

THE MATTATUCK HISTORICAL SOCIETY

FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

THE MATTATUCK HISTORICAL SOCIETY

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - September 30, 2019 and 2018	3
Statements of Activities for the Years Ended September 30, 2019 and 2018	4
Statement of Functional Expenses for the Year Ended September 30, 2019 (with Comparative Totals for 2018)	5
Statements of Cash Flows for the Years Ended September 30, 2019 and 2018	6
Notes to Financial Statements	7-18

Independent Auditors' Report

To the Board of Directors
The Mattatuck Historical Society
Waterbury, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of The Mattatuck Historical Society, which comprise the statements of financial position as of September 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended September 30, 2019 (with comparative totals for 2018), 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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 2, during the year ended September 30, 2019, The Mattatuck Historical Society adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2020 on our consideration of The Mattatuck Historical Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Mattatuck Historical Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Mattatuck Historical Society's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Shelton, Connecticut
January 20, 2020

THE MATTATUCK HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 369,957	\$ 1,347,928
Investments	18,581,565	18,062,079
Contributions receivable	877,191	1,294,016
Grants and other receivables	636,173	140,800
Other assets	42,572	53,378
Property, building and equipment, net	<u>5,652,136</u>	<u>4,125,538</u>
Total Assets	\$ <u>26,159,594</u>	\$ <u>25,023,739</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,062,570	\$ 261,355
Refundable advances	-	4,403
Other liabilities	54,184	60,679
Loans payable	-	95,621
Total liabilities	<u>1,116,754</u>	<u>422,058</u>
Net Assets		
Without donor restrictions	16,842,995	17,128,139
With donor restrictions	<u>8,199,845</u>	<u>7,473,542</u>
Total net assets	<u>25,042,840</u>	<u>24,601,681</u>
Total Liabilities and Net Assets	\$ <u>26,159,594</u>	\$ <u>25,023,739</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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes						
Contributions and bequests	\$ 249,987	\$ 705,970	\$ 955,957	\$ 895,928	\$ 989,338	\$ 1,885,266
Museum operations	95,261		95,261	221,838	-	221,838
Operating grants	753,530	14,818	768,348	234,184	18,639	252,823
Special events	133,879	37,438	171,317	135,650	-	135,650
Program reimbursement	27,183		27,183	34,638	-	34,638
Rental operations	7,375		7,375	18,308	-	18,308
Museum store income	5,274		5,274	16,598	-	16,598
Net assets released from restrictions	86,477	(86,477)	-	369,183	(369,183)	-
Total revenue, support and other changes	<u>1,358,966</u>	<u>671,749</u>	<u>2,030,715</u>	<u>1,926,327</u>	<u>638,794</u>	<u>2,565,121</u>
Expenses						
Program	1,592,763	-	1,592,763	1,497,501	-	1,497,501
General and administrative	318,681	-	318,681	530,860	-	530,860
Fundraising	236,590	-	236,590	446,493	-	446,493
Total expenses	<u>2,148,034</u>	<u>-</u>	<u>2,148,034</u>	<u>2,474,854</u>	<u>-</u>	<u>2,474,854</u>
Income (Loss) from Operations	(789,068)	671,749	(117,319)	(548,527)	638,794	90,267
Other Changes in Net Assets						
Proceeds from sales of collection items	-	-	-	2,825	-	2,825
Purchases of collection items	(149,250)	-	(149,250)	(454,350)	-	(454,350)
Loss on disposal of fixed assets	(118,780)	-	(118,780)	(2,541)	-	(2,541)
Investment return, net	701,349	54,554	755,903	1,550,710	403,846	1,954,556
Income from loan forgiveness	70,605	-	70,605	-	-	-
Increase (Decrease) in Net Assets	(285,144)	726,303	441,159	548,117	1,042,640	1,590,757
Net Assets - Beginning of Year	<u>17,128,139</u>	<u>7,473,542</u>	<u>24,601,681</u>	<u>16,580,022</u>	<u>6,430,902</u>	<u>23,010,924</u>
Net Assets - End of Year	<u>\$ 16,842,995</u>	<u>\$ 8,199,845</u>	<u>\$ 25,042,840</u>	<u>\$ 17,128,139</u>	<u>\$ 7,473,542</u>	<u>\$ 24,601,681</u>

The accompanying notes are an integral part of the financial statements

THE MATTATUCK HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries and wages	\$ 609,129	\$ 139,093	\$ 124,173	\$ 872,395	\$ 854,020
Employee benefits	87,607	13,580	12,473	113,660	102,457
Payroll taxes	47,194	10,787	9,439	67,420	68,761
Occupancy	160,215	17,802	-	178,017	131,556
Education and exhibits	129,763	-	-	129,763	258,374
Maintenance	113,824	12,647	-	126,471	161,009
Collections expense	80,370	-	-	80,370	15,766
Special events	-	-	75,011	75,011	97,482
Professional fees	-	63,928	-	63,928	287,377
Insurance	46,314	5,146	-	51,460	44,075
Advertising and promotion	31,147	-	3,461	34,608	73,369
Office expense	19,681	1,094	1,093	21,868	19,326
Travel	17,337	963	963	19,263	9,314
Printing and photography	13,394	1,488	1,910	16,792	17,086
Dues	4,697	7,117	1,566	13,380	13,727
Bank fees	1,660	1,407	4,982	8,049	7,778
Miscellaneous	-	8,074	1,519	9,593	28,729
Museum merchandise	-	7,957	-	7,957	16,633
Interest	-	1,995	-	1,995	1,556
Total expenses	<u>1,362,332</u>	<u>293,078</u>	<u>236,590</u>	<u>1,892,000</u>	<u>2,208,395</u>
Depreciation	<u>230,431</u>	<u>25,603</u>	<u>-</u>	<u>256,034</u>	<u>266,459</u>
Total Expenses	<u><u>\$ 1,592,763</u></u>	<u><u>\$ 318,681</u></u>	<u><u>\$ 236,590</u></u>	<u><u>\$ 2,148,034</u></u>	<u><u>\$ 2,474,854</u></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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 441,159	\$ 1,590,757
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	256,034	266,459
Loan forgiveness	(70,605)	-
Loss on disposal of property	118,780	2,825
Donations of securities	(158,114)	(397,134)
Gifts of property	(19,150)	-
Gifts accessioned to the collection	19,150	204,300
Investment gains, net	(276,329)	(1,585,101)
Contributions restricted for capital projects	(621,033)	(1,358,334)
(Increase) decrease in operating assets:		
Grants and other receivables	(495,373)	(91,304)
Other assets	10,806	(13,277)
Increase (decrease) in operating liabilities:		
Accounts payable	801,215	118,873
Refundable advances	(4,403)	(1,165)
Other liabilities	(6,495)	34,323
Net cash used in operating activities	<u>(4,358)</u>	<u>(1,228,778)</u>
Cash Flows from Investing Activities		
Acquisition of property, buildings and equipment	(1,901,412)	(42,993)
Purchase of investments	(6,764,685)	(4,667,071)
Proceeds from the sale of investments	6,679,642	5,738,628
Net cash provided by (used in) investing activities	<u>(1,986,455)</u>	<u>1,028,564</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	1,037,858	986,580
Repayments on loans payable	(25,016)	(9,060)
Net cash provided by financing activities	<u>1,012,842</u>	<u>977,520</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(977,971)	777,306
Cash and Cash Equivalents - Beginning of Year	<u>1,347,928</u>	<u>570,622</u>
Cash and Cash Equivalents - End of Year	<u>\$ 369,957</u>	<u>\$ 1,347,928</u>

Supplemental Disclosure of Noncash Activities

During 2018, the Society financed the acquisition of property valued at \$94,140.

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. 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

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended September 30, 2019. The amendments have been retrospectively applied with the exception of a statement of functional expenses and the disclosures on liquidity and availability of resources for the year ended September 30, 2018.

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:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Each year, the Board of Directors designates a portion of net assets without donor restrictions for the purpose of funds functioning as an endowment (see Note 9).

Net Assets With Donor Restrictions

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) contributions that require that the principal be maintained in perpetuity but permit the Society to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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, income from loan forgiveness, 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.

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 5 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 net assets without donor restrictions or net assets with donor restrictions as appropriate, based on any donor stipulations or 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, 2019 and 2018.

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.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 net assets without donor restrictions in the year in which the items are acquired, or net assets with donor restrictions 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 \$950 as of September 30, 2019 and 2018 and are included in other assets on the statements of financial position.

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 donor-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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. 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 \$34,608 and \$73,369 for the years ended September 30, 2019 and 2018, respectively.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated based upon time and effort include salaries and wages, employee benefits, payroll taxes and advertising. Depreciation, occupancy, maintenance and insurance expense are allocated based upon square footage.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through January 20, 2020, 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.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 358,767	\$ 468,729
One to five years	587,835	920,962
Thereafter	20,589	31,062
	<u>967,191</u>	<u>1,420,753</u>
Less discount to net present value	(59,600)	(99,237)
Less allowance for uncollectable amounts	<u>(30,400)</u>	<u>(27,500)</u>
	<u>\$ 877,191</u>	<u>\$ 1,294,016</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 3.00% and 3.75% at September 30, 2019 and 2018, respectively.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2019 and 2018:

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.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018.

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.

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, 2019 and 2018:

Description	September 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 9,731,764	\$ 9,731,764	\$ -	\$ -
Corporate bonds	2,026,271	-	2,026,271	-
U.S. Treasuries	2,666,478	2,666,478	-	-
Mutual funds:				
Balanced	79,020	79,020	-	-
Privately held corporation	2,400,000	-	-	2,400,000
Total assets at fair value	16,903,533	12,477,262	2,026,271	2,400,000
Cash equivalents	1,678,032	1,678,032	-	-
Total Investments	\$ 18,581,565	\$ 14,155,294	\$ 2,026,271	\$ 2,400,000

Description	September 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 10,327,036	\$ 10,327,036	\$ -	\$ -
Corporate bonds	2,427,445	-	2,427,445	-
U.S. Treasuries	2,205,092	2,205,092	-	-
Mutual funds:				
Balanced	76,824	76,824	-	-
Privately held corporation	2,400,000	-	-	2,400,000
Total assets at fair value	17,436,397	12,608,952	2,427,445	2,400,000
Cash equivalents	625,682	625,682	-	-
Total Investments	\$ 18,062,079	\$ 13,234,634	\$ 2,427,445	\$ 2,400,000

There were no transfers between levels of investments during the years ended September 30, 2019 and 2018.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018:

Balance - October 1, 2017	\$ 2,456,000
Sale of privately held stock	<u>(56,000)</u>
Balance - September 30, 2018	<u>2,400,000</u>
Balance - September 30, 2019	<u>\$ 2,400,000</u>

NOTE 6 - PROPERTY, BUILDING AND EQUIPMENT, NET

Property, building and equipment, net consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land, building and improvements	\$ 6,899,892	\$ 7,176,810
Furniture and fixtures	2,172,858	2,288,763
Construction in progress	<u>1,859,269</u>	<u>-</u>
	10,932,019	9,465,573
Less accumulated depreciation	<u>5,279,883</u>	<u>5,340,035</u>
Property, Building and Equipment, Net	<u>\$ 5,652,136</u>	<u>\$ 4,125,538</u>

During the year ended September 30, 2019, the museum entered into a construction agreement to renovate and expand the museum building with a gross maximum price of \$8,856,173. As of September 30, 2019, \$636,627 has been incurred and included in construction in progress.

NOTE 7 - LOANS 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 September 30, 2015 has not been recorded, as management does not consider the amount to be significant. The balance outstanding as of September 30, 2018 was \$3,273. The balance was paid in full during 2019.

In 2018, the Society obtained a mortgage with Waterbury Development Corporation (WDC) for the purchase of 58 Gaffney Place, totaling \$94,140. The mortgage calls for 60 monthly payments of \$669.63 including interest at 4%. The balance of the mortgage was forgiven when the balance reached \$70,605 and is included in income from loan forgiveness in the accompanying statements of financial position.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society's financial assets available within one year of the statement of financial position date for general expenditure as of September 30, 2019 are as follows:

Cash and cash equivalents	\$	369,957
Investments		18,581,565
Grants and other receivables		636,173
Total financial assets available within one year		<u>19,587,695</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for purpose		(2,499,235)
Restricted by donors in perpetuity		(3,534,413)
Earnings from perpetual endowment available for expenditure		(46,586)
Less amounts unavailable without Board's approval:		
Board-designated funds		<u>(13,077,506)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	<u><u>429,955</u></u>

Liquidity Management

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the budget process each year, the Board of Directors designates a portion of the net assets without donor restrictions. The amount designated for the year ended September 30, 2019 was \$13,077,506. The Board retains the discretion to permit the use of some or all of the designated funds if necessary to ensure continued operations of the Society. In addition to financial assets available to meet general expenditures over the next 12 months, the Society operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 9 - NET ASSETS

Net Assets Without Donor Restrictions

At September 30, 2019 and 2018, the board has designated net assets without donor restrictions for the following:

	<u>2019</u>	<u>2018</u>
Designated as endowment	\$ 6,543,288	\$ 6,952,677
Investment in property, building and equipment, net	3,831,951	4,125,538
Designated for acquisitions	6,095,306	6,049,924
Designated for Capital Campaign	438,912	-
Total Board-Designated Net Assets	<u>\$ 16,909,457</u>	<u>\$ 17,128,139</u>

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time	\$ 877,191	\$ 1,294,016
Purpose:		
Capital Campaign	2,256,224	1,144,192
Artist residency	215,965	244,963
Subsequent year's operations	27,046	18,639
Unappropriated endowment earnings	1,289,006	1,285,519
Restricted in perpetuity with income restricted for:		
Operations	3,166,697	3,118,497
Acquisitions	347,216	347,216
Scholarships	<u>20,500</u>	<u>20,500</u>
Total Net Assets With Donor Restrictions	<u>\$ 8,199,845</u>	<u>\$ 7,473,542</u>

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions during the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Appropriation of endowment earnings	\$ 80,066	\$ 363,177
Programs	<u>6,411</u>	<u>6,006</u>
Total Net Assets Released from Restrictions	<u>\$ 86,477</u>	<u>\$ 369,183</u>

NOTE 10 - 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 net assets with donor restriction (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 MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,534,413	\$ 3,534,413
Unappropriated endowment earnings	-	1,289,006	1,289,006
Board-designated endowment funds	<u>6,543,288</u>	<u>-</u>	<u>6,543,288</u>
Total	<u>\$ 6,543,288</u>	<u>\$ 4,823,419</u>	<u>\$ 11,366,707</u>

Endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,486,213	\$ 3,486,213
Unappropriated endowment earnings	-	1,285,519	1,285,519
Board-designated endowment funds	<u>6,952,677</u>	<u>-</u>	<u>6,952,677</u>
Total	<u>\$ 6,952,677</u>	<u>\$ 4,771,732</u>	<u>\$ 11,724,409</u>

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 net assets without donor restriction. There were no such deficiencies as of September 30, 2019 or 2018.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended September 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2017	\$ 6,283,040	\$ 4,728,633	\$ 11,011,673
Contributions	10,415	-	10,415
Investment income	264,300	65,447	329,747
Investment gains	992,403	340,829	1,333,232
Investment expenses	(80,751)	-	(80,751)
Total investment return	1,175,952	406,276	1,582,228
Appropriation of endowment assets for expenditure	(516,730)	(363,177)	(879,907)
Endowment net assets, September 30, 2018	6,952,677	4,771,732	11,724,409
Contributions	-	48,200	48,200
Investment income	141,836	41,035	182,871
Investment gains	186,701	54,015	240,716
Investment expenses	(39,740)	(11,497)	(51,237)
Total investment return	288,797	83,553	372,350
Appropriation of endowment assets for expenditure	(698,186)	(80,066)	(778,252)
Endowment Net Assets, September 30, 2019	\$ 6,543,288	\$ 4,823,419	\$ 11,366,707

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.

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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.