

**BlumShapiro**

Accounting | Tax | Business Consulting

**THE MATTATUCK HISTORICAL SOCIETY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

# THE MATTATUCK HISTORICAL SOCIETY

## CONTENTS

---

Independent Auditors' Report	1-2
Statements of Financial Position - September 30, 2017 and 2016	3
Statements of Activities for the Years Ended September 30, 2017 and 2016	4
Statements of Cash Flows for the Years Ended September 30, 2017 and 2016	5
Notes to Financial Statements	6-16

# BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report  
To the Board of Directors  
The Mattatuck Historical Society

We have audited the accompanying financial statements of The Mattatuck Historical Society, which comprise the statements of financial position as of September 30, 2017 and 2016, 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.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mattatuck Historical Society as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

Shelton, Connecticut  
February 8, 2018

# THE MATTATUCK HISTORICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 570,622	\$ 279,127
Investments	17,151,401	16,304,526
Contributions receivable	922,262	423,089
Grants and other receivables	49,496	29,940
Other assets	39,151	18,847
Gifts of property	205,250	189,875
Property, building and equipment, net	<u>4,257,689</u>	<u>4,438,000</u>
<b>Total Assets</b>	<u>\$ 23,195,871</u>	<u>\$ 21,683,404</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 121,008	\$ 30,959
Refundable advances	5,568	10,981
Other liabilities	47,830	45,991
Note payable	10,541	21,076
Total liabilities	<u>184,947</u>	<u>109,007</u>
<b>Net Assets</b>		
Unrestricted	16,580,022	16,270,539
Temporarily restricted	2,944,689	1,862,422
Permanently restricted	3,486,213	3,441,436
Total net assets	<u>23,010,924</u>	<u>21,574,397</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 23,195,871</u>	<u>\$ 21,683,404</u>

The accompanying notes are an integral part of the financial statements

# THE MATTATUCK HISTORICAL SOCIETY

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Support and Other Changes</b>								
Contributions and bequests	\$ 394,047	\$ 1,037,671	\$ 44,777	\$ 1,476,495	\$ 440,916	\$ 423,089	\$ 257,473	\$ 1,121,478
Interest and dividends	323,187	-	-	323,187	404,836	-	-	404,836
Operating grants	250,205	7,985	-	258,190	157,741	58,827	-	216,568
Fundraising - other	139,657	-	-	139,657	205,333	-	-	205,333
Museum operations	134,245	-	-	134,245	96,525	-	-	96,525
Program reimbursement	62,438	-	-	62,438	21,783	-	-	21,783
Rental operations	23,632	-	-	23,632	25,717	-	-	25,717
Museum store income	2,403	-	-	2,403	5,932	-	-	5,932
Net assets released from restrictions	416,387	(416,387)	-	-	506,091	(506,091)	-	-
Total revenue, support and other changes	<u>1,746,201</u>	<u>629,269</u>	<u>44,777</u>	<u>2,420,247</u>	<u>1,864,874</u>	<u>(24,175)</u>	<u>257,473</u>	<u>2,098,172</u>
<b>Expenses</b>								
Personnel	927,566	-	-	927,566	878,940	-	-	878,940
Administration	397,181	-	-	397,181	316,858	-	-	316,858
Program	207,853	-	-	207,853	218,120	-	-	218,120
Maintenance and utilities	270,544	-	-	270,544	260,162	-	-	260,162
Fundraising	127,002	-	-	127,002	70,501	-	-	70,501
Reimbursable	61,931	-	-	61,931	63,191	-	-	63,191
Miscellaneous	27,319	-	-	27,319	35,306	-	-	35,306
Operating grant	69,084	-	-	69,084	20,879	-	-	20,879
Museum store	1,698	-	-	1,698	2,787	-	-	2,787
Total expenses	<u>2,090,178</u>	<u>-</u>	<u>-</u>	<u>2,090,178</u>	<u>1,866,744</u>	<u>-</u>	<u>-</u>	<u>1,866,744</u>
<b>Income (Loss) from Operations before Depreciation</b>	(343,977)	629,269	44,777	330,069	(1,870)	(24,175)	257,473	231,428
<b>Depreciation</b>	263,499	-	-	263,499	252,435	-	-	252,435
<b>Income (Loss) from Operations</b>	(607,476)	629,269	44,777	66,570	(254,305)	(24,175)	257,473	(21,007)
<b>Other Changes in Net Assets</b>								
Proceeds from sales of collection items	103	-	-	103	375	-	-	375
Expenses of sales	-	-	-	-	(79)	-	-	(79)
Gain on deaccessions	103	-	-	103	296	-	-	296
Collection items purchased but not capitalized	(120,650)	-	-	(120,650)	(43,471)	-	-	(43,471)
Realized and unrealized gains, net	1,037,506	452,998	-	1,490,504	439,737	208,851	-	648,588
<b>Increase in Net Assets</b>	309,483	1,082,267	44,777	1,436,527	142,257	184,676	257,473	584,406
<b>Net Assets - Beginning of Year</b>	16,270,539	1,862,422	3,441,436	21,574,397	16,128,282	1,677,746	3,183,963	20,989,991
<b>Net Assets - End of Year</b>	<u>\$ 16,580,022</u>	<u>\$ 2,944,689</u>	<u>\$ 3,486,213</u>	<u>\$ 23,010,924</u>	<u>\$ 16,270,539</u>	<u>\$ 1,862,422</u>	<u>\$ 3,441,436</u>	<u>\$ 21,574,397</u>

The accompanying notes are an integral part of the financial statements

# THE MATTATUCK HISTORICAL SOCIETY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,436,527	\$ 584,406
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	263,499	252,435
Donations of securities	(147,193)	(93,955)
Gifts of property	(15,375)	(57,275)
Investment gains, net	(1,490,504)	(648,588)
Bad debt expense	-	19,644
Contributions restricted for long-term investment	(44,777)	(201,473)
(Increase) decrease in operating assets:		
Bequests receivable	-	251,356
Contributions receivable	(499,173)	(423,089)
Grants and other receivables	(19,556)	(15,858)
Other assets	(20,304)	27,664
Increase (decrease) in operating liabilities:		
Accounts payable	90,049	(30,635)
Refundable advances	(5,413)	7,306
Other liabilities	1,839	5,372
Net cash used in operating activities	<u>(450,381)</u>	<u>(322,690)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, buildings and equipment	(83,188)	(210,048)
Purchase of investments	(3,332,535)	(5,042,945)
Proceeds from the sale of investments	4,123,357	5,367,961
Net cash provided by investing activities	<u>707,634</u>	<u>114,968</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	44,777	201,473
Repayments on note payable	(10,535)	(10,535)
Net cash provided by financing activities	<u>34,242</u>	<u>190,938</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	291,495	(16,784)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>279,127</u>	<u>295,911</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 570,622</u>	<u>\$ 279,127</u>

The accompanying notes are an integral part of the financial statements

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 - SOCIETY

The Mattatuck Historical Society (the Society) is a museum which houses collections of American art, decorative arts, and archival materials as well as objects and ephemera related to the history of farming villages and industrial centers in Connecticut. In addition to its own collections, the Society regularly presents loaned exhibits of contemporary artists and of other subjects of special interest related to its mission. The Society also provides guided tours, on-location speakers and special events such as music, dance and theatrical performances, lecture series, demonstrations and special events such as dance troupe performances, lecture series, music festivals and education in history and art. The Society also administers federal and state grant awards for the encouragement and promotion of the arts, education and history.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting and Presentation

The financial statements of the Society have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Society are reported in the following net asset categories:

#### Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors (Board). Designated net assets represent special designations established by the Board for funds functioning as endowment, to purchase collection items and investment in property, building and equipment, as more fully described in Note 9.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income on donor-restricted endowment assets.

#### Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Society to expend the income earned thereon.

#### Measure of Operations

The Society's measure of operations includes all changes in net assets except for gains on deaccessions, realized and unrealized gains and losses on investments, and the purchase of items for the Museum Collection.

#### Income Taxes

The Society is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

#### 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 in the financial statements. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.



# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### **Cash and Cash Equivalents**

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Society's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The Society's Investment Committee determines the Society's valuation policies and procedures utilizing information provided by investment advisors, asset custodians, fund managers and investment companies.

### **Grants and Other Receivables**

Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represents unreimbursed expenses at September 30, 2017 and 2016.

### **Property, Building and Equipment**

Property, buildings and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### **Museum Collection**

The collections, which were acquired through purchases and contributions since the society's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The collections are made up of works of art and items of historical significance that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

Contributions of art and items of historical significance that do not meet the Society's interpretive or research purposes are held for sale. Proceeds from the sale of these items are reflected as increases in the appropriate net asset classes. Gifts of property held for sale were \$205,250 and \$189,875 as of September 30, 2017 and 2016, respectively.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Society reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### Donated Property and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Society.

Donated property and goods are recorded as support at fair market value when determinable, otherwise at values indicated by the donor.

While a substantial number of unpaid volunteers have made significant contributions of their time to develop and enhance the Society's historical collection and programs, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

### Advertising

The Society uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$71,889 and \$83,065 for the years ended September 30, 2017 and 2016, respectively.

### Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through February 8, 2018, which represents the date the financial statements were available to be issued.

## NOTE 3 - CONCENTRATIONS

The Society's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments.

### Cash and Cash Equivalents

The Society places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that the Society's deposits are not subject to significant credit risk.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 340,627	\$ 111,416
One to five years	<u>636,299</u>	<u>345,008</u>
	976,926	456,424
Less discount to net present value	<u>54,664</u>	<u>33,335</u>
	<u>\$ 922,262</u>	<u>\$ 423,089</u>

Contributions expected to be received in more than one year have been discounted to the present value of the future cash flows using a rate of 3.25% at September 30, 2017 and 2016.

### NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

#### Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

#### Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

#### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

The following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2017 and 2016:

### **Common Stocks**

Common stocks are valued at the closing price reported in the active market in which the individual shares are traded.

### **Corporate Bonds**

Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

### **U.S. Treasuries**

U.S. Treasuries are valued at the quoted price in the active market in which the individual treasuries are traded.

### **Exchange Traded Funds**

Exchange traded funds are valued at the closing price reported in the active market in which the individual securities are traded.

### **Mutual Funds**

Mutual funds are valued at the quoted net asset value of shares held by the Society at year end.

### **Privately Held Corporation**

The fair value of the privately held corporation investment held by the Society is valued based upon the anticipated cash flows from annual dividends discounted for restrictions and other present value techniques.

There have been no changes in the methodologies used at September 30, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

### Assets Measured at Fair Value

The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of September 30, 2017 and 2016:

Description	September 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 9,591,558	\$ 9,591,558	\$ -	\$ -
Corporate bonds	3,111,401	-	3,111,401	-
U.S. Treasuries	975,734	975,734	-	-
Mutual funds:				
Balanced	77,484	77,484	-	-
Privately held corporation	2,456,000	-	-	2,456,000
Total assets at fair value	16,212,177	10,644,776	3,111,401	2,456,000
Cash equivalents	939,224	939,224	-	-
<b>Total Investments</b>	<b>\$ 17,151,401</b>	<b>\$ 11,584,000</b>	<b>\$ 3,111,401</b>	<b>\$ 2,456,000</b>

Description	September 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 8,545,626	\$ 8,545,626	\$ -	\$ -
Corporate bonds	3,042,611	-	3,042,611	-
U.S. Treasuries	829,803	829,803	-	-
Mutual funds:				
Balanced	107,610	107,610	-	-
Privately held corporation	2,456,000	-	-	2,456,000
Total assets at fair value	14,981,650	9,483,039	3,042,611	2,456,000
Cash equivalents	1,322,876	1,322,876	-	-
<b>Total Investments</b>	<b>\$ 16,304,526</b>	<b>\$ 10,805,915</b>	<b>\$ 3,042,611</b>	<b>\$ 2,456,000</b>

There were no transfers between levels of investments during the years ended September 30, 2017 and 2016.

### Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Level 3 investments represent a minority interest in the restricted stock of a privately held corporation. The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets for the years ended September 30, 2017 and 2016:

Balance - October 1, 2015	\$ 2,400,000
Total contributions included in the change in net assets	56,000
Balance - September 30, 2016	2,456,000
Balance - September 30, 2017	\$ 2,456,000

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 6 - PROPERTY, BUILDING AND EQUIPMENT, NET

Property, buildings and equipment, net consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land, building and improvements	\$ 7,170,976	\$ 7,170,976
Furniture and fixtures	3,008,025	2,954,624
Construction in progress	29,987	-
	<u>10,208,988</u>	<u>10,125,600</u>
Less accumulated depreciation	<u>5,951,299</u>	<u>5,687,600</u>
Net Property, Building and Equipment	<u>\$ 4,257,689</u>	<u>\$ 4,438,000</u>

### NOTE 7 - NOTE PAYABLE

In 2015, the Society entered into an agreement with Connecticut Light and Power (CL&P) for the purchase of energy efficient lighting improvements, which totaled \$33,336. Per the agreement, CL&P paid for the improvements and the Society is required to make payments on the loan until maturity in July 2018. The loan is noninterest bearing. Imputed interest as of the year ended September 30, 2015 has not been recorded as management does not consider the amount to be significant. The balance outstanding as of September 30, 2017 and 2016, was \$10,541 and \$21,076, respectively. The outstanding balance is expected to be paid in full during the fiscal year ending September 30, 2018.

### NOTE 8 - BOARD-DESIGNATED NET ASSETS

Board-designated net assets included in unrestricted net assets consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Designated as endowment	\$ 6,283,040	\$ 6,022,244
Investment in property, buildings and equipment, net	4,257,689	4,438,000
Designated for acquisitions	5,892,335	5,421,395
Designated for capital campaign	-	230,941
	<u>16,433,064</u>	<u>16,112,580</u>
Total Board-Designated Net Assets	<u>\$ 16,433,064</u>	<u>\$ 16,112,580</u>

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following purpose or time restrictions at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time	\$ 922,262	\$ 423,089
Purpose:		
Capital Campaign	526,607	-
Artist residency	247,394	177,046
Subsequent year's operations	6,006	6,820
Connecticut Art Trail	-	13,047
Appreciation of investment in privately held corporation	<u>1,242,420</u>	<u>1,242,420</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,944,689</u>	<u>\$ 1,862,422</u>

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions during the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Appropriation of endowment earnings	\$ 382,649	\$ 208,851
Capital Campaign	11,891	-
Connecticut Art Trail	15,027	-
Programs	6,820	16,240
Receipt of bequests	-	271,000
Artist residency	<u>-</u>	<u>10,000</u>
Total Net Assets Released from Restrictions	<u>\$ 416,387</u>	<u>\$ 506,091</u>

### NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment in privately held corporation	\$ 1,213,580	\$ 1,213,580
Endowment investments with income restricted for:		
Acquisitions	347,216	347,216
Operations	1,904,917	1,880,640
Scholarships	<u>20,500</u>	<u>-</u>
Total Permanently Restricted Net Assets	<u>\$ 3,486,213</u>	<u>\$ 3,441,436</u>

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

As disclosed in Note 5, the total investment in a privately held corporation was \$2,456,000 as of September 30, 2017 and 2016. Of this, contributed assets valued at \$1,213,580 have been recorded within permanently restricted net assets due to the intent of the donor as stated within a trust agreement. The Society does not have the ability to redeem this investment. Investment returns of \$1,242,420 are included in temporarily restricted net assets because proceeds from a sale would not be subject to the donor's restrictions and can be appropriated by the Board for expenditure.

### NOTE 11 - ENDOWMENT

The Society's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of the Society has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society



# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended September 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2015	\$ <u>6,145,526</u>	\$ <u>1,242,420</u>	\$ <u>3,183,963</u>	\$ <u>10,571,909</u>
Contributions	<u>-</u>	<u>-</u>	<u>257,473</u>	<u>257,473</u>
Investment income	173,375	94,184	-	267,559
Investment gains (losses)	211,081	114,667	-	325,748
Investment expenses	<u>(70,063)</u>	<u>-</u>	<u>-</u>	<u>(70,063)</u>
Total investment return	<u>314,393</u>	<u>208,851</u>	<u>-</u>	<u>523,244</u>
Appropriation of endowment assets for expenditure	<u>(437,675)</u>	<u>(208,851)</u>	<u>-</u>	<u>(646,526)</u>
Endowment net assets, September 30, 2016	<u>6,022,244</u>	<u>1,242,420</u>	<u>3,441,436</u>	<u>10,706,100</u>
Contributions	<u>55,956</u>	<u>-</u>	<u>44,777</u>	<u>100,733</u>
Investment income	112,048	57,248	-	169,296
Investment gains	636,888	325,401	-	962,289
Investment expenses	<u>(101,728)</u>	<u>-</u>	<u>-</u>	<u>(101,728)</u>
Total investment return	<u>647,208</u>	<u>382,649</u>	<u>-</u>	<u>1,029,857</u>
Appropriation of endowment assets for expenditure	<u>(442,368)</u>	<u>(382,649)</u>	<u>-</u>	<u>(825,017)</u>
Endowment Net Assets, September 30, 2017	\$ <u><u>6,283,040</u></u>	\$ <u><u>1,242,420</u></u>	\$ <u><u>3,486,213</u></u>	\$ <u><u>11,011,673</u></u>

### Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to meet the Society's primary objective of preservation of capital and secondary objective of income production and long-term capital appreciation.

### Funds with Deficiencies

From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2017 or 2016.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

---

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Society has a policy of appropriating current endowment gains for operating use each year and additional transfer amounts necessary to support operations and capital improvements as approved by the Board. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

### **NOTE 12 - DECD GRANTS**

During August 2007, the State of Connecticut, Department of Economic and Community Development (DECD) made a grant to the Society for assistance in support of the installation of a new permanent exhibit of regional history and other improvements. Under the terms of the DECD grant, the State of Connecticut holds a first position blanket lien on the land and/or building owned by the Society for a 10-year period. The Society is also required to comply with various other terms and conditions.