

New Hampshire Historical Society

Financial Statements and Supplementary Information

*For the Year Ended September 30, 2021, With Comparative
Information for the Year Ended September 30, 2020
With Independent Auditors' Report*

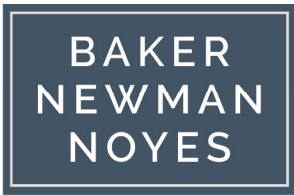
NEW HAMPSHIRE HISTORICAL SOCIETY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Hampshire Historical Society

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Historical Society (the Society), which comprise the statement of financial position as of September 30, 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

To the Board of Trustees
New Hampshire Historical Society

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Historical Society as of September 30, 2021, and its activities, changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter and Report on Summarized Comparative Information

The financial statements of New Hampshire Historical Society as of and for the year ended September 30, 2020 were audited by other auditors, whose report, dated March 11, 2021 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein and supplementary information referred to below as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2021 financial statements as a whole. The supplementary schedules of Democracy Project Activity is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 2021 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 information is fairly stated in all material respects in relation to the 2021 financial statements as a whole.

Baku Newman & Noyes LLC

Manchester, New Hampshire
May 11, 2022

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<u>ASSETS</u>	
Current assets:		
Cash	\$ 606,532	\$ 432,193
Accounts receivable	36,676	930
Contributions receivable, net of allowance for doubtful accounts of \$1,804	16,038	16,238
Inventory	-	8,931
Prepaid expenses	<u>65,918</u>	<u>71,993</u>
Total current assets	725,164	530,285
Property and equipment, net	4,054,657	4,355,858
Investments and other assets:		
Investments	19,638,504	16,798,669
Beneficial interest in a trust	2,010,003	1,774,791
Charitable remainder unitrust	676,000	610,820
Cash surrender value of life insurance	<u>60,069</u>	<u>60,069</u>
Total assets	<u>\$27,164,397</u>	<u>\$24,130,492</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Current maturities of long-term debt	\$ -	\$ 25,321
Accounts payable	17,282	47,509
Accrued expenses	88,500	74,601
Deferred revenue	22,190	13,426
Current portion of charitable remainder unitrust payable	<u>33,800</u>	<u>30,541</u>
Total current liabilities	161,772	191,398
Long-term liabilities:		
Long-term debt, less current maturities	-	28,520
Paycheck Protection Program loans	208,301	208,300
Charitable remainder unitrust payable, less current portion	<u>84,305</u>	<u>90,859</u>
Total liabilities	454,378	519,077
Net assets:		
Without donor restrictions:		
Undesignated	4,402,210	4,264,553
Designated	<u>10,946,352</u>	<u>9,499,741</u>
Total net assets without donor restrictions	15,348,562	13,764,294
With donor restrictions	<u>11,361,457</u>	<u>9,847,121</u>
Total net assets	<u>26,710,019</u>	<u>23,611,415</u>
Total liabilities and net assets	<u>\$27,164,397</u>	<u>\$24,130,492</u>

See accompanying notes.

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenues:				
Contributed support:				
Contributions and memberships	\$ 349,369	\$ –	\$ 349,369	\$ 341,564
Grants, gifts, and fundraising	–	152,719	152,719	354,288
Contributed goods and services	<u>50,984</u>	<u>–</u>	<u>50,984</u>	<u>85,872</u>
Total contributed support	400,353	152,719	553,072	781,724
Earned revenues:				
Earned income and special events	45,973	–	45,973	46,246
Rental income, net	<u>212,411</u>	<u>–</u>	<u>212,411</u>	<u>207,477</u>
Total earned revenues	258,384	–	258,384	253,723
Investment income:				
Trust income (Kimball, Watson, Hubbard)	129,440	–	129,440	118,094
Other investment income	<u>162</u>	<u>–</u>	<u>162</u>	<u>288</u>
Total investment income	<u>129,602</u>	<u>–</u>	<u>129,602</u>	<u>118,382</u>
Total revenues	788,339	152,719	941,058	1,153,829
Net assets released from restrictions:				
Endowment support made available for operations	448,974	348,643	797,617	787,364
For satisfaction of program restrictions	199,089	(199,089)	–	–
Release of current year endowment draw	<u>348,643</u>	<u>(348,643)</u>	<u>–</u>	<u>–</u>
Total net assets released from restrictions	996,706	(199,089)	797,617	787,364
Expenses:				
Program service expenses:				
Library	445,614	–	445,614	512,447
Museum	254,272	–	254,272	282,138
Democracy project	241,910	–	241,910	255,434
Education	215,465	–	215,465	186,007
Exhibitions	91,558	–	91,558	159,441
Publications	137,561	–	137,561	98,591
Museum store	<u>17,565</u>	<u>–</u>	<u>17,565</u>	<u>21,673</u>
Total program service expenses	1,403,945	–	1,403,945	1,515,731

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Supporting services and general expenses:				
Administration	\$ 318,344	\$ —	\$ 318,344	\$ 302,146
Membership, development, and public relations	241,926	—	241,926	259,408
Buildings, grounds, and security	<u>60,741</u>	<u>—</u>	<u>60,741</u>	<u>62,016</u>
Total supporting services and general expenses	<u>621,011</u>	<u>—</u>	<u>621,011</u>	<u>623,570</u>
Total expenses	<u>2,024,956</u>	<u>—</u>	<u>2,024,956</u>	<u>2,139,301</u>
Decrease in net assets from operating activities	(239,911)	(46,370)	(286,281)	(198,108)
Non-operating activities:				
Revenues and other support:				
Gifts and fundraising	—	31,660	31,660	249,600
Gain from extinguishment of debt (Paycheck Protection Program Loan)	<u>209,641</u>	<u>—</u>	<u>209,641</u>	<u>—</u>
Total revenues and other support	209,641	31,660	241,301	249,600
Investment return:				
Realized and unrealized investment gains	1,918,977	1,602,230	3,521,207	364,352
Investment expenses	(70,255)	(33,101)	(103,356)	(90,607)
Investment income	214,790	102,387	317,177	386,385
Change in present value of charitable remainder unitrust	—	(29,039)	(29,039)	(13,228)
Change in value of beneficial interest in a trust	<u>—</u>	<u>235,212</u>	<u>235,212</u>	<u>(26,342)</u>
Total investment return	2,063,512	1,877,689	3,941,201	620,560
Endowment draw for operations	<u>(448,974)</u>	<u>(348,643)</u>	<u>(797,617)</u>	<u>(787,364)</u>
Total non-operating changes	<u>1,824,179</u>	<u>1,560,706</u>	<u>3,384,885</u>	<u>82,796</u>
Increase (decrease) in net assets	1,584,268	1,514,336	3,098,604	(115,312)
Net assets, beginning of year	<u>13,764,294</u>	<u>9,847,121</u>	<u>23,611,415</u>	<u>23,726,727</u>
Net assets, end of year	<u>\$15,348,562</u>	<u>\$11,361,457</u>	<u>\$26,710,019</u>	<u>\$23,611,415</u>

See accompanying notes.

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

	2021							Supporting Services and General Expenses			2020 Total	
	Program Service Expenses							Admin- istration	Membership Develop- ment and Public Relations	Buildings Grounds and Security		Total
	Library	Museum	Democracy Project	Education	Exhibitions	Publications	Museum Store					
Salary and benefits	\$ 202,227	\$ 108,552	\$ 128,079	\$ 84,097	\$ 37,336	\$ 37,639	\$ –	\$ 212,049	\$ 183,159	\$ 45,556	\$1,038,694	\$1,073,541
Depreciation expense	77,629	29,020	97,339	64,900	16,645	4,094	–	6,499	4,220	–	300,346	365,643
Communications expense	55,737	28,068	–	35,041	–	8,029	831	21,252	17,471	10,705	177,134	203,065
Contracted services	35,883	11,137	13,302	3,058	17,768	20,781	–	52,077	11,178	–	165,184	151,600
Utilities	51,005	33,908	–	–	–	–	–	–	–	–	84,913	74,110
Publications HNH	–	–	–	–	–	14,515	–	–	–	–	14,515	43,267
Miscellaneous	7,184	825	1,895	2,338	2,799	1,944	14,361	10,230	(458)	45	41,163	43,441
Acquisitions	24,462	6,514	–	–	–	–	–	2,332	–	–	33,308	36,593
Conservation	3,183	26,073	–	–	–	–	–	–	–	–	29,256	29,132
Supplies	3,435	751	99	2,936	307	198	33	731	684	–	9,174	28,607
Building rent	2,593	18,584	–	–	–	1,238	780	2,683	–	4,435	30,313	27,959
Insurance	9,938	7,656	–	–	1,218	–	–	6,958	–	–	25,770	24,124
Postage and shipping	235	173	250	2,242	17	2,361	877	827	7,141	–	14,123	17,517
Facilities repairs and maintenance	10,635	8,470	–	–	–	–	–	–	–	–	19,105	16,763
Printing and photography	–	–	644	1,611	–	42,549	–	–	8,343	–	53,147	16,355
Bank charges	732	72	–	343	134	48	683	308	6,901	–	9,221	8,456
Food, beverages and catering	–	–	302	2,061	202	2,094	–	239	–	–	4,898	5,173
Bad debt recovery	–	–	–	–	–	–	–	–	–	–	–	(2,466)
Facilities expense allocation	(39,264)	(25,531)	–	16,838	15,132	2,071	–	2,159	3,287	–	(25,308)	(23,579)
Total	\$ 445,614	\$ 254,272	\$ 241,910	\$ 215,465	\$ 91,558	\$137,561	\$ 17,565	\$ 318,344	\$ 241,926	\$ 60,741	\$2,024,956	\$2,139,301

See accompanying notes.

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 3,098,604	\$ (115,312)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	338,801	403,144
Bad debt recovery	—	(2,466)
Realized and unrealized investment gains	(3,521,207)	(364,353)
Gain on extinguishment of Paycheck Protection Program loan	(209,641)	—
(Increase) decrease in value of beneficial interest in a trust	(235,212)	26,342
Increase in cash surrender value of life insurance	—	(2,956)
Restricted gifts and bequests	(123,447)	(173,504)
Decrease in charitable remainder unitrust payable	(3,295)	(18,957)
Decrease in inventory	8,931	15,410
Decrease in prepaid expenses	6,075	8,041
(Increase) decrease in accounts receivable	(35,746)	24,457
Decrease in accounts payable and accrued expenses	(14,787)	(6,954)
Increase in deferred revenue	<u>8,764</u>	<u>2,206</u>
Net cash used in operating activities	(682,160)	(204,902)
Cash flows from investing activities:		
Proceeds from sales of investments	2,072,445	2,579,517
Purchases of investments	(1,364,466)	(2,380,543)
Purchases of property and equipment	<u>(37,600)</u>	<u>(198,600)</u>
Net cash provided by investing activities	670,379	374
Cash flows from financing activities:		
Repayments of long-term debt	(53,841)	(24,366)
Paycheck Protection Program funds received	208,301	208,300
Restricted gifts and bequests	<u>31,660</u>	<u>249,600</u>
Net cash provided by financing activities	<u>186,120</u>	<u>433,534</u>
Net increase in cash	174,339	229,006
Cash, beginning of year	<u>432,193</u>	<u>203,187</u>
Cash, end of year	<u>\$ 606,532</u>	<u>\$ 432,193</u>

See accompanying notes.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

1. Nature of Activities and Program Services

The New Hampshire Historical Society (the Society) is a voluntary not-for-profit organization incorporated under the laws of the State of New Hampshire and organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The purpose of the Society is to educate a diverse public about the significance of New Hampshire's past and its relationship to our lives today. In support of this mission, the Society collects, preserves and interprets materials pertaining to New Hampshire history. The Society operates a library, museum, and rental real estate property, all located in Concord, New Hampshire. The Society's current programs include the following:

Library and Museum: The Society collects and preserves the most extensive collection of objects, books, manuscripts, and images related to New Hampshire history that can be found anywhere. These collections offer the most complete picture available of the social, economic, political, and cultural history of New Hampshire over nearly four centuries.

Education: The Society offers a diverse range of educational programs, including research services, exhibitions, publications, school programs, public programs, technical services, and support of local historical societies. The Society's website and online collections catalog provide broad access to information on library, archival, and museum collections. The Society also provides the New Hampshire History Network (NHHN), a digital gateway that provides centralized access to New Hampshire's history and historical collections through partnerships with local historical societies and other collecting institutions. In 2017, the Society launched "The Democracy Project: Renewing History and Civics Education in New Hampshire Schools," an educational initiative to address the growing knowledge deficit in the areas of history and civics.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

2. Significant Accounting Policies (Continued)

Revenue, Other Support and Accounts Receivable

Grants and other contributions of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions. Donations received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions.

Contributions of donated noncash assets (other than permanent collection contributions) are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Revenues from the museum, retail sales, and other program services are recognized when performance obligations are satisfied. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations. Board-designated net assets are considered net assets without donor restrictions. When donor restrictions are met in the same period the resources are received, the receipts are classified as net assets without donor restrictions.

With Donor Restrictions: Net assets subject to donor-imposed stipulations include contributions and investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be met by actions of the Society and/or the passage of time. Other donor-imposed restrictions are perpetual in nature. Generally, the donors of the assets permit the recipient organization to use all or part of the income earned on related investments for general or specific purposes. 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 statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash held in its investment portfolio.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

2. Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional contributions receivable are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Society elected the fair value option in accordance with generally accepted accounting principles. Conditional promises to give are not included in the financial statements. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the receivable balances. It is the Society's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance for doubtful accounts at September 30, 2021 and 2020 amounted to \$1,804.

Advertising

The Society expenses all advertising costs as incurred. Advertising amounted to \$1,229 and \$460 for the years ended September 30, 2021 and 2020, respectively.

Inventory

Inventory is valued at the lower of cost or net realizable value, on the first-in, first-out basis (FIFO), and consists of books and gifts for sale in the Society's online store.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance has been recorded as all receivables are considered collectible at September 30, 2021 and 2020.

Investments

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Other investments are reflected at net asset value as reported by the investment manager and may differ from the values that would have been reported had a ready market for these securities existed. The Society reviews and evaluates the values provide by the investment managers and agrees with the valuation methods and assumptions used in determining fair value. Investments are carried at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

2. Significant Accounting Policies (Continued)

Investment Pools and Spending Policies

The Society maintains five investment accounts for its donor-restricted and board-designated endowments. The Society establishes a spending limit based on a total return policy of utilizing income from the Society's pooled investment portfolio. Under this policy, the Board of Trustees sets the spending limit for the upcoming year based on anticipated long-term yields. For the year ended September 30, 2021, the spending limit was based on 5% of the average fair value of the investment portfolio determined over a five-year period.

Property and Equipment

Maintenance, repairs, and minor renewals are expensed as incurred. Purchases, renewals, and betterments in excess of \$2,000 are capitalized. Provision for depreciation is made using the straight-line method by annual charges calculated to absorb the costs over the following estimated useful lives:

	<u>Years</u>
Building improvements	5 – 39
Buildings	39 – 50
Equipment fixtures	3 – 20
Land improvements, parking lots	2 – 20
Permanent exhibit	3 – 5
Website and software	3 – 5

Depreciation expense amounted to \$338,801 and \$403,144, of which \$38,455 and \$37,501 is included in rental expenses at September 30, 2021 and 2020, respectively.

Income Taxes

The Society is a not-for-profit organization exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation; however, certain unrelated business income is subject to federal taxation. For the year ended September 30, 2021, there was no liability for a tax on unrelated business income.

The Society has adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Accordingly, management has evaluated the Society's tax positions and concluded the Society had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Society is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before 2018.

Deferred Revenue

Deferred revenue consists of prepaid tenant rent and program revenue and remains as a liability at year-end until the revenue is earned.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

2. Significant Accounting Policies (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (U.S. GAAP). Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated based on estimates of time and effort and the square footage used by the various functional areas.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Society expects to be entitled in exchange for those goods and services. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. In June 2020, the FASB deferred the effective date of this standard for one year for certain entities that have not yet issued their financial statements. This standard is effective for the Society for the year ended September 30, 2021. The adoption did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, Topic 842. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. In June 2020, the FASB deferred the effective date for this standard for one year for certain entities that have not yet issued their financial statements. This standard will be effective for the Society for the year ended September 30, 2023, with early adoption permitted. The Society is currently finalizing the impact of the pending adoption of ASU 2016-02 on the financial statements but does not expect adoption will have a significant impact on the Society's financial statements.

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NOTES TO FINANCIAL STATEMENTS

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2. Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The recent COVID-19 outbreak has negatively impacted the ability of the Society to engage in traditional business activities in areas affected by COVID-19, including the closure of exhibitions and the library for a period of time. As a result, the spread of COVID-19 has adversely affected the Society's financial condition and results of operations. At the current time, the Society is unable to quantify the potential effects of this pandemic on future operating results.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through May 11, 2022, which is the date the financial statements were available to be issued.

3. Investments

The fair value of the Society's investments at September 30 was comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 289,545	\$ 541,253
Equities:		
Common stocks	17,134,358	12,590,347
Private equities	1,351,567	1,233,083
Fixed income corporate and government bonds	810,541	2,367,053
Alternative investments	<u>52,493</u>	<u>66,933</u>
Total	<u>\$19,638,504</u>	<u>\$16,798,669</u>

Investment return for September 30 is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2021</u>			
Realized and unrealized gains	\$ 1,918,977	\$ 1,602,230	\$ 3,521,207
Investment expenses	(70,255)	(33,101)	(103,356)
Investment income, dividends and interest	<u>214,790</u>	<u>102,387</u>	<u>317,177</u>
	<u>\$2,063,512</u>	<u>\$1,671,516</u>	<u>\$3,735,028</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

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3. Investments (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020</u>			
Realized and unrealized gains	\$ 266,671	\$ 97,681	\$ 364,352
Investment expenses	(62,188)	(28,419)	(90,607)
Investment income, dividends and interest	<u>267,900</u>	<u>118,484</u>	<u>386,384</u>
	<u>\$ 472,383</u>	<u>\$ 187,746</u>	<u>\$ 660,129</u>

4. Endowment Funds and Net Assets

The Society adheres to the *Other Presentation Matters* section of the *Presentation of Financial Statements for Not-for-Profit Organizations* topic of ASC 958-205-45. ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Society adopted ASC 958-205-45 for the year ended September 30, 2009. The Society's endowment consists of 50 named funds established for specific educational or program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society has interpreted UPMIFA as allowing the Society to appropriate for expenditure or accumulate so much of an endowment fund as the Society determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of the interpretation, the Society classifies as net assets with donor restrictions (permanently restricted) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (permanently restricted) is classified as net assets with donor restrictions (temporarily restricted) until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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4. Endowment Funds and Net Assets (Continued)

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the investment policies of the Society.

Investment Return Objectives, Risk Parameters and Strategies: 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 funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a total return sufficient to ensure that capital is preserved and enhanced over time, both in real and nominal terms, while providing a dependable source of liquid financial assets for the Society’s current operations and programs. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to provide for an annual distribution of 5% to 6%, while growing the funds if possible. Therefore, the Society expects its endowment assets, over time, to produce an average rate of return in excess of 5% to 6%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Society has a policy of appropriating for distribution each year 5% to 6% of its endowment fund’s average market value of the pooled investment portfolio of the twenty prior quarters through the second calendar quarter preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society expects the current spending policy to allow its endowment funds to grow at a nominal average rate consistent with the Society’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2021</u>			
Donor-restricted endowment fund	\$ —	\$8,569,141	\$ 8,569,141
Board-designated endowment funds	<u>11,069,363</u>	<u>—</u>	<u>11,069,363</u>
Total	<u>\$11,069,363</u>	<u>\$8,569,141</u>	<u>\$19,638,504</u>
<u>2020</u>			
Donor-restricted endowment fund	\$ —	\$7,330,534	\$ 7,330,534
Board-designated endowment funds	<u>9,468,135</u>	<u>—</u>	<u>9,468,135</u>
Total	<u>\$ 9,468,135</u>	<u>\$7,330,534</u>	<u>\$16,798,669</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

4. Endowment Funds and Net Assets (Continued)

Changes in endowment net assets are as follows for the years ended September 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2021</u>			
Endowment net assets, beginning of year	\$ 9,468,135	\$ 7,330,534	\$16,798,669
Investment return:			
Investment income	167,976	130,044	298,020
Net appreciation (realized and unrealized)	<u>1,882,226</u>	<u>1,457,206</u>	<u>3,339,432</u>
Total investment return	2,050,202	1,587,250	3,637,452
Appropriation of endowment assets for expenditure	<u>(448,974)</u>	<u>(348,643)</u>	<u>(797,617)</u>
Endowment net assets, end of year	<u>\$11,069,363</u>	<u>\$8,569,141</u>	<u>\$19,638,504</u>
<u>2020</u>			
Endowment net assets, beginning of year	\$ 9,464,625	\$ 7,147,494	\$16,612,119
Investment return:			
Investment income	263,882	158,500	422,382
Net appreciation (realized and unrealized)	<u>160,096</u>	<u>118,621</u>	<u>278,717</u>
Total investment return	423,978	277,121	701,099
Contributions	28,715	244,100	272,815
Appropriation of endowment assets for expenditure	<u>(449,183)</u>	<u>(338,181)</u>	<u>(787,364)</u>
Endowment net assets, end of year	<u>\$ 9,468,135</u>	<u>\$7,330,534</u>	<u>\$16,798,669</u>

5. Fair Value Measurements

The *Fair Value Measurements* topic of ASC 820-10 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair-value measurements. ASC 820-10 is effective for all financial and non-financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring basis.

In addition to defining fair value, ASC 820-10 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

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5. Fair Value Measurements (Continued)

Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets, certificates of deposit and certain money market accounts. The Society has valued its investments, listed on national exchanges at the last sales prices as of the day of valuation.

Level 2 – inputs based upon prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

Financial assets carried at fair value on a recurring basis consist of the following at September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2021</u>				
Assets:				
Investments:				
Money market funds	\$ 289,545	\$ –	\$ –	\$ 289,545
Equities:				
Common stock	17,134,358	–	–	17,134,358
Fixed income:				
Corporate and government bonds	<u>810,541</u>	<u>–</u>	<u>–</u>	<u>810,541</u>
	18,234,444	–	–	18,234,444
Alternative investments	52,493	–	–	52,493
Charitable remainder unitrust:				
Cash and money market funds	31,582	–	–	31,582
Equities:				
Common stock	436,892	–	–	436,892
Mutual funds	28,847	–	–	28,847
Mutual funds	<u>178,679</u>	<u>–</u>	<u>–</u>	<u>178,679</u>
Total charitable remainder unitrust	676,000	–	–	676,000
Beneficial interest in a trust	<u>–</u>	<u>–</u>	<u>2,010,003</u>	<u>2,010,003</u>
Total assets	<u>\$18,962,937</u>	<u>\$–</u>	<u>\$2,010,003</u>	<u>\$20,972,940</u>

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NOTES TO FINANCIAL STATEMENTS

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5. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Charitable remainder unitrust payable	\$ <u> —</u>	\$ <u> —</u>	\$ <u>118,105</u>	\$ <u>118,105</u>
Total liabilities	\$ <u> —</u>	\$ <u> —</u>	\$ <u>118,105</u>	\$ <u>118,105</u>
Investments measured using net asset value:				
Pooled equity				\$ <u>1,351,567</u>
Total				\$ <u>1,351,567</u>
<u>2020</u>				
Assets:				
Investments:				
Money market funds	\$ 541,253	\$ —	\$ —	\$ 541,253
Equities:				
Common stock	12,590,347	—	—	12,590,347
Fixed income:				
Corporate and government bonds	<u>2,367,053</u>	<u> —</u>	<u> —</u>	<u>2,367,053</u>
	15,498,653	—	—	15,498,653
Charitable remainder unitrust:				
Cash and money market funds	60,609	—	—	60,609
Equities:				
Common stock	402,692	—	—	402,692
Mutual funds	21,518	—	—	21,518
Mutual funds	<u>126,001</u>	<u> —</u>	<u> —</u>	<u>126,001</u>
Total charitable remainder unitrust	610,820	—	—	610,820
Beneficial interest in a trust	<u> —</u>	<u> —</u>	<u>1,774,791</u>	<u>1,774,791</u>
Total assets	<u>\$16,109,473</u>	<u>\$ —</u>	<u>\$1,774,791</u>	<u>\$17,884,264</u>
Liabilities:				
Charitable remainder unitrust payable	\$ <u> —</u>	\$ <u> —</u>	\$ <u>121,400</u>	\$ <u>121,400</u>
Total liabilities	\$ <u> —</u>	\$ <u> —</u>	\$ <u>121,400</u>	\$ <u>121,400</u>
Investments measured using net asset value:				
Pooled equity				\$ 1,233,083
Private real estate				<u>66,933</u>
Total				\$ <u>1,300,016</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
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5. Fair Value Measurements (Continued)

All assets and liabilities have been valued using a market or income approach that has been consistently applied. The marketable approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

6. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Pledges expected to be received beyond one year are recognized at fair value using present value techniques and a discount rate of 3%.

Unconditional promises to give are expected to be realized in the following periods as of September 30, 2021:

In one year or less	\$ 17,842
Allowance for uncollectible contributions receivable	<u>(1,804)</u>
Total	<u>\$ 16,038</u>

Approximately 25% of total contributions receivable, or \$4,500, represents promises to give by board members or employees at September 30, 2021. Approximately 45% of total contributions receivable, or \$8,100, represents promises to give by board members or employees at September 30, 2020.

7. Unemployment Compensation

The Society has elected not to participate in the New Hampshire Unemployment Compensation Fund. The Society participates in a self-insured plan. As such, the Society is liable to pay any benefits in excess of its reserve to terminated employees who would have otherwise been eligible for unemployment benefits from the State of New Hampshire. The reserve fund balance is recorded as a prepaid expense on the statement of financial position. As of September 30, 2021 and 2020, the unemployment fund balance amounted to \$18,473 and \$16,476, respectively.

NEW HAMPSHIRE HISTORICAL SOCIETY

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8. Property and Equipment

Property and equipment, at cost, as of September 30, 2021 is comprised as follows:

	Property Used in <u>Operations</u>	Rental <u>Property</u>	<u>Total</u>
Building improvements	\$ 5,166,987	\$ 1,172,851	\$ 6,339,838
Buildings	550,115	305,600	855,715
Equipment fixtures	901,947	–	901,947
Land improvements, parking lots	63,473	324,689	388,162
Permanent exhibit	247,100	–	247,100
Website and software	861,757	–	861,757
Land	<u>–</u>	<u>200,000</u>	<u>200,000</u>
	7,791,379	2,003,140	9,794,519
Less: accumulated depreciation	<u>(4,695,564)</u>	<u>(1,044,298)</u>	<u>(5,739,862)</u>
Property and equipment, net	<u>\$ 3,095,815</u>	<u>\$ 958,842</u>	<u>\$ 4,054,657</u>

It has been determined by management the “Land” allocation for property used in operations may have originally had no material cost at acquisition, and therefore has no material cost separate from the buildings constructed on the land.

9. Designated Net Assets

The Board’s designated funds are comprised of the principal and/or earnings from certain gifts and bequests to be used as directed by the board for specific educational or program purposes, rather than the donor’s intent at contribution for general operations.

NEW HAMPSHIRE HISTORICAL SOCIETY

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9. Designated Net Assets (Continued)

The Society's Board-designated net assets at September 30, 2021 are comprised as follows:

<u>Operations designations:</u>		<u>Purpose</u>	
Plant fund operating cash		Major repairs to buildings	\$ 31,624
 <u>Designated funds for Endowment:</u>			
General Fund		General operations	6,743,187
Katharine Prentis Murphy Fund		Museum acquisitions/conservation	1,830,322
Bequests Fund under \$100k		General operations	572,951
June Campbell Hoyt Fund		General operations	544,834
The Donald A. and Joan L. Dunlap			
Gift Annuity		General operations	436,663
Library collections, care and acquisitions		Library acquisitions/conservation	199,583
Publications Fund		Costs of publications	164,243
Elizabeth M. Hoyt Fund		General operations	97,956
John L. Frisbee Education Fund		Educational programs/services	86,067
Plant Fund		Major repairs to buildings	70,468
Jessie H. Rablin Fund		General operations	59,078
Museum collections, care and acquisitions		Museum acquisitions/conservation	50,249
Library collections, Stewardship Fund		Library operations	55,017
Museum collections, Stewardship Fund		Museum operations	<u>4,150</u>
 Total designated net assets			 <u>\$10,946,392</u>

10. Net Assets with Donor Restrictions

The Society's net assets with donor restrictions are for the following purposes or periods as follows at September 30, 2021:

Subject to expenditure for specified purpose or period:		
Contributions receivable, net		\$ 11,154
Charitable remainder trust		557,895
Library		87,691
Museum		74,977
Democracy project		9,175
Capital campaign		23,025
Publications education		10,061
Education		5,025
Admin		<u>3,310</u>
 Total subject to expenditure for specified purpose or period		 782,313

NEW HAMPSHIRE HISTORICAL SOCIETY

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10. Net Assets with Donor Restrictions (Continued)

Endowments subject to the Society's spending policy and appropriation:

Investments in perpetuity (original amounts of \$6,813,729 in 2021),

which once appropriated, is expendable to support:

Beneficial interest in trusts	\$ 2,010,003
Edith Shepard Freeman/Margaret H. Jewell Fund	2,229,236
Stanley A. Hamel Funds	1,960,985
John L. Frisbee Education Fund	1,282,076
William C. Todd Fund	389,055
Life Memberships Fund	309,629
John W. Harris Fund	273,992
The Donald A. and Joan L. Dunlap Tuck Library Fund	268,004
Ruth E. Pearson Fund	182,850
Mary H. Woodbury Fund	158,732
Evelyn P. and Noah J. Arell Fund	156,632
Natalie Hoyt Fund	135,473
Asa Currier Tilton Fund	120,424
Anonymous	111,247
Perry-Dudley Family Archive and Shepard Collection Fund	95,032
Charles S. Parsons Fund	92,944
Frances M. Heald Fund	75,551
George F. Sawyer Memorial Fund	73,103
Philip B. and Nelle L. Holmes Fund	71,687
Bequests Fund	65,229
Concord Clock Tower Fund	64,926
Duncan S. McGowan Memorial Fund	57,643
Capital Campaign Restricted	50,328
Leonard K. Dodge Fund	45,202
Edward C. and Elizabeth F. Lathem Fund	41,169
Robert O. Wilson, D.D.S., Historical Research Fund	39,372
David G. and Barbara J. Stahl Fund	38,378
Lane Dwinell Fund	34,956
Annalee Thorndike Fund	33,142
Raymond S. Vaughan Baseball Fund	32,317
Jere R. Daniell Publications Fund	30,089
Roger F. Woodman Fund	27,986
Mary W. Vaughan Fund	14,720
Edith W. Atkins Fund	<u>7,032</u>

Total net assets with donor restrictions

\$11,361,457

NEW HAMPSHIRE HISTORICAL SOCIETY

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Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

11. Liquidity and Availability of Resources

The following reflects the Society's financial assets as of September 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of this date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of September 30, 2021 have not been subtracted as unavailable.

Cash	\$ 606,532
Accounts receivable	36,676
Contributions receivable, net	16,038
Investments	19,638,504
Beneficial interest in a trust	2,010,003
Charitable remainder unitrust	676,000
Cash surrender value of life insurance	<u>60,069</u>
Total financial assets available	23,043,822
Less amounts unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(782,314)
Subject to appropriation and satisfaction of donor restrictions	(9,776,063)
Board designations:	
Board designated for Endowment and operations	<u>(10,946,392)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,539,053</u>

The Society's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is not restricted for specific purposes and, therefore, is available for general expenditure. As described in Note 4, the endowment has a spending rate of 5% to 6%. Approximately \$830,000 of appropriations from the endowment will be available within the next 12 months and has been included in amounts subject to appropriation and satisfaction of donor restrictions above.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society has board designated endowment of \$11,069,363. Although the Society does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the board designated endowment could be made available if necessary.

As described in Note 12, the Society has also obtained a line-of-credit to address cash flow needs as they arise. There was \$250,000 available under this line-of-credit at September 30, 2021.

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12. Revolving Line-of-Credit and Long-Term Debt, Including Payroll Protection Program Loans

The Society has a \$250,000 revolving unsecured line-of-credit with no stated expiration date. Bank advances on the credit line are payable on demand and carry an interest rate equal to the prime rate (3.25% at September 30, 2021). As of September 30, 2021, there was no outstanding balance on the line-of-credit.

During October 2015, the Society entered into an unsecured loan with Merrimack County Savings Bank to finance the fit-up of new tenant space. This loan is payable in monthly installments of \$2,247 including interest at 3.9%, due October 27, 2022. As of September 30, 2020, the outstanding balance on the loan was \$53,841. As of September 30, 2021, there was no outstanding balance on the loan.

In April 2020, the Society received loan proceeds in the amount of \$208,300 under the first round of the Paycheck Protection Program (PPP). The first round of the PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities during the forgivable covered period of either 8 or 24 weeks, at the Society's election beginning on the date of the receipt of the PPP loan.

The unforgiven portion of the PPP loan bears interest at 1%, with a deferral of payments for the first ten months. The loan may be prepaid at any time without penalty and matures 24 months from the date of issuance. In March 2021, the Society received formal approval from the U.S. Small Business Administration for forgiveness of the entire \$208,300 round one PPP loan. The Society recorded a gain on extinguishment of this PPP loan for the full \$208,300 (as well as interest of \$1,341) in the accompanying 2021 statement of activities.

In February, 2021, the Society received a second PPP loan under the Economic Aid Act totaling \$208,301. The Society intends to use the proceeds of the second PPP loan for purposes consistent with the PPP. The cash received under the PPP is recorded as a liability until formal forgiveness takes place. Subsequent to year-end during February 2022 the Society had the debt forgiven, and the cancellation of the liability will be recorded as a gain on debt extinguishment in 2022.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

13. Rental Activity

The Society leases office space to tenants under non-cancelable operating leases that expire on October 31, 2023 at its 6 Eagle Square facility with the option for extension. The Society entered into an agreement with a local business owner to rent parking spaces for \$12,583 a month expiring on October 31, 2024. Rental income also includes rental of library facilities in the amount of \$500. Revenue and costs associated with rental activity for the year ended September 30, 2021 were as follows:

Revenue:	
Rental income, building and parking	<u>\$325,579</u>
Total revenues	325,579
Expenses:	
Salaries and wages expense	9,157
Maintenance and repairs	32,945
Real estate taxes	25,291
Insurance and other administrative costs	7,320
Depreciation expense	<u>38,455</u>
Total expenses	<u>113,168</u>
Net rental earnings	<u>\$212,411</u>

The following is a schedule by years of future minimum rentals under the leases at September 30, 2021:

Year Ending September 30,

2022	\$ 294,351
2023	297,218
2024	300,142
2025	290,542
2026	167,751
Thereafter	<u>158,271</u>
Total	<u>\$1,508,275</u>

14. Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as a decrease in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

14. **Collections (Continued)**

Contributions of collection items are not recognized in the statement of activities and changes in net assets. The Society has a policy that requires net proceeds realized from the sale or transfer of deaccessioned objects to be used only for acquisition and conservation of collections. There were no items sold or transferred by the Society during the year ended September 30, 2021.

The Society's collections include books, manuscripts, photographs, research materials and objects relating to the history of New Hampshire. These collections have been acquired by donation, bequests and purchases. Collection items are acquired or conserved based on the Society's long-range plans for collections development.

Collections are made available for scholarly use by the public and maintained under appropriate security and preservation conditions.

The values of collection items acquired by gift for which the Society can make a reasonable estimate, amounted to \$115,313 for the year ended September 30, 2021 and are not reflected in the statement of activities and changes in net assets.

The values of collection items acquired by gift for which the Society can make a reasonable estimate, amounted to \$83,368 for the year ended September 30, 2020 and are not reflected in the statement of activities and changes in net assets.

15. **Beneficial Interest in a Trust**

The Society is a 25% beneficiary of the Benjamin Kimball Irrevocable Trust (the Trust), a perpetual trust held by TD Bank. The Society receives distributions from the Trust based on the income earned by the Trust. The Society's allocation of income from the Trust was \$87,389 and \$87,887 for the years ended September 30, 2021 and 2020, respectively. Twenty-five percent of the fair value of the Trust, which is used to approximate the present value of future benefits expected to be received, amounted to \$2,010,003 at September 30, 2021.

The Society records both the investment income from the trust and the change in value of the investment in the statement of activities and changes in net assets.

16. **Charitable Remainder Unitrust**

The Society is the beneficiary of the Stanley A. Hamel 2008 Charitable Trust, a charitable remainder unitrust. The Society receives a future interest in an investment held by the Society as trustee when the terms of the life income contribution have been met. This amount has been included in these financial statements as an investment recorded at fair value and a liability recorded at the present value of the estimated future payments made to the donors using a discount rate of 5% and actuarial assumptions. On an annual basis, the Society will revalue the investment based on applicable mortality tables and current market conditions.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

16. Charitable Remainder Unitrust (Continued)

In accordance with the ASC topic for *Revenue Recognition* (ASC 958-605), the Society records both the investment income from the trust and the change in value of the investment in the statement of activities and changes in net assets.

17. Funds Held by Others

The Society is the beneficiary of the Charles A. Watson, Jr. Endowment Fund for the New Hampshire Historical Society, a Designated Fund at the New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing this Fund, property contributed to the Foundation is held as a separate fund designated for the benefit of the Society.

In accordance with its spending policy, the Foundation makes distributions from the Fund to the Society. The distributions are approximately 4.2% of the market value of the Fund per year. The Fund is not included in these financial statements since all property in the fund was contributed to the Foundation to be held and administered for the benefit of the Society. If the Society ceases to exist, the Foundation's Board of Directors will identify another nonprofit that most closely resembles the original charitable intent. The amount received from the Fund for the years ended September 30, 2021 and 2020 was \$10,779 and \$8,574, respectively. The fair value of the Fund assets was \$274,143 and \$221,138 at September 30, 2021 and 2020, respectively.

The Society is the beneficiary of the Robert P. Hubbard Fund, a Designated Fund at the Foundation. The purpose of this Designated Fund is to support, using income only, the Society for general programs and publications. Pursuant to the terms of the resolution establishing this Fund, property contributed to the Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy, the Foundation makes distributions from the Fund to the Society.

The distributions are approximately 4.2% of the market value of the Fund per year. The Fund is not included in these financial statements since all property in the fund was contributed to the Foundation to be held and administered for the benefit of the Society. The amount from the Fund for the year ended September 30, 2021 and 2020 was \$31,272 and \$21,632, respectively. The fair value of the Fund assets was \$1,293,222 and \$584,572 at September 30, 2021 and 2020, respectively.

18. Donated Goods and Services

The value of donated services included as contributions in the financial statements and the corresponding program and support expenses for the years ended September 30, 2021 and 2020 amount to \$50,984 and \$85,873, respectively.

Numerous volunteers have donated significant amounts of time to the Society's fundraising campaign and program services. Although these donated services are of great intangible value to the Society, they did not meet the accounting requirements for recognition in the financial statements and, therefore, have not been recorded.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021, With Comparative Summarized Information
for the Year Ended September 30, 2020

19. **Concentration of Credit Risk**

The Society maintains cash in domestic bank deposit accounts which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant risk of loss on cash.

20. **Related Party Transactions**

The Society maintains a banking relationship with a bank for which the President of the Society is Chair of the Board of Directors. The banking relationship includes asset accounts equaling \$374,711 and \$287,744 and liability accounts equaling \$0 and \$53,841 at September 30, 2021 and 2020, respectively.

The Society incurred \$4,664 and \$0 in legal fees with related parties for the years ended September 30, 2021 and 2020, respectively.

21. **Retirement Plan**

The Society has a defined contribution retirement plan that covers all full-time employees who have worked in at least one of the past three years. The Society matches employee contributions to the plan up to a maximum of 5% of qualifying employee's earnings. Retirement benefit expenses for the years ended September 30, 2021 and 2020 amounted to \$38,658 and \$36,620, respectively.

NEW HAMPSHIRE HISTORICAL SOCIETY

SUPPLEMENTARY SCHEDULES OF DEMOCRACY PROJECT ACTIVITY

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue and support:		
Grants, gifts and fundraising	\$ 43,837	\$ 112,866
Contributed goods and services	<u>—</u>	<u>26,217</u>
Total revenue and support	43,837	139,083
Operating expenses:		
Depreciation expense	97,339	83,445
Salaries and benefits	63,251	79,307
Wage allocations	64,828	69,494
Maintenance	6,976	—
Contracted services	6,326	10,755
Teacher training stipends	1,875	6,000
Supplies	99	2,565
Food and beverages	302	1,434
Printing and photography	644	1,276
Travel and accommodations	—	690
Postage and shipping	250	405
Equipment	—	63
Dues and subscriptions	<u>20</u>	<u>—</u>
Total operating expenses	<u>241,910</u>	<u>255,434</u>
Excess of revenue and support over expenses (expenses over revenue and support)	(198,073)	(116,351)
Purchase of capitalized items related to the Democracy Project, net of depreciation	<u>—</u>	<u>103,469</u>
Net Democracy Project activity	<u>\$(198,073)</u>	<u>\$(219,820)</u>