – 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

See Accountant's Review Report.

**OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)**

NOTE 7 – DONATED COLLECTION ITEMS (CONTINUED)

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 8 – 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 at M&T Securities, Inc. For the year ended December 31, 2019 and 2018, \$591 and \$607, respectively, of the M&T account is held in cash and included in cash and cash equivalents on the statements of assets, liabilities, and net assets-modified cash basis.

The account activity and balance at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning -- Fair Market Value of Investments	\$ -	\$ -
Citizens' Investment -- Additions	-	-
Citizens' Investments -- Transfers from Citizens' Cash	-	-
Citizens' Investment -- Income	-	-
Citizens' Investment -- Expense	-	-
Unrealized gain (loss)	-	-
Fair Market Value of Investments	<u>\$ -</u>	<u>\$ -</u>
Fair Market Value of Investments	\$ -	\$ -
Investment Cash, Included in Cash	<u>591</u>	<u>607</u>
Total Citizens' Cash and Investments	<u>\$ 591</u>	<u>\$ 607</u>

NOTE 9 – 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, 2019 and 2018 was \$234,494 and \$200,746, respectively.

See Accountant's Review Report.

OVERFALLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 (REVIEWED) AND 2018 (AUDITED)

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)

The account activity and balance at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning – Endowment Fund	\$ 200,746	\$ 95,925
Additions	-	120,000
Interest and Dividends	4,342	-
Capital Gains and Losses	32,393	(13,628)
Fees	<u>(2,987)</u>	<u>(1,551)</u>
Ending – Endowment Fund	<u>\$ 234,494</u>	<u>\$ 200,746</u>

NOTE 10 – 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 March 13, 2020, the date which the financial statements were available to be issued.

See Accountant's Review Report.