



Charles Heaven & Co.
Certified Public Accountants

**THE MATTATUCK HISTORICAL SOCIETY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

THE MATTATUCK HISTORICAL SOCIETY

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of The Mattatuck Historical Society (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Mattatuck Historical Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mattatuck Historical Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mattatuck Historical Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mattatuck Historical Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

The financial statements for the Mattatuck Historical Society, as of September 30, 2021, were audited by CliftonLarsonAllen LLP. The opinion issued for their report dated, March 10, 2022, was unmodified.



January 3, 2023

**THE MATTATUCK HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 471,248	\$ 302,885
Investments	16,023,629	18,986,723
Contributions receivable	102,186	366,644
Grants and other receivables	84,337	292,150
Other assets	120,680	111,634
Property, building and equipment, net	<u>13,569,931</u>	<u>14,015,689</u>
Total Assets	\$ <u>30,372,011</u>	\$ <u>34,075,725</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 105,140	\$ 604,080
Other liabilities	253,748	196,477
Notes payable	<u>3,250,747</u>	<u>3,600,197</u>
Total Liabilities	<u>3,609,635</u>	<u>4,400,754</u>
Net Assets		
Without donor restrictions	21,965,337	24,280,682
With donor restrictions	<u>4,797,039</u>	<u>5,394,289</u>
Total net assets	<u>26,762,376</u>	<u>29,674,971</u>
Total Liabilities and Net Assets	\$ <u>30,372,011</u>	\$ <u>34,075,725</u>

The accompanying notes are an integral part of the financial statements

The MATTAUCK HISTORICAL SOCIETY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes						
Operating grants	\$ 317,845	\$ -	\$ 317,845	\$ 609,885	\$ 24,130	\$ 634,015
Contributions and bequests	214,433	200,000	414,433	234,418	211,901	446,319
Special events	146,002	-	146,002	202,037	-	202,037
Paycheck Protection Program	-	-	-	187,915	-	187,915
Museum operations	102,169	-	102,169	75,841	-	75,841
Membership dues	42,896	-	42,896	71,164	-	71,164
Museum store income	23,065	-	23,065	15,885	-	15,885
Rental operations	60,457	-	60,457	9,970	-	9,970
Program reimbursement	20,144	-	20,144	6,181	-	6,181
Net assets released from restrictions	533,420	(533,420)	-	3,546,762	(3,546,762)	-
Total Revenue, Support, and Other Changes	1,460,431	(333,420)	1,127,011	4,960,058	(3,310,731)	1,649,327
Expenses						
Program	2,026,465	-	2,026,465	1,818,985	-	1,818,985
General and administrative	508,197	-	508,197	444,549	-	444,549
Fundraising	222,937	-	222,937	221,547	-	221,547
Total Expenses	2,757,599	-	2,757,599	2,485,081	-	2,485,081
Income (Loss) from Operations	(1,297,168)	(333,420)	(1,630,588)	2,474,977	(3,310,731)	(835,754)
Other Changes in Net Assets						
Purchases of collection items	(66,115)	-	(66,115)	(452,560)	-	(452,560)
Employee Retention Credit	232,567	-	232,567	-	-	-
Loss on disposal of fixed assets	-	-	-	(10,900)	-	(10,900)
Investment return, net	(1,208,759)	(239,700)	(1,448,459)	2,425,741	420,954	2,846,695
Income from SBA loan forgiveness	-	-	-	10,000	-	10,000
Total Other Changes in Net Assets	(1,042,307)	(239,700)	(1,282,007)	1,972,281	420,954	2,393,235
Increase (Decrease) in Net Assets	(2,339,475)	(573,120)	(2,912,595)	4,447,258	(2,889,777)	1,557,481
Net Assets - Beginning of Year	24,280,682	5,394,289	29,674,971	19,833,424	8,284,066	28,117,490
Net Assets - End of Year	\$ 21,941,207	\$ 4,821,169	\$ 26,762,376	\$ 24,280,682	\$ 5,394,289	\$ 29,674,971

The accompanying notes are an integral part of the financial statements

**MATTATUCK HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 790,676	\$ 175,337	\$ 156,302	\$ 1,122,315
Employee benefits	118,389	19,154	17,320	154,863
Payroll taxes	62,725	14,337	12,545	89,606
Maintenance	159,293	17,699	-	176,992
Education and exhibits	147,552	-	-	147,552
Occupancy	119,382	13,264	-	132,646
Interest	-	130,470	-	130,470
Advertising and promotion	47,905	2,825	5,323	56,053
Insurance	44,867	4,985	-	49,852
Professional fees	-	33,886	-	33,886
Special events	-	-	23,247	23,247
Collections expense	27,199	-	-	27,199
Office expense	15,360	853	853	17,066
Dues	123	5,813	1,483	7,419
Printing and photography	10,338	1,148	62	11,548
Museum shop expenses	-	21,306	-	21,306
Travel	3,390	188	188	3,767
Bank fees	431	1,205	1,293	2,929
Filing Fees	12,780	2,921	2,556	18,257
Miscellaneous	-	11,020	1,765	12,785
Total expenses	<u>1,560,409</u>	<u>456,412</u>	<u>222,937</u>	<u>2,239,758</u>
Depreciation	<u>466,057</u>	<u>51,784</u>	<u>-</u>	<u>517,841</u>
Total Expenses	\$ <u><u>2,026,465</u></u>	\$ <u><u>508,197</u></u>	\$ <u><u>222,937</u></u>	\$ <u><u>2,757,599</u></u>

The accompanying notes are an integral part of the financial statements

**MATTATUCK HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Program Services	General and Administrative	Fundraising	Total
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>
Total Expenses	<u>\$ 1,818,985</u>	<u>\$ 444,549</u>	<u>\$ 221,547</u>	<u>\$ 2,485,081</u>

The accompanying notes are an integral part of the financial statements

**MATTATUCK HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
Cash Flows from Operating Activities		
Increase in net assets	\$ (2,912,595)	\$ 1,557,481
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	517,841	389,978
Loan forgiveness	-	(10,000)
Loss on disposal of property	-	10,900
Donations of securities	(913)	(10,930)
Gifts of property	(11,915)	(104,360)
Gifts accessioned to the collection	11,915	104,360
Investment gains, net	1,860,735	(2,504,497)
Contributions receivable	264,458	(178,026)
(Increase) decrease in operating assets:		
Grants and other receivables	207,813	(286,201)
Other assets	(9,046)	(69,868)
Increase (decrease) in operating liabilities:		
Accounts payable	(498,943)	(569,252)
Other liabilities	57,271	(882,586)
Net cash used in operating activities	<u>(513,379)</u>	<u>(2,553,001)</u>
Cash Flows from Investing Activities		
Acquisition of property, buildings and equipment	(72,083)	(2,510,635)
Purchase of investments	(5,082,095)	(2,334,012)
Proceeds from the sale of investments	6,185,370	3,467,124
Net cash provided (used) in investing activities	<u>1,031,192</u>	<u>(1,377,523)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	-	413,726
Repayments on notes payable	(2,349,450)	(39,370)
Proceeds from notes payable	2,000,000	3,500,000
Net cash provided (used) by financing activities	<u>(349,450)</u>	<u>3,874,356</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,363	(56,168)
Cash and Cash Equivalents - Beginning of Year	<u>302,885</u>	<u>359,053</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 471,248</u></u>	<u><u>\$ 302,885</u></u>

The accompanying notes are an integral part of the financial statements

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO THE 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 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).

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 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.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 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. There were no gifts of property held for sale as of September 30, 2022 or September 30, 2021.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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, 2022 and 2021, 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.

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 \$56,053 and \$64,483 for the years ended September 30, 2022 and 2021, respectively.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 2, 2023, 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 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). 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

THE MATTATUCK HISTORICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS (continued):

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 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, 2020)	\$ 4,608
Closing (September 30, 2021)	<u>4,180</u>
Decrease	<u>(428)</u>
Opening (October 1, 2021)	4,180
Closing (September 30, 2022)	<u>4,980</u>
Increase	<u>800</u>

The balance of deferred revenue at September 30, 2022 and 2021 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.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 65,595	\$ 294,427
One to five years	74,091	107,717
Thereafter	<u>-</u>	<u>-</u>
	139,686	402,144
Less: discount to net present value	(22,500)	(24,000)
Less: allowance for uncollectable amounts	<u>(15,000)</u>	<u>(11,500)</u>
	<u>\$ 102,186</u>	<u>\$ 366,644</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, 2022 and 2021.

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.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - FAIR VALUE MEASUREMENTS (continued):

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, 2022 and 2021:

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.

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, 2022 and 2021.

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 THE FINANCIAL STATEMENTS

NOTE 6 - FAIR VALUE MEASUREMENTS (continued):

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, 2022 and 2021:

Description	September 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 8,202,933	\$ 8,202,933	\$ -	\$ -
Corporate bonds	1,842,881	-	1,842,881	-
U.S. Treasuries	2,757,418	2,757,418	-	-
Mutual Funds:				
Balanced	46,816	46,816	-	-
Privately held corporation	2,400,000	-	-	2,400,000
Total assets at fair value	15,250,048	11,007,167	1,842,881	2,400,000
Cash equivalents	773,581	773,581	-	-
Total Investments	\$ 16,023,629	\$ 11,780,748	\$ 1,842,881	\$ 2,400,000

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

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - FAIR VALUE MEASUREMENTS (continued):

There were no transfers between levels of investments during the years ended September 30, 2022 and 2021.

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, 2021 through September 30, 2022; therefore, the fair value of the Society's Level 3 assets has not changed.

NOTE 7 - PROPERTY, BUILDING AND EQUIPMENT, NET

Property, building and equipment, net consist of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land, building, and improvements	\$ 16,484,060	\$ 16,463,937
Furniture and fixtures	3,188,778	3,154,857
Construction in progress	<u>12,000</u>	<u>19,304</u>
	19,684,838	19,638,098
Less: accumulated depreciation	<u>6,114,907</u>	<u>5,622,409</u>
Property, Building, and Equipment, Net	<u>\$ 13,569,931</u>	<u>\$ 14,015,689</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, 2022 pertains to a new air handling system that was completed and placed into service subsequent to year end.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE

Notes payable at September 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</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. Which was refinanced to the U.S. Small Business Administration. The note bears interest at 2.75% over the life of the note. Monthly principal and interest payments of \$8,647 begin October 2022 through October 2052.	\$ 1,993,304	\$ 147,000
Note payable to 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>1,257,443</u>	<u>3,472,829</u>
Total Note Payable	<u>\$ 3,250,747</u>	<u>\$ 3,619,829</u>

**THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 - NOTES PAYABLE (continued):

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

Year Ending September 30

2023	\$	136,662
2024		137,844
2025		139,339
2026		140,763
2027		142,243
Thereafter		<u>2,553,896</u>
	\$	<u><u>3,250,747</u></u>

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 471,248	\$ 302,885
Investments	16,023,629	18,986,723
Contributions receivable	102,186	366,644
Grants and other receivables	<u>84,337</u>	<u>292,150</u>
Total financial assets available within one year	16,681,400	19,948,402
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors for purpose	-	(547,089)
Restricted by donors in perpetuity	(3,534,413)	(3,534,413)
Earnings from perpetual endowment available for expenditure	(1,262,626)	(1,312,787)
Less: amounts unavailable without Board's approval:		
Board-designated funds	<u>(11,506,467)</u>	<u>(13,484,973)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u><u>377,894</u></u>	\$ <u><u>1,069,140</u></u>

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES (continued):

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, 2022 and 2021 was \$11,506,467 and \$13,484,973, 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.

NOTE 10 - NET ASSETS

Net Assets Without Donor Restrictions

At September 30, 2022 and 2021, the board has designated net assets without donor restrictions for the following:

	<u>2022</u>	<u>2021</u>
Designated as endowment	\$ 6,748,273	\$ 8,151,495
Investment in property, building, and equipment, net	10,458,870	10,795,709
Designated for acquisitions	<u>4,758,194</u>	<u>5,333,478</u>
Total Board-Designated Net Assets	<u>\$ 21,965,337</u>	<u>\$ 24,280,682</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time	\$ -	\$ 522,959
Purpose:		
Subsequent year's operations	-	24,130
Unappropriated endowment earnings	1,262,626	1,312,787
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>\$ 4,797,039</u>	<u>\$ 5,394,289</u>

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - NET ASSETS (continued):

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions during the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Invested in property, building, and equipment	\$ -	\$ 3,135,502
Appropriation of endowment earnings	557,550	404,747
Programs	<u>-</u>	<u>6,513</u>
Total Net Assets Released from Restriction	<u>\$ 557,550</u>	<u>\$ 3,546,762</u>

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 Uniform Connecticut Prudent Management of Institutional Funds Act (CTUPMIFA) 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 CTUPMIFA, 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 THE FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT (continued):

Endowment net asset composition by type of fund as of September 30, 2022 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	-	1,262,626	1,262,626
Board-designated endowment funds	<u>6,748,273</u>	<u>-</u>	<u>6,748,273</u>
Total	<u>\$ 6,748,273</u>	<u>\$ 4,797,039</u>	<u>\$ 11,545,312</u>

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>

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 CTUPMIFA 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. The Chase Archives Fund had a deficiency of \$12,792 as of September 30, 2022 and there were no deficiencies in 2021.

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT (continued):

Changes in endowment net assets for the years ended September 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2020	\$ 7,129,826	\$ 4,830,993	\$ 11,960,819
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	\$ 8,151,495	\$ 4,847,200	\$ 12,998,695
Contributions	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Investment income	150,654	109,095	259,749
Investment gains	(950,391)	(323,543)	(1,273,934)
Investment expenses	<u>(34,872)</u>	<u>(25,252)</u>	<u>(60,124)</u>
Total investment return	<u>(834,609)</u>	<u>(239,700)</u>	<u>(1,074,309)</u>
Appropriation of endowment assets for expenditure	<u>(568,613)</u>	<u>(10,461)</u>	<u>(579,074)</u>
Endowment net assets, September 30, 2022	\$ 6,748,273	\$ 4,797,039	\$ 11,545,312

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 THE FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT (continued):

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 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. 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.

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

THE MATTATUCK HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE RETENTION CREDIT

In March 2020, the Employee Retention Credit (“ERC”) was introduced as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to incentivize employers to retain employees during the pandemic by offering a refundable tax credit against employment taxes. When conditions are met, a not-for-profit entity is required to record the income as revenue. Subtopic 958-605 does not permit an entity to net the grant against qualifying costs. As of September 30, 2022 the Mattatuck Historical society recognized \$232,567 as the Employee Retention Credit, and is classified as Other Changes of Net Assets on the Statement of Activities.

NOTE 14 – ADOPTION OF NEW ACCOUNTING STANDARDS

In June 2020, FASB issued Accounting Standards Update (ASU) 2020-05, which provided nonpublic entities and not-for-profits (NFP) additional time to implement Accounting Standards Codification (ASC) 842, *Leases*. The new model applies to all leases, including subleases of property, plant, and equipment (PP&E), with some specific exclusions. FASB has updated the definition of a lease such that a lease is only present when a contract—or part of a contract—conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under this standard, a lessee is required to recognize a right-to-use asset and a corresponding lease liability.

Effective October 1, 2021, the Society adopted the requirements of the guidance and has applied the provisions of this standard to the beginning of the period of adoption. The Society does not have any right-to-use lease assets and related lease liabilities to report.