HISTORIC BLUFFTON FOUNDATION

BLUFFTON, SOUTH CAROLINA
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Historic Bluffton Foundation

BLUFFTON, SOUTH CAROLINA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Historic Bluffton Foundation:

I have audited the accompanying statements of Historic Bluffton Foundation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021, and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bluffton Historical Preservation Society, Inc. as of June 30, 2021, and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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January 13, 2022

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HISTORIC BLUFFTON FOUNDATION

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2021 AND 2020

ASSETS	2021	2020	
Cash and cash equivalents Utility deposits Promises to give Prepaid payroll taxes Art collection Property and equipment (net) Total Assets	\$ 169,060 300 - - 12,500 973,126 \$ 1,154,986	\$ 25,604 300 2,398 1,512 12,500 970,501 \$ 1,012,815	
LIABILITIES AND NET ASSETS			
LIABILITIES Accounts payable Accrued payroll liabilites Rental income paid in advance Line of credit Note Payable - SBA PPP Loan Note Payable - SBA Loan Note payable Total liabilites	\$ 182 1,675 - - 26,600 92,900 121,357	\$ 3,641 800 15,555 26,600 - 1,376 47,972	
NET ASSETS			
Net assets Without donor restrictions With donor restrictions Total net assets	694,739 338,890 1,033,629	609,237 355,606 964,843	
Total liabilities and net assets	\$ 1,154,986	\$ 1,012,815	

HISTORIC BLUFFTON FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support & Revenues			
Support			
Public support:			
Town of Bluffton, ATAX	\$ 116,555	\$ -	\$ 116,555
Cares Act Grant	49,788		49,788
Membership dues	501	-	501
Donations	17,451		17,451
Total public support	184,295	-	184,295
Revenues:			
PPP #1 loan forgiven	26,600	-	26,600
Gift shop income	734	-	734
Interest income	90	-	90
Rental income	22,288	-	22,288
Special events	12,645	-	12,645
Heyward House admissions	4,094	-	4,094
Other income	5,098		5,098
Net assests released from restrictions:			
Satisfaction of program restricions	16,716	(16,716)	
Total Support & Revenues	272,560	(16,716)	255,844
Expenses			
Program services	91,468	-	91,468
Management and general	90,595	-	90,595
Fundraising	4,995		4,995
Total expenses	187,058	-	187,058
Changes in Net Assets	85,502	(16,716)	68,786
Net Assets			
Beginning of year	609,237	355,606	964,843
End of Year	\$ 694,739	\$ 338,890	\$ 1,033,629

HISTORIC BLUFFTON FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support & Revenues			
Support			
Public support: Beaufort County, ATAX Town of Bluffton, ATAX Grants Membership dues	\$ 10,000 135,496 17,632 1,919	\$ 10,000 - 5,350 -	\$ 20,000 135,496 22,982 1,919
Donations Archives	10,322 621	-	10,322 621
Total public support	175,990	15,350	191,340
Revenues: Gift shop income Rental income Special events	6,988 12,022 34,368	-	6,988 12,022 34,368
Heyward House admissions Net assets released from restrictions:	14,124	-	14,124
Satisfaction of program restrictions	2,730	(2,729)	1
Total Support & Revenues	246,222	12,621	258,843
Expenses			
Program services Management and general Fundraising Total expenses	102,336 116,636 18,514 237,486	- - - -	102,336 116,636 18,514 237,486
Changes in Net Assets	8,736	12,621	21,357
Net Assets Beginning of year	600,501	342,985	943,486
End of Year	\$ 609,237	\$ 355,606	\$ 964,843

HISTORIC BLUFFTON FOUNDATION STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	D	M		June 30, 2021
	Program Services	Management & General	Fundraising	Total
Salaries	\$ 43,588	\$ 56,146	\$ -	\$ 99,734
Payroll taxes	3,377	4,435	-	7,812
Professional fees	-	10,200	-	10,200
Administrative	-	7,268	-	7,268
Utilities	13,353	-	-	13,353
Telephone	-	3,117	-	3,117
Depreciation	-	5,333	-	5,333
Occupancy	20,026	3,109	-	23,135
Interest paid	-	542	-	542
Advertising and marketing	8,382	-	-	8,382
Membership dues		445	-	445
Special events expense Restoration project expenses	-	-	4,995	4,995
Program expense	2,742	-	-	2,742
r regram expense			-	
	\$ 91,468	\$ 90,595	\$ 4,995	\$ 187,058
				June 30, 2020
	5			
	Program	Management		T.4.1
	Services	& General	Fundraising	Total
Salaries	\$ 45,108	\$ 83,320	\$ -	\$ 128,428
Payroll taxes	3,506	6,604	-	10,110
Professional fees	-	9,650	-	9,650
Administrative	-	4,630		4,630
Utilities	13,970	-	-	13,970
Telephone	-	2,820	-	2,820
Gift shop expense	5,636	-	-	5,636
Depreciation	-	4,318	-	4,318
Occupancy	18,010	594	-	18,604
Interest paid	-	2,125	-	2,125
Advertising and marketing	4,029	-	-	4,029
Membership dues		975	-	975
Special events expense	-	-	18,514	18,514
Supplies	5,367	1,600	-	6,967
Program expense	6,710			6,710
	\$ 102,336	\$ 116,636	\$ 18,514	\$ 237,486

HISTORIC BLUFFTON FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	6/30/2021		6/30/2020	
Cash Flows From Operating Activities:				
Increase (decrease) in net assets	\$	68,786	\$	21,356
Adjustments to reconcile increase (decrease) net assets to net				
cash provided by (used in) operating activities:				
Depreciation		5,333		4,318
(Increase) decrease in:				
Receivables		2,398		1,698
Prepaid payroll taxes		1,512		(1,512)
Increase (decrease) in:		(- ()		
Accounts payable		(3,459)		3,476
Prepaid rental income		(800)		800
Accrued payroll expenses		1,675		(2,325)
Line of credit		(15,555)		(22,788)
Net cash provided (used) by operating activities		59,890		5,023
Cash Flows From Investing Activities:				
Purchases of Fixed Assets		(7,958)		(9,934)
Net cash provided (used) by investing activities		(7,958)		(9,934)
Net cash provided (used) by investing activities	-	(1,930)	-	(9,954)
Cash Flows From Financing Activities:				
Repayment of Note Payable		(1,376)		(8,601)
Proceeds from SBA PPP Loan		-		26,600
Proceeds from SBA Note Payable		92,900		<u>-</u>
Net cash provided (used) by financing activities		91,524		17,999
Net increase (decrease) in cash and cash equivalents		143,456		13,088
Cash and cash equivalents, beginning of year		25,604		12,516
Cash and cash equivalents, end of year	\$	169,060	\$	25,604
Supplementary cash flow information:				
Cash paid for interest	\$	<u>542</u>	\$	2,126
Cash paid for income taxes	\$	<u> </u>	\$	<u> </u>
Cash paid for modific taxes	Ψ		<u> </u>	

NOTE 1 - NATURE OF ACTIVITES AND SIGNIFCANT ACCOUNTING POLICIES

Nature of Activities

Historic Bluffton Foundation (f/k/a Bluffton Historical Preservation Society, Inc.) (the Organization) is a local nonprofit organization was incorporated in 1981 whose purpose is to protect, preserve and promote the cultural heritage of the town of Bluffton, South Carolina through education, marketing, hands on preservation of buildings and sites, maintenance of the Caldwell archives and operation of the Heyward Historic Center.

Basis of Presentation

The financial statements of the Organization are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-505 Not-for-Profit Entities, Presentation of Financial Statements. During fiscal year starting 7/1/18, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements for Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Accounting Method

The Organization maintains its books on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, in accordance with generally accepted accounting principles.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Restrictions on the use of or the funding period may require the organization to classify the promise to give as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-Kind Contributions

The Organization reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skill, and represent services that would have been purchased had the not been donated. In-kind contributions of equipment and other materials are recorded at the fair value of the items contributed. During the years ended June 30, 2021, and 2020, the Organization did not receive any in-kind donations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported accounts and disclosures. Accordingly, actual results could differ from those estimates.

Property & Equipment

Purchased property, equipment and improvements to the common ground are capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value. Depreciation is not required on the historical homes and renovations to them since these assets are considered inexhaustible. The estimated useful life is so long that it cannot be determined. Computers, office furnishings, and improvements to the common ground are however being depreciated using a straight line method over estimated useful lives ranging 5 to 20 years.

Long—lived assets are reviewed for impairment whenever events or changes in the circumstances indicate that they carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an assets to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Contributions, Gifts and Grants

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified has been classified as an organization other than a private foundation under Section 509 (a) (2).

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Services are fiscal years 2019, 2020, and 2021. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquids investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Revenue

The Organization relies on support from The Town of Bluffton Accommodations Tax (ATAX) grant funds in order to accomplish its objectives. For the years ended June 30, 2021, and 2020, the Organization received \$ 116,555 and \$ 135,496 respectively, in ATAX grants from the Town of Bluffton. The Organization received the SC Cares grant of \$ 49,788 on January 14, 2021.

Functional Expenses

The costs of providing various programs and supporting services have been summarized on the statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include salaries, payroll taxes, and occupancy costs. The basis of allocation of these expenses is based on estimates provided by management.

Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14 *Not-for-Profit Entities (Topic 958): presentation of Financial Statements for Not-for-Profit Entities,* which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions.

ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated.

In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained.

ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as a part of net assets with donor restrictions rather than as a change to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the place-in-service approach to approach for capital gifts. The current option to use the over-time approach has been eliminated.

ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs amount program and support functions will also need to be disclosed.

ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date.

Finally, current standards allow for not-for-profit entities to decide whether to present operating cash flows using either the direct method or indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method.

ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Organization has adopted the provisions of ASU 2016-14.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and Equipment as of June 30, 2021, and 2020 consists of the following:

	6/30/21	6/30/20
Teel House – Restricted Heyward House	\$ 338,889 300,000	\$ 338,889 300,000
Heyward House – Renovations	247,412	247,412
Heyward House – Common ground improv.	54,225	47,225
Furniture, fixtures and equipment	40,765	39,807
Vehicles	5,000	5,000
Total	986,291	978,333
Accumulated depreciation	 (13, 165)	 (7,832)
Total	\$ 973,126	\$ 970,501

The Colcock-Teel House is restricted as to the use for historical purposes.

NOTE 3 – LIQUIDITY AND AVAILABILTY OF FUNDS

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	6/30/21	6/30/20
Cash – operating Promises to give	\$ 169,060 0	\$ 25,604 2,398
Total financial assets available to meet Expenditures within the next 12 months	<u>\$ 169,060</u>	\$ 2 8,002

In addition, the Organization receives public support from the town of Bluffton (ATAX) and Beaufort County (ATAX) to fund general expenditures.

NOTE 4 – NOTE PAYABLE

On August 13, 2015, the Organization renewed a note payable with a financial institution for \$39,262 with a fixed interest rate of 5% and a maturity date of August 13, 2020. Principal and interest payments of \$742 are due on the 13th of the month. The note is secured by a negative pledge on the owner-occupied real estate, known as the Heyward House.

Principal payments for the years ended June 30, 2021, and 2020 were \$ 1,376 and \$ 8,602, respectively. Interest payments for the years ended June 30, 2021, and 2020 were \$ 6 and \$891, respectively. The balance of the note payable as of June 30, 2021, and June 30, 2020 was \$ 0 and \$ 1,376 respectively. The loan was paid in full August of 2020.

NOTE 5 - LINE OF CREDIT

Line of Credit Renewal - On December 11, 2019, the Organization renewed its' line of credit with Coastal States Bank with a maturity date of November 30, 2020. The terms are as follows: credit line \$50,000,

interest rate 6.25%. Interest payments are due monthly, with outstanding principal and interest due on November 30, 2020.

The Line of Credit balances for the years ended June 30, 2021, and 2020 were \$ 0 and \$ 15,555 respectively. Interest and renewal fees payments for the years ended June 30, 2021, and 2020 were \$ 537 and \$1,235 respectively. The line of credit was paid in full December 2, 2020.

NOTE 6 - COVID19

The Heyward House Welcome Center and Historic Home closed by order of Governor Henry McMaster on March 17, 2020. The Heyward House Welcome Center and Historic Home remained closed during 2021. In addition all scheduled events have been postponed resulting in a loss of income. Limited outdoor events were resumed in November of 2020.

NOTE 7 - PPP LOANS

The Organization received \$ 26,600 on May 5, 2020, as part of the payroll protection loan program administered by the SBA. This loan was forgiven on April 26, 2021, and is recorded as income on the June 30, 2021, in the Statement of Activities. The Organization received an additional PPP loan for \$ 26,600 on February 2, 2021, which was forgiven in a subsequent period. (See Note 12)

NOTE 8 - SBA LOAN

On October 13, 2020, the Organization received a 30 year loan from the Small Business Association (SBA) in the amount of \$93,000 with an interest rate of 2.75%. The loan is secured by "all tangible and intangible personal property". The payment terms are as follows: Principal and interest payments of \$398 beginning twelve months from the date of the note are due.

NOTE 9 - RELATED PARTY TRANSACTIONS

The treasurer of the Organization is also a vice-president at the bank in which the organization holds a majority of its accounts. The treasurer or the organization do not receive any financial benefit from the banking arrangement. Effective October 2020, the treasurer is no longer affiliated with that bank.

The treasurer of the Organization is married to the Mayor of Bluffton. The Organization receives a major portion of it's funding through the town of Bluffton ATAX. The Mayor recuses herself with any financial dealings involving the Organization.

NOTE 10 - COLCOCK-TEEL HOUSE ENDOWMENT FUND

The Designated Fund Agreement was made and entered into by and between the Organization and the Community Foundation of the Lowcountry. The fund is administered by the Community Foundation of the Lowcountry. The mission of the fund is to provide a permanent source of income to support the Colcock-Teel House. The purpose of the fund is to provide grants made in fulfillment of the mission of the fund. Initial contribution of \$100,000 was made on April 25, 2011, and is on the books of the Community Foundation of the Lowcountry. For the years ended June 30, 2021, and 2020, the Organization received \$ 0 and \$ 14,382 respectively.

NOTE 11 - CARETAKER AGREEMENT COLCOCK-TEEL HOUSE

Caretaker Agreement – On July 19, 2019, the Organization signed a residential caretaker agreement with Jared Jester to occupy the Teel House for a period of two years beginning on September 1, 2019, and ending on August 30, 2021. In consideration of the occupancy and the use of the Premises, the caretaker

shall pay a monthly rental of \$1,800 for the first 3 months or \$4,500 to be paid in advance upon the execution of the agreement. Monthly payments shall begin on December 1, 2019. The following 9 months (December 2019 – August 2020) will be at a rate of \$800 with a \$1,000 monthly reduction towards balance of needed safety/hazards updates. For years ended June 30, 2021, and 2020, the Organization received \$17,800 and \$11,000 rental income respectively.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the auditor's report.

NOTE 12 - SUBSEQUENT EVENTS

Caretaker Agreement Coldcock-Teel House Renewal Agreement – On September 22, 2021, the caretaker agreement was renewed for an additional year from September 1, 2021, through August 30, 2022, for \$1,800 a month.

PPP Loan #2 – On November 2, 2021, the Organization received notice that the second Paycheck Protection Program (PPP) loan of 26,600 was forgiven.