History
The Sapelo Foundation grew out of Richard J. Reynolds, Jr.'s interest in Sapelo Island, one of the many barrier islands along the Georgia coast. This coastal region, rich in culture, history, and natural resources, captured the interest and imagination of the young tobacco heir upon his first visit in the early 1930's. Over his lifetime, Mr. Reynolds developed a deep appreciation for the beauty, history and culture of Sapelo Island. He was especially intrigued by the vast saltmarsh ecosystem separating Sapelo from the mainland. In 1953, he created the Sapelo Island Marine Institute as a research affiliate of the University of Georgia. The Sapelo Foundation served as the vehicle for the development and operation of the institute until 1976 when the University of Georgia took charge and the foundation turned towards funding charitable activities.

Over the years, the Sapelo Foundation has become one of the more progressive foundations in Georgia and the greater South. Through its broad grantmaking program, it furthers Mr. Reynolds' philanthropic goals, still dear to the family, of promoting positive social change and natural resources protection for the benefit of all Georgians.

Ongoing Programs
The Richard J. Reynolds, Jr. Scholarship Program awards scholarships, based on financial need and academic standing, to accredited colleges and universities on behalf of residents of McIntosh County, Georgia.

Musgrove Conferences provide the opportunity for a small group of participants to engage in open discussion and stimulating debate on timely and pivotal issues. Each year grant funds are allocated for a selected organization to convene a conference at Musgrove, the private retreat of the Bagley family. Invited grant proposals must be submitted during the next annual grant cycle, although the conference may be held at any time during the year.

The Organizational Development Fund provides limited funding to existing grantee organizations that have received a grant within the past three years. These funds enable grantees to attend training programs, conferences and workshops.

The Georgia Rural Philanthropy Initiative brings nonprofits and funders together to build relationships, help funders identify new projects and strengthen the nonprofit sector. Every other year an initiative committee selects a rural region of Georgia and assists its nonprofit organizations in hosting a funders' event that highlights the special character and needs of that region. The first event, the North Georgia Philanthropy Forum, held in October 2001, has resulted in more than $1.2 million in new grants to its eleven-county region.

New Initiative
The foundation recently made a four-year commitment to the creation of the Georgia Budget and Policy Institute (GBPI), an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The institute will provide reliable, accessible and timely analysis to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians. It will function as a part of the national State Fiscal and Economic Health Initiative (SFAI) coordinated by the Center on Budget and Policy Priorities (CBPP) in Washington, DC.

Grant Application Process
For the most current information concerning funding priorities and application procedures, please visit our website or contact the office.

Financial Information
The foundation operates on a June 30 fiscal year. These figures are for the end of each year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets</th>
<th>Expenditures</th>
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<tbody>
<tr>
<td>2004</td>
<td>$34,476,480</td>
<td>$266,600</td>
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<tr>
<td>2003</td>
<td>$32,401,141</td>
<td>$274,548</td>
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<td>2002</td>
<td>$33,541,533</td>
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</tbody>
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Officers, Trustees, and Staff
*Reynolds family members continue to play an active role in the foundation

Officers
Susan Lehman Carmichael* President
Annemarie Reynolds* Honorary President
Harry H. Carey* Vice-President
William K. Broker Secretary
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Staff and Counsel
Phyllis Brown Executive Director
Barbara S. Bowdry Program Officer
Benjamin T. White Counsel
Alston & Bird, L.L.P.

Stream Banks and Water Quality
From clear, cool brooks bubbling forth from small springs in mountain coves to the mighty Altamaha River Delta's confluence with the Atlantic Ocean, Georgia is blessed with an abundance of freshwater streams. They provide family recreation and municipal drinking water. They support commercial fisheries and other types of industry. They are literally the lifeblood of the state. Without enforcement of protective regulations and sound planning, Georgia's dreams will become little more than drainage ditches, unfit for fishing, swimming or drinking.

Preserving stream banks in their natural state, maintaining seasonal stream-flow and regulating pollution are the most cost-effective ways to protect water quality and wildlife habitat and to safeguard against flooding and erosion. Georgia's leaders are at a crossroads where they must choose between preserving water resources for the public good or aiding special interests in poorly planned growth and its long-term consequences.

Stream Banks
Fischer Cove: mountain laurel; Fischer Cove: Jack-in-the-pulpit; Fischer Cove: fiddle-head fern; Back Cove: a North Georgia stream.

Credits
Illustrations by Jennifer Smith from photographs by Joe Cook; produced by Bluemoon Publishing, Brunswick, Georgia.

The Sapelo Foundation
Annual Report 2004
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Website: www.sapelofoundation.org
The Sapelo Foundation promotes progressive social change affecting, in particular, rural communities and the natural environment in the state of Georgia.

The Sapelo Foundation:
- Takes risks in grantmaking and encourages others to do so.
- Works to empower people who are powerless or marginalized.
- Encourages networking and cooperation, particularly among groups with differing racial and ethnic backgrounds.
- Is strategic in its funding and leverages financial resources.
- Acts as a catalyst in promoting change through affecting public policy.
- Shares experiences with foundations and other potential partners.

Foundation Priorities
From May 2002 through May 2005 the foundation will concentrate its grantmaking on the two program areas indicated below.

Focus Area: Social Justice
- Current, the primary focus is a strategic campaign addressing water resource management and policy in Georgia.

The Social Justice Program addresses such issues as water and air quality, sprawl and sustainable development, and the protection and management of natural resources.

Currently, the primary focus is building a progressive multi-racial coalition in Georgia, with particular emphasis on promoting working relationships between African American and Latino/a community leaders.

The Environmental Protection Program addresses such issues as water and air quality, sprawl and sustainable development, and the protection and management of natural resources.

Currently, the primary focus is a strategic campaign addressing water resource management and policy in Georgia.