

**THE MATTATUCK HISTORICAL SOCIETY**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**



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# THE MATTATUCK HISTORICAL SOCIETY

## CONTENTS

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Independent Auditors' Report	1-2
Statements of Financial Position - September 30, 2021 and 2020	3
Statements of Activities for the Years Ended September 30, 2021 and 2020	4
Statement of Functional Expenses for the Year Ended September 30, 2021	5
Statement of Functional Expenses for the Year Ended September 30, 2020	6
Statements of Cash Flows for the Years Ended September 30, 2021 and 2020	7
Notes to Financial Statements	8-20



## **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, 2021 and 2020, and the related statements of activities, functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2021 and 2020, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2022 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
March 10, 2022

# THE MATTATUCK HISTORICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 302,885	\$ 359,053
Investments	18,986,723	17,604,408
Contributions receivable	366,644	602,344
Grants and other receivables	292,150	5,949
Other assets	111,634	41,766
Property, building and equipment, net	<u>14,015,689</u>	<u>11,905,932</u>
<b>Total Assets</b>	<u>\$ 34,075,725</u>	<u>\$ 30,519,452</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 604,080	\$ 1,173,332
Other liabilities	196,477	1,079,063
Notes payable	<u>3,600,197</u>	<u>149,567</u>
Total liabilities	<u>4,400,754</u>	<u>2,401,962</u>
<b>Net Assets</b>		
Without donor restrictions	24,280,682	19,833,424
With donor restrictions	<u>5,394,289</u>	<u>8,284,066</u>
Total net assets	<u>29,674,971</u>	<u>28,117,490</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 34,075,725</u>	<u>\$ 30,519,452</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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support and Other Changes</b>						
Operating grants	\$ 609,885	\$ 24,130	\$ 634,015	\$ 2,462,829	\$ 6,513	\$ 2,469,342
Contributions and bequests	234,418	211,901	446,319	314,414	313,145	627,559
Special events	202,037	-	202,037	31,801	-	31,801
Paycheck Protection Program	187,915	-	187,915	186,400	-	186,400
Museum operations	75,841	-	75,841	54,892	-	54,892
Membership dues	71,164	-	71,164	61,294	-	61,294
Museum store income	15,885	-	15,885	2,058	-	2,058
Rental operations	9,970	-	9,970	2,100	-	2,100
Program reimbursement	6,181	-	6,181	8,083	-	8,083
Net assets released from restrictions	3,546,762	(3,546,762)	-	489,236	(489,236)	-
Total revenue, support and other changes	<u>4,960,058</u>	<u>(3,310,731)</u>	<u>1,649,327</u>	<u>3,613,107</u>	<u>(169,578)</u>	<u>3,443,529</u>
<b>Expenses</b>						
Program	1,818,985	-	1,818,985	1,365,211	-	1,365,211
General and administrative	444,549	-	444,549	275,351	-	275,351
Fundraising	221,547	-	221,547	162,208	-	162,208
Total expenses	<u>2,485,081</u>	<u>-</u>	<u>2,485,081</u>	<u>1,802,770</u>	<u>-</u>	<u>1,802,770</u>
<b>Income (Loss) from Operations</b>	2,474,977	(3,310,731)	(835,754)	1,810,337	(169,578)	1,640,759
<b>Other Changes in Net Assets</b>						
Purchases of collection items	(452,560)	-	(452,560)	(338,983)	-	(338,983)
Loss on disposal of fixed assets	(10,900)	-	(10,900)	-	-	-
Investment return, net	2,425,741	420,954	2,846,695	1,519,075	253,799	1,772,874
Income from SBA loan forgiveness	10,000	-	10,000	-	-	-
<b>Increase in Net Assets</b>	4,447,258	(2,889,777)	1,557,481	2,990,429	84,221	3,074,650
<b>Net Assets - Beginning of Year</b>	<u>19,833,424</u>	<u>8,284,066</u>	<u>28,117,490</u>	<u>16,842,995</u>	<u>8,199,845</u>	<u>25,042,840</u>
<b>Net Assets - End of Year</b>	<u>\$ 24,280,682</u>	<u>\$ 5,394,289</u>	<u>\$ 29,674,971</u>	<u>\$ 19,833,424</u>	<u>\$ 8,284,066</u>	<u>\$ 28,117,490</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, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 732,344	\$ 162,402	\$ 144,771	\$ 1,039,517
Employee benefits	103,350	16,721	15,120	135,191
Payroll taxes	58,662	13,408	11,732	83,802
Maintenance	146,449	16,272	-	162,721
Education and exhibits	148,617	-	-	148,617
Occupancy	120,999	13,444	-	134,443
Interest	-	90,881	-	90,881
Advertising and promotion	55,110	3,250	6,123	64,483
Insurance	46,072	5,119	-	51,191
Professional fees	-	52,820	-	52,820
Special events	-	-	35,806	35,806
Collections expense	29,274	-	-	29,274
Office expense	7,363	409	409	8,181
Dues	129	6,093	1,555	7,777
Printing and photography	9,319	1,035	56	10,410
Museum shop expenses	-	10,057	-	10,057
Travel	8,996	500	500	9,996
Bank fees	1,321	3,695	3,962	8,978
Miscellaneous	-	9,445	1,513	10,958
Total expenses	<u>1,468,005</u>	<u>405,551</u>	<u>221,547</u>	<u>2,095,103</u>
Depreciation	<u>350,980</u>	<u>38,998</u>	<u>-</u>	<u>389,978</u>
<b>Total Expenses</b>	<u><u>\$ 1,818,985</u></u>	<u><u>\$ 444,549</u></u>	<u><u>\$ 221,547</u></u>	<u><u>\$ 2,485,081</u></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, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 581,662	\$ 138,310	\$ 123,300	\$ 843,272
Employee benefits	86,480	13,899	12,599	112,978
Payroll taxes	46,797	10,697	9,360	66,854
Maintenance	130,768	14,530	-	145,298
Education and exhibits	60,161	-	-	60,161
Occupancy	108,842	12,094	-	120,936
Interest	-	2,176	-	2,176
Advertising and promotion	22,150	1,622	2,461	26,233
Insurance	44,288	4,921	-	49,209
Professional fees	-	40,069	-	40,069
Special events	-	-	8,086	8,086
Collections expense	43,364	-	-	43,364
Office expense	10,288	572	572	11,432
Dues	4,857	6,133	1,619	12,609
Printing and photography	4,477	498	-	4,975
Museum shop expenses	-	1,445	-	1,445
Travel	2,633	146	146	2,925
Bank fees	1,261	20	3,785	5,066
Miscellaneous	-	4,087	280	4,367
Total expenses	<u>1,148,028</u>	<u>251,219</u>	<u>162,208</u>	<u>1,561,455</u>
Depreciation	<u>217,183</u>	<u>24,132</u>	<u>-</u>	<u>241,315</u>
<b>Total Expenses</b>	<u><u>\$ 1,365,211</u></u>	<u><u>\$ 275,351</u></u>	<u><u>\$ 162,208</u></u>	<u><u>\$ 1,802,770</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,557,481	\$ 3,074,650
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	389,978	241,315
Loan forgiveness	(10,000)	-
Loss on disposal of property	10,900	-
Donations of securities	(10,930)	(14,070)
Gifts of property	(104,360)	(5,700)
Gifts accessioned to the collection	104,360	5,700
Investment gains, net	(2,504,497)	(1,413,532)
Contributions restricted for capital projects	(178,026)	(283,684)
(Increase) decrease in operating assets:		
Grants and other receivables	(286,201)	630,224
Other assets	(69,868)	806
Increase (decrease) in operating liabilities:		
Accounts payable	(569,252)	1,112,028
Other liabilities	(882,586)	3,180
Net cash provided by (used in) operating activities	<u>(2,553,001)</u>	<u>3,350,917</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, buildings and equipment	(2,510,635)	(6,495,111)
Purchase of investments	(2,334,012)	(3,378,335)
Proceeds from the sale of investments	3,467,124	5,783,094
Net cash used in investing activities	<u>(1,377,523)</u>	<u>(4,090,352)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	413,726	558,531
Repayments on notes payable	(39,370)	-
Proceeds from notes payable	3,500,000	170,000
Net cash provided by financing activities	<u>3,874,356</u>	<u>728,531</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(56,168)	(10,904)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>359,053</u>	<u>369,957</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 302,885</u>	<u>\$ 359,053</u>

The accompanying notes are an integral part of the financial statements

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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 provides guided tours, on-location speakers and special events. The Society also administers governmental 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:

##### 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 10).

##### 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.

#### Measure of Operations

The Society's measure of operations includes all changes in net assets except for purchases of collection items for the Museum Collection, loss on disposal of fixed assets, net investment return and income from SBA loan forgiveness.

#### 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

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### 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 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.

### 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.

### Revenue Recognition

The Society recognizes revenue at an amount that reflects the consideration to which the Society expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the Society satisfies a performance obligation

See Note 3 for details on how the above five-step process is applied to the Society's contracts with customers.

### 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. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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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 \$50 as of September 30, 2020 and are included in other assets on the statements of financial position. There were no gifts of property held for sale as of September 30, 2021.

### **Contributions, Including Government Grants and Contracts**

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there is not commensurate value transferred between the resource provider and the Society. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Society reports contributions 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 accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statements of financial position.

As of September 30, 2021 and 2020, there were no conditional grants and contracts.

### **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.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$64,483 and 26,233 for the years ended September 30, 2021 and 2020, respectively.

### 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 March 10, 2022, which represents the date the financial statements were available to be issued.

## NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

### Museum Operations, Program Reimbursements, Rental Operations and Museum Store Operations

The Society generates revenues through museum operations, program reimbursements, rental operations and museum store operations. Museum operations and program reimbursements revenue is derived from daily admissions to the museum as well as programs provided for artists to participate in. Rental operations revenue is derived through the Society renting out rooms and exhibits for events. Museum store operations revenue is derived from merchandise sales in the museum store.

The Society assess the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Society considers all the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The Society satisfies its performance obligations for museum operations, program reimbursements and rental operations at the point in time the service is provided, and museum store operations at the point of sale when the goods are exchanged to the customer. Revenue is recognized at a point in time when the performance obligations are satisfied. The Society recognizes revenue in accordance with the provisions of *Revenue from Contracts with Customers (ASC 606)*.

### Membership Dues

The Society enters into contracts with individuals to provide annual access to the museum. The payment terms and conditions vary based on the membership plan chosen. At contract inception, the Society assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Society considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The Society determines that the annual access is the distinct good and service and represents a single performance obligation. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is one year.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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The Society satisfies its performance obligations for membership dues evenly over the contract term, which varies based on when members join the Society. The Society requires the membership to be paid for at the start of the contract. The Society does not provide a right to a refund for the membership dues.

The opening and closing balances of the Society's deferred revenue, recorded in other liabilities on the statements of financial position, relating to membership dues are as follows:

Opening (October 1, 2019)	\$	6,320
Closing (September 30, 2020)		<u>4,608</u>
Decrease		<u>(1,712)</u>
Opening (October 1, 2020)		4,608
Closing (September 30, 2021)		<u>4,180</u>
Decrease		<u>(428)</u>

The balance of deferred revenue at September 30, 2021 and 2020 will be recognized as revenue over the period services are rendered. The Society applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

### NOTE 4 - 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 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 294,427	\$ 270,481
One to five years	107,717	391,754
Thereafter	-	109
	<u>402,144</u>	<u>662,344</u>
Less discount to net present value	(24,000)	(40,000)
Less allowance for uncollectable amounts	<u>(11,500)</u>	<u>(20,000)</u>
	<u>\$ 366,644</u>	<u>\$ 602,344</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% for the years ended September 30, 2021 and 2020.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - 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, 2021 and 2020:

#### **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.

#### **Mutual Funds**

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

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021 and 2020.

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 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, 2021 and 2020:

Description	September 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 11,887,352	\$ 11,887,352	\$ -	\$ -
Corporate bonds	2,171,156	-	2,171,156	-
U.S. Treasuries	1,457,241	1,457,241	-	-
Exchange Traded Funds	150,420	150,420	-	-
Mutual funds:				
Balanced	85,188	85,188	-	-
Privately held corporation	2,400,000	-	-	2,400,000
Total assets at fair value	18,151,357	13,580,201	2,171,156	2,400,000
Cash equivalents	835,366	835,366	-	-
Total Investments	\$ 18,986,723	\$ 14,415,567	\$ 2,171,156	\$ 2,400,000

Description	September 30, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 10,578,470	\$ 10,578,470	\$ -	\$ -
Corporate bonds	1,716,310	-	1,716,310	-
U.S. Treasuries	1,947,182	1,947,182	-	-
Mutual funds:				
Balanced	79,812	79,812	-	-
Privately held corporation	2,400,000	-	-	2,400,000
Total assets at fair value	16,721,774	12,605,464	1,716,310	2,400,000
Cash equivalents	882,634	882,634	-	-
Total Investments	\$ 17,604,408	\$ 13,488,098	\$ 1,716,310	\$ 2,400,000

There were no transfers between levels of investments during the years ended September 30, 2021 and 2020.

### 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 discount rates duration utilized in valuing this stock of this privately held corporation is deemed to be a significant unobservable input. There were no purchases or sales of the privately held corporation for the period of October 1, 2020 through September 30, 2021; therefore, the fair value of the Society's Level 3 assets has not changed.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - PROPERTY, BUILDING AND EQUIPMENT, NET

Property, building and equipment, net consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land, building and improvements	\$ 16,463,937	\$ 6,899,892
Furniture and fixtures	3,154,857	2,177,331
Construction in progress	19,304	8,349,907
	<u>19,638,098</u>	<u>17,427,130</u>
Less accumulated depreciation	<u>5,622,409</u>	<u>5,521,198</u>
Property, Building and Equipment, Net	<u>\$ 14,015,689</u>	<u>\$ 11,905,932</u>

During the year ended September 30, 2019, the museum entered into a construction agreement to renovate and expand the museum building. In February 2021, the project was completed and moved into service. The balance within construction in progress as of September 30, 2021 pertains to additional plumbing work that was completed and placed into service subsequent to year-end.

### NOTE 8 - NOTES PAYABLE

Notes payable at September 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to the U.S. Small Business Administration, bearing interest at 2.75% per annum. Monthly principal and interest payments of \$641 begin June 2021 through June 2051, secured by the property.	\$ 147,000	\$ 150,000
Note payable to the State of Connecticut's Department of Economic and Community Development. The note is noninterest bearing and is payable in full in May 2021.	-	10,000
Note payable to the U.S. Small Business Administration. The note bears interest at 1.00% over the life of the note. Monthly principal and interest payments begin January 2021 through May 2022. The note was forgiven in full during the year ended September 31, 2021.	-	10,000
Note Payable Thomaston Savings Bank. The note bears interest at 3.875% per annum for the first ten years of the loan. After the initial 10 years, the note bears interest at the Federal Home Loan Bank 10 Year Classic Advance Rate plus 1.75%. During the final seven years of the loan, the note bears interest at the Federal Home Loan Bank 7 Year Classic Advance Rate plus 1.75%. Monthly principal and interest payments of \$18,344 begin June 2021 through May 2046, secured by the property.	<u>3,472,829</u>	<u>-</u>
Total Notes Payable	<u>\$ 3,619,829</u>	<u>\$ 170,000</u>

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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Aggregate principal maturities of long-term debt in subsequent years are as follows:

### Year Ending September 30

2022	\$	88,324
2023		91,831
2024		95,120
2025		99,254
2026		103,195
Thereafter		<u>3,142,105</u>
	\$	<u><u>3,619,829</u></u>

### NOTE 9 - 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 302,885	\$ 359,053
Investments	18,986,723	17,604,408
Contributions receivable	366,644	602,344
Grants and other receivables	292,150	5,949
Total financial assets available within one year	<u>19,948,402</u>	<u>18,571,754</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors for purpose	(547,089)	(3,453,073)
Restricted by donors in perpetuity	(3,534,413)	(3,534,413)
Earnings from perpetual endowment available for expenditure	(1,312,787)	(1,296,580)
Less amounts unavailable without Board's approval:		
Board-designated funds	<u>(13,484,973)</u>	<u>(11,845,113)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 1,069,140</u>	<u>\$ (1,557,425)</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 years ended September 30, 2021 and 2020 was \$13,484,973 and \$11,845,113, respectively. 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.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - NET ASSETS

#### Net Assets Without Donor Restrictions

At September 30, 2021 and 2020, the board has designated net assets without donor restrictions for the following:

	<u>2021</u>	<u>2020</u>
Designated as endowment	\$ 8,151,495	\$ 7,129,826
Investment in property, building and equipment, net	10,795,709	7,855,868
Designated for acquisitions	<u>5,334,478</u>	<u>4,847,730</u>
Total Board-Designated Net Assets	<u>\$ 24,280,682</u>	<u>\$ 19,833,424</u>

#### Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time Purpose:	\$ 522,959	\$ 602,344
Capital Campaign	-	2,844,216
Subsequent year's operations	24,130	6,513
Unappropriated endowment earnings	1,312,787	1,296,580
Restricted in perpetuity with income restricted for:		
Operations	3,166,697	3,166,697
Acquisitions	347,216	347,216
Scholarships	<u>20,500</u>	<u>20,500</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,394,289</u>	<u>\$ 8,284,066</u>

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions during the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment in property, building and equipment	\$ 3,135,502	\$ -
Appropriation of endowment earnings	404,747	462,190
Programs	<u>6,513</u>	<u>27,046</u>
Total Net Assets Released from Restrictions	<u>\$ 3,546,762</u>	<u>\$ 489,236</u>

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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 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.

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, 2021 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	-	1,312,787	1,312,787
Board-designated endowment funds	<u>8,151,495</u>	<u>-</u>	<u>8,151,495</u>
Total	<u>\$ 8,151,495</u>	<u>\$ 4,847,200</u>	<u>\$ 12,998,695</u>

Endowment net asset composition by type of fund as of September 30, 2020 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	-	1,296,580	1,296,580
Board-designated endowment funds	<u>7,129,826</u>	<u>-</u>	<u>7,129,826</u>
Total	<u>\$ 7,129,826</u>	<u>\$ 4,830,993</u>	<u>\$ 11,960,819</u>

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2021 or 2020.

Changes in endowment net assets for the years ended September 30, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2019	\$ 6,543,288	\$ 4,823,419	\$ 11,366,707
Contributions	<u>224,335</u>	<u>-</u>	<u>224,335</u>
Investment income	629,683	219,906	849,589
Investment gains	131,819	46,036	177,855
Investment expenses	<u>(34,769)</u>	<u>(12,143)</u>	<u>(46,912)</u>
Total investment return	<u>726,733</u>	<u>253,799</u>	<u>980,532</u>
Appropriation of endowment assets for expenditure	<u>(364,530)</u>	<u>(246,225)</u>	<u>(610,755)</u>
Endowment net assets, September 30, 2020	<u>7,129,826</u>	\$ <u>4,830,993</u>	\$ <u>11,960,819</u>
Investment income	1,183,577	391,588	1,575,165
Investment gains	128,233	42,426	170,659
Investment expenses	<u>(39,474)</u>	<u>(13,060)</u>	<u>(52,534)</u>
Total investment return	<u>1,272,336</u>	<u>420,954</u>	<u>1,693,290</u>
Appropriation of endowment assets for expenditure	<u>(250,667)</u>	<u>(404,747)</u>	<u>(655,414)</u>
Endowment Net Assets, September 30, 2021	\$ <u><u>8,151,495</u></u>	\$ <u><u>4,847,200</u></u>	\$ <u><u>12,998,695</u></u>

### 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.

# THE MATTATUCK HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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.

### 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.

### NOTE 12 - PAYCHECK PROTECTION PROGRAM

On April 7, 2020, the Society received a Paycheck Protection Program (PPP) loan of \$186,400 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Management considers PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. Management considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended September 30, 2020, the Society recognized \$186,400 as contribution income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through September 30, 2020. During the fiscal year ended September 30, 2021, the Society was notified that the PPP loan as well as the \$10,000 SBA loan disclosed in Note 8 were fully forgiven.

On February 9, 2021, the Society received a Paycheck Protection Program (PPP) loan of \$187,915 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Management considers PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. Management considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended September 30, 2021, the Society recognized \$187,915 as contribution income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through September 30, 2021. On July 19, 2021, the Society was notified that the PPP loan was fully forgiven.

The forgiveness of all loans is subject to audit by the SBA for a period of six years.

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