

NEW HAMPSHIRE HISTORICAL SOCIETY

FINANCIAL REPORT

SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Hampshire Historical Society
Concord, New Hampshire 03301

We have audited the accompanying financial statements of the New Hampshire Historical Society, which comprise the statement of financial position as of September 30, 2020, and 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.

Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Historical Society, as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 18 to the financial statements, which describes the uncertainty related to the COVID-19 pandemic and impact on the Society's business. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the New Hampshire Historical Society's September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 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 financial statements as a whole. The supplementary schedules of Democracy Project activity are presented for purposes of additional analysis and are 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Nathan Wechsler & Company

Concord, New Hampshire
March 11, 2021

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF FINANCIAL POSITION

September 30, 2020 and Comparative Totals for September 30, 2019

	ASSETS			
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
CURRENT ASSETS				
Cash	\$ 196,904	\$ 235,289	\$ 432,193	\$ 203,187
Interfund receivable (payable)	(9,984)	9,984	-	-
Accounts receivable	930	-	930	25,387
Contributions receivable, current, net of allowance for doubtful accounts of \$1,804	9,135	7,103	16,238	43,148
Inventory	8,931	-	8,931	24,341
Prepaid expenses	71,993	-	71,993	80,034
<i>Total current assets</i>	<u>277,909</u>	<u>252,376</u>	<u>530,285</u>	<u>376,097</u>
PROPERTY AND EQUIPMENT, NET	4,355,858	-	4,355,858	4,560,402
COLLECTIONS (See Note 15)				
INVESTMENTS AND OTHER ASSETS				
Investments	9,468,135	7,330,534	16,798,669	16,612,119
Beneficial interest in a trust	-	1,774,791	1,774,791	1,801,133
Charitable remainder unitrust	-	610,820	610,820	631,991
Contributions receivable, long-term	-	-	-	46,720
Cash surrender value of life insurance	60,069	-	60,069	57,113
<i>Total assets</i>	<u>\$ 14,161,971</u>	<u>\$ 9,968,521</u>	<u>\$ 24,130,492</u>	<u>\$ 24,085,575</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 25,321	\$ -	\$ 25,321	\$ 24,354
Current maturities of the Paycheck Protection Program funds	126,923	-	126,923	-
Accounts payable	47,509	-	47,509	82,687
Accrued expenses	74,601	-	74,601	46,377
Deferred revenue	13,426	-	13,426	11,220
Current portion of charitable remainder unitrust payable	-	30,541	30,541	31,600
<i>Total current liabilities</i>	<u>287,780</u>	<u>30,541</u>	<u>318,321</u>	<u>196,238</u>
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	28,520	-	28,520	53,853
Paycheck Protection Program funds, less current maturities	81,377	-	81,377	-
Charitable remainder unitrust payable, less current portion	-	90,859	90,859	108,757
<i>Total liabilities</i>	<u>397,677</u>	<u>121,400</u>	<u>519,077</u>	<u>358,848</u>
NET ASSETS				
Without donor restrictions:				
Net investment in property and equipment	4,302,017	-	4,302,017	4,482,195
Undesignated	(37,464)	-	(37,464)	(118,203)
Designated	9,499,741	-	9,499,741	9,496,199
<i>Total net assets without donor restrictions</i>	<u>13,764,294</u>	<u>-</u>	<u>13,764,294</u>	<u>13,860,191</u>
With donor restrictions	-	9,847,121	9,847,121	9,866,536
<i>Total net assets</i>	<u>13,764,294</u>	<u>9,847,121</u>	<u>23,611,415</u>	<u>23,726,727</u>
<i>Total liabilities and net assets</i>	<u>\$ 14,161,971</u>	<u>\$ 9,968,521</u>	<u>\$ 24,130,492</u>	<u>\$ 24,085,575</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2020 and Comparative Totals for Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING ACTIVITIES:				
Revenues				
Contributed support:				
Contributions and memberships	\$ 341,564	\$ -	\$ 341,564	\$ 316,759
Grants, gifts, and fundraising	83,715	270,573	354,288	746,263
Contributed goods and services	85,873	-	85,873	106,544
<i>Total contributed support</i>	511,152	270,573	781,725	1,169,566
Earned revenues:				
Earned income and special events	46,246	-	46,246	94,583
Rental income, net, including depreciation of \$37,501	207,477	-	207,477	173,653
<i>Total earned revenues</i>	253,723	-	253,723	268,236
Investment income:				
Trust income (Kimball, Watson, Hubbard)	118,094	-	118,094	114,542
Other investment income	287	-	287	1,026
Endowment spending draw in accordance with spending policy (see Note 4)	449,183	338,181	787,364	676,219
<i>Total investment income</i>	567,564	338,181	905,745	791,787
<i>Total revenues</i>	1,332,439	608,754	1,941,193	2,229,589
Net assets released from restrictions:				
For satisfaction of program restrictions	349,584	(349,584)	-	-
Release of current year endowment draw for satisfaction of program restrictions	338,181	(338,181)	-	-
<i>Total net assets released from restrictions</i>	687,765	(687,765)	-	-
Expenses				
Program service expenses:				
Library	512,447	-	512,447	488,625
Museum	282,138	-	282,138	317,475
Democracy project	255,434	-	255,434	222,860
Education	186,007	-	186,007	169,293
Exhibitions	159,441	-	159,441	190,414
Publications	98,591	-	98,591	63,159
Museum store	21,673	-	21,673	6,292
<i>Total program service expenses</i>	1,515,731	-	1,515,731	1,458,118
Supporting services and general expenses:				
Administration	302,146	-	302,146	278,914
Membership, development, and public relations	259,408	-	259,408	291,564
Buildings, grounds, and security	62,016	-	62,016	54,407
<i>Total supporting services and general expenses</i>	623,570	-	623,570	624,885
<i>Total expenses</i>	2,139,301	-	2,139,301	2,083,003
<i>Increase (decrease) in net assets from operating activities</i>	\$ (119,097)	\$ (79,011)	\$ (198,108)	\$ 146,586

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
 Year Ended September 30, 2020 and Comparative Totals for Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<i>Increase (decrease) in net assets from operating activities</i>	\$ (119,097)	\$ (79,011)	\$ (198,108)	\$ 146,586
NON-OPERATING ACTIVITIES				
Revenues and other support:				
Gifts and fundraising	-	249,600	249,600	26,233
Investment return:				
Realized and unrealized investment gains	266,671	97,682	364,353	417,494
Investment expenses	(62,188)	(28,419)	(90,607)	(109,315)
Investment income, actual dividends and interest	267,900	118,484	386,384	412,391
Change in present value of charitable remainder unitrust	-	(13,228)	(13,228)	57,537
Change in value of beneficial interest in a trust	-	(26,342)	(26,342)	(27,659)
<i>Total investment return</i>	472,383	148,177	620,560	750,448
Less endowment spending draw (see Note 4)	(449,183)	(338,181)	(787,364)	(676,219)
<i>Total investment income (loss)</i>	23,200	(190,004)	(166,804)	74,229
Gain on sale of property and equipment	-	-	-	1,352,539
<i>Increase in net assets from non-operating activities</i>	23,200	59,596	82,796	1,453,001
<i>Increase (decrease) in net assets</i>	(95,897)	(19,415)	(115,312)	1,599,587
Net assets, beginning of year	13,860,191	9,866,536	23,726,727	22,127,140
<i>Net assets, end of year</i>	\$ 13,764,294	\$ 9,847,121	\$ 23,611,415	\$ 23,726,727

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020 and Comparative Totals for Year Ended September 30, 2019

	2020											2019	
	Program Service Expenses							Supporting Services and General Expenses					Total
	Library	Museum	Democracy Project	Education	Exhibitions	Publications	Museum Store	Administration	Membership Development and Public Relations	Buildings Grounds and Security			
Salary and benefits	\$ 230,028	\$ 112,026	\$ 148,801	\$ 93,071	\$ 38,163	\$ 29,157	\$ -	\$ 199,699	\$ 177,842	\$ 44,754	\$ 1,073,541	\$ 1,048,575	
Depreciation expense	109,341	38,389	83,445	23,444	90,180	5,767	-	5,923	9,154	-	365,643	344,900	
Communications expense	64,074	32,030	-	40,304	-	9,094	979	24,305	20,154	12,125	203,065	177,347	
Contracted services	41,543	23,614	10,755	2,829	12,982	769	-	48,780	10,328	-	151,600	153,503	
Utilities	42,949	31,161	-	-	-	-	-	-	-	-	74,110	88,208	
Publications HNH	-	-	-	-	-	43,267	-	-	-	-	43,267	15,428	
Miscellaneous	2,880	743	6,690	1,808	37	1,253	18,136	5,573	6,277	44	43,441	40,967	
Acquisitions	28,862	7,731	-	-	-	-	-	-	-	-	36,593	65,350	
Conservation	7,992	21,140	-	-	-	-	-	-	-	-	29,132	43,528	
Supplies	9,754	2,998	2,628	1,881	699	552	60	6,184	3,201	650	28,607	21,230	
Building rent	1,937	16,098	-	-	-	1,500	1,044	2,940	-	4,440	27,959	23,854	
Insurance	8,995	7,068	-	-	1,263	-	-	6,798	-	-	24,124	23,406	
Postage and shipping	243	191	405	849	-	4,402	1,021	818	9,585	3	17,517	16,729	
Facilities repairs and maintenance	4,207	12,556	-	-	-	-	-	-	-	-	16,763	11,307	
Printing and photography	204	53	1,276	3,186	-	667	-	211	10,758	-	16,355	22,145	
Bank charges	445	78	-	513	313	-	433	73	6,601	-	8,456	10,722	
Food, beverages and catering	-	49	1,434	537	-	-	-	1,078	2,075	-	5,173	11,004	
Bad debt recovery	-	-	-	-	-	-	-	(2,466)	-	-	(2,466)	(12,953)	
Facilities expense allocation	(41,007)	(23,787)	-	17,585	15,804	2,163	-	2,230	3,433	-	(23,579)	(22,247)	
Total	\$ 512,447	\$ 282,138	\$ 255,434	\$ 186,007	\$ 159,441	\$ 98,591	\$ 21,673	\$ 302,146	\$ 259,408	\$ 62,016	\$ 2,139,301	\$ 2,083,003	

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (115,312)	\$ 1,599,587
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	403,144	382,369
Bad debt recovery	(2,466)	(12,953)
Realized and unrealized investment gains	(364,353)	(417,494)
Decrease in value of beneficial interest in a trust	26,342	27,659
Increase in cash surrender value of life insurance	(2,956)	(1,443)
Receipt of gifts restricted to endowment	(249,600)	(26,233)
Decrease in charitable gift annuity payable	-	(122,720)
Decrease in charitable remainder unitrust payable	(18,957)	(87,454)
Gain on sale of property and equipment	-	(1,352,538)
(Increase) decrease in inventory	15,410	(62)
Decrease in prepaid expenses	8,041	560
Decrease in contributions receivable	76,096	168,670
(Increase) decrease in accounts receivable	24,457	(13,527)
Decrease in grants receivable	-	26,000
Increase (decrease) in accounts payable and accrued expenses	(6,954)	60,455
Increase (decrease) in deferred revenue	2,206	(393)
<i>Net cash provided by (used in) operating activities</i>	<u>(204,902)</u>	<u>230,483</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,579,517	1,778,312
Purchases of investments	(2,380,543)	(3,130,600)
Proceeds from sale of property and equipment	-	2,507,000
Purchases of property and equipment	(198,600)	(409,562)
<i>Net cash provided by investing activities</i>	<u>374</u>	<u>745,150</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(24,366)	(1,287,930)
Paycheck Protection Program funds received	208,300	-
Receipt of gifts restricted to endowment and capital campaign	249,600	26,233
<i>Net cash provided by (used in) financing activities</i>	<u>433,534</u>	<u>(1,261,697)</u>
<i>Net increase (decrease) in cash</i>	229,006	(286,064)
Cash, beginning of year	203,187	489,251
<i>Cash, end of year</i>	<u>\$ 432,193</u>	<u>\$ 203,187</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 221	\$ 790

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

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.

Note 2. Significant Accounting Policies

Basis of accounting: The financial statements of the Society have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates and assumptions: 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.

Basis of presentation: The Society accounts for contributions received in accordance with the FASB Accounting Standards Codification topic for revenue recognition (FASB ASC 958-605) and contributions made in accordance with FASB ASC 958-720-25 and FASB ASC 958-310. In accordance with FASB ASC 958-605-25, contributions received are recorded as with donor restrictions and without donor restrictions, depending on the existence or nature of any donor restrictions. In addition, FASB ASC 958-310 requires that unconditional promises to give (pledges) be recorded as receivables and recognized as revenues.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

The Society adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205). Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of the two net asset categories are as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time the Board of Trustees designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

For designated net assets without donor restrictions, it is the policy of the Board of Trustees of the Society to review its plans for future property improvements and acquisitions, as well as other operating needs, from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such purposes.

See Note 11 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds.

The Society reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a situation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Note 10 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Contributions: Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributed collection items are not capitalized or recognized in the statement of activities and changes in net assets (see Note 15).

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as without donor restrictions and as an increase in net assets without donor restrictions.

Included in support are gifts in-kind which are valued at fair value at the date of the gift.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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. It is the Society's policy to consider such cash equivalents to be investments. Cash equivalents reported as investments in the statement of financial position amounted to \$541,253 at September 30, 2020.

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 and 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, 2020 amounted to \$1,804. Bad debt recovery for the year ended September 30, 2020 amounted to \$2,466.

Advertising: The Society expenses all advertising costs as incurred. Advertising amounted to \$460 for the year ended September 30, 2020.

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, 2020.

Investments: The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values 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 provided by the investment managers and agrees with the valuation methods and assumptions used in determining the 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.

Investment pools: 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, 2020, the spending limit was based on 5% of the average fair value of the investment portfolio determined over a five-year period.

Derivative instruments: The Society accounts for derivative instruments at fair value. The fair value of the derivatives held is based upon values provided by third-party investment managers and is assessed by management for reasonableness.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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:

	Years
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 \$403,144, of which \$37,501 is included in rental expenses.

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, 2020, there was no liability for a tax on unrelated business income.

The Society has adopted the provisions of FASB 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 2017.

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.

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 (GAAP). Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended September 30, 2019, 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 area.

Change in accounting principle: In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard is intended to improve recognition, measurement, presentation, and disclosure of financial instruments. The Society adopted ASU 2016-01 on October 1, 2019. The adoption of ASU 2016-01 did not have a significant impact on the Society's financial statements.

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In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Society adopted ASU 2018-08 on October 1, 2019. The adoption of ASU 2018-08 did not have a significant impact on the Society's financial statements.

Recent accounting pronouncements: In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), 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 will be effective for the Society for the year ended September 30, 2021. Management is currently evaluating the impact this will have on its financial statements.

In February 2016, the FASB issued, *Leases*, Topic 842 (ASU 2016-02). 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. Management is currently evaluating the impact this will have on its financial statements.

Note 3. Investments

The fair values of the Society's investments at September 30, 2020 were comprised of the following:

Cash	\$	541,253
Equities:		
Common stocks		12,590,347
Private equities		1,233,083
Fixed income corporate and government bonds		2,367,053
Alternative investments		66,933
Total	\$	<u>16,798,669</u>

Investment return for September 30, 2020 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Realized and unrealized gains	\$ 266,671	\$ 97,682	\$ 364,353
Investment expenses	(62,188)	(28,419)	(90,607)
Investment income, dividends and interest	267,900	118,484	386,384
	<u>\$ 472,383</u>	<u>\$ 187,747</u>	<u>\$ 660,130</u>

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NOTES TO FINANCIAL STATEMENTS

Note 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 the FASB Accounting Standards Codification (FASB ASC 958-205-45). FASB 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). FASB 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 FASB 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 this 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.

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.

Underwater Endowment Funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of \$25,000, and a current fair value of \$23,949 and a deficiency of \$1,051 as of September 30, 2020.

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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. The Society has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$268 from underwater endowment funds during the year, which represents 5% to 6% of the average trailing quarters which it generally draws from its endowment.

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 7,330,534	\$ 7,330,534
Board-designated endowment funds	9,468,135	-	9,468,135
<i>Total</i>	<u>\$ 9,468,135</u>	<u>\$ 7,330,534</u>	<u>\$ 16,798,669</u>

Endowment net assets as of September 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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)	160,096	118,621	278,717
<i>Total investment return</i>	<u>423,978</u>	<u>277,121</u>	<u>701,099</u>

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Contributions	28,715	244,100	272,815
Appropriation of endowment assets for expenditure	(449,183)	(338,181)	(787,364)
Endowment net assets, end of year	<u>\$ 9,468,135</u>	<u>\$ 7,330,534</u>	<u>\$ 16,798,669</u>

Note 5. Fair Value Measurements

The Fair Value Measurements topic of the FASB Accounting Standards Codification (FASB 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. FASB 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, FASB 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.

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 price as of the day of valuation.
- Level 2 – inputs are based upon quoted 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.

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NOTES TO FINANCIAL STATEMENTS

Financial assets carried at fair value on a recurring basis consist of the following at September 30, 2020:

Assets:	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 541,253	\$ -	\$ -	541,253
Equities:				
Common stock	12,590,347	-	-	12,590,347
Fixed income:				
Corporate and government bonds	2,367,053	-	-	2,367,053
	<u>15,498,653</u>	<u>-</u>	<u>-</u>	<u>15,498,653</u>
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	126,001	-	-	126,001
<i>Total charitable remainder unitrust</i>	<u>610,820</u>	<u>-</u>	<u>-</u>	<u>610,820</u>
Beneficial interest in a trust	-	-	1,774,791	1,774,791
<i>Total assets</i>	<u>\$ 16,109,473</u>	<u>\$ -</u>	<u>\$ 1,774,791</u>	<u>\$ 17,884,264</u>
Liabilities:				
Charitable remainder unitrust payable	\$ -	\$ -	\$ 121,400	\$ 121,400
<i>Total liabilities</i>	<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				66,933
<i>Total</i>			<u>\$ 1,300,016</u>	

All assets and liabilities have been valued using a market or income approach and have been consistently applied. The market 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.

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NOTES TO FINANCIAL STATEMENTS

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2020:

	Goldman Sachs - Real Estate Credit Partners II	Beneficial Interest in a Trust	Charitable Remainder Unitrust Payable	Private Equities
Balance, beginning of year	\$ 103,103	\$ 1,801,133	\$ 140,357	\$ 1,233,101
Sales/Distributions	(36,170)	-	-	-
Payments to annuitants/beneficiaries	-	-	(32,186)	-
Total realized and unrealized gains (losses) included in changes in assets	-	(26,342)	13,229	(18)
Balance, end of year	<u>\$ 66,933</u>	<u>\$ 1,774,791</u>	<u>\$ 121,400</u>	<u>\$ 1,233,083</u>

Amount of unrealized gains (losses) attributable to assets still held at the reporting date, included in changes in net assets

\$	-	\$	(26,342)	\$	13,229	\$	(18)
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The following table sets forth additional disclosures of the Society's investments whose fair value is estimated using net asset value per share (or its equivalent) as of September 30, 2020:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled equity:				
Paloma International Limited	(a) \$ 1,233,083		Quarterly	60-65 days
Total pooled equity	<u>1,233,083</u>			
Private real estate:				
Broad Street Real Estate Credit Partners II	(b) 66,933	245,050		
	<u>\$ 1,300,016</u>	<u>\$ 245,050</u>		

Investment objectives:

- (a) The Fund is a feeder fund in a "master-feeder" structure whereby it invests all of its investable assets in Paloma International L.P. (the "Master Fund"). The Master Fund seeks to achieve attractive long-term risk-adjusted returns through dynamic capital allocation among a changing set of investment strategies and portfolio managers.
- (b) The Fund seeks to generate attractive risk-adjusted returns through the creation of a diversified pool of investments in both senior and mezzanine loans collateralized by high quality real estate assets. The Fund's primary focus is to create strong current yield for its investors through the origination of loans to facilitate real estate acquisitions, refinancing and recapitalizations throughout the United States and Europe. As one of the largest global investors in private real estate credit, the team's dedicated platform, strong sponsor relationships and access to the entire Goldman Sachs network ensures comprehensive coverage of the market and allows for the creation of unique lending opportunities.

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NOTES TO FINANCIAL STATEMENTS

Note 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, 2020:

In one year or less	\$	18,042
Allowance for uncollectible contributions receivable		(1,804)
<i>Total</i>	<u>\$</u>	<u>16,238</u>

Approximately 45% of total contributions receivable, or \$8,100, represents promises to give by board members or employees.

Note 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, 2020, the unemployment fund balance amounted to \$16,476.

Note 8. Property and Equipment

Property and equipment, at cost, as of September 30, 2020 is comprised as follows:

	Property Used In Operations	Rental Property	Total
Building improvements	\$ 5,139,414	\$ 1,166,773	\$ 6,306,187
Buildings	550,115	305,600	855,715
Equipment fixtures	897,997	-	897,997
Land improvements, parking lots	63,473	324,689	388,162
Permanent exhibit	247,100	-	247,100
Website and software	861,757	-	861,757
Land	-	200,000	200,000
	<u>7,759,856</u>	<u>1,997,062</u>	<u>9,756,918</u>
Less: accumulated depreciation	4,403,097	997,963	5,401,060
<i>Property and equipment, net</i>	<u>\$ 3,356,759</u>	<u>\$ 999,099</u>	<u>\$ 4,355,858</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.

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NOTES TO FINANCIAL STATEMENTS

Note 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 for specific educational or program purposes, rather than the donor's intent for general operations.

The Society's Board-designated net assets at September 30, 2020 are comprised as follows:

<u>Operations designations:</u>	<u>Purpose</u>	
Plant fund operating cash	Major repairs to buildings	\$ 31,606
<u>Designated funds for Endowment:</u>		
General Fund	General operations	5,915,280
Katharine Prentis Murphy Fund	Museum acquisitions/conservation	1,566,312
Bequests Fund under \$100k	General operations	490,307
June Campbell Hoyt Fund	General operations	466,254
The Donald A. and Joan L. Dunlap Gift Annuity	General operations	406,304
Library collections, care and acquisitions	Library acquisitions/conservation	166,795
Publications Fund	Costs of publications	140,552
Elizabeth M. Hoyt Fund	General operations	83,827
John L. Frisbee Education Fund	Educational programs/services	73,652
Plant Fund	Major repairs to buildings	57,744
Jessie H. Rablin Fund	General operations	50,556
Museum collections, care and acquisitions	Museum acquisitions/conservation	43,001
Library collections, Stewardship Fund	Library operations	4,000
Museum collections, Stewardship Fund	Museum operations	3,551
		\$ 9,499,741
<i>Total designated net assets</i>		

Note 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, 2020:

<u>Subject to expenditure for specified purpose or period:</u>		
Contributions receivable, net		\$ 7,103
Charitable remainder trust		489,420
Library		138,805
Museum		55,017
Democracy project		26,835
Capital campaign		11,426
Publications		5,000
Education		4,157
Admin		4,032
		741,795
<i>Total subject to expenditure for specified purpose or period</i>		

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NOTES TO FINANCIAL STATEMENTS

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

Investments in perpetuity (original amounts of \$6,578,517 in 2020),

which once appropriated, is expendable to support:

Beneficial interest in trusts	\$ 1,774,791
Edith Shepard Freeman/Margaret H. Jewell Fund	1,907,686
Stanley A. Hamel Funds	1,678,128
John L. Frisbee Education Fund	1,097,147
William C. Todd Fund	332,937
Life Memberships Fund	264,793
John W. Harris Fund	234,471
The Donald A. and Joan L. Dunlap Tuck Library Fund	229,500
Ruth E. Pearson Fund	156,475
Mary H. Woodbury Fund	135,836
Evelyn P. and Noah J. Arell Fund	134,039
Natalie Hoyt Fund	115,932
Asa Currier Tilton Fund	102,594
Anonymous	95,200
Perry-Dudley Family Archive and Shepard Collection Fund	81,325
Charles S. Parsons Fund	79,538
Frances M. Heald Fund	64,653
George F. Sawyer Memorial Fund	62,558
Philip B. and Nelle L. Holmes Fund	61,347
Bequests Fund	55,820
Concord Clock Tower Fund	55,561
Duncan S. McGowan Memorial Fund	47,233
Capital Campaign Restricted	43,068
Leonard K. Dodge Fund	38,682
Edward C. and Elizabeth F. Lathem Fund	35,231
Robert O. Wilson, D.D.S., Historical Research Fund	33,693
David G. and Barbara J. Stahl Fund	32,843
Lane Dwinell Fund	29,914
Annalee Thorndike Fund	28,362
Raymon S. Vaughan Baseball Fund	27,656
Jere R. Daniell Publications Fund	25,749
Roger F. Woodman Fund	23,949
Mary W. Vaughan Fund	12,597
Edith W. Atkins Fund	6,018

Total net assets with donor restrictions

\$ 9,847,121

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 11. Net Assets without Donor Restrictions

The Society's net assets without donor restrictions at September 30, 2020 are comprised as follows:

Undesignated	\$ (37,464)
Board designated for building	4,302,017
Board designated for Endowment and operations (see Note 9)	9,499,741
	<hr/>
<i>Total net assets without donor restrictions</i>	<u>\$ 13,764,294</u>

Note 12. Liquidity and Availability of Resources

The following reflects the Society's financial assets as of the Statement of Financial Position date, 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 the Statement of Financial Position date have not been subtracted as unavailable.

September 30,	2020
Cash	\$ 432,193
Accounts receivable	930
Contributions receivable, net	16,238
Investments	16,798,669
Beneficial interest in a trust	1,774,791
Charitable remainder unitrust	610,820
Cash surrender value of life insurance	60,069
	<hr/>
<i>Total financial assets available</i>	19,693,710
Less amounts unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(741,795)
Subject to appropriation and satisfaction of donor restrictions	(8,313,326)
Board designations:	
Board designated for Endowment and operations	(9,499,741)
	<hr/>
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	<u>\$ 1,138,848</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 \$792,000 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.

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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 \$9,696,584. 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 13, the Society had 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, 2020.

Note 13. Revolving Line-of-Credit and Long-Term Debt

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, 2020). As of September 30, 2020, 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.

Future maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 25,321
2022	26,326
2023	2,194
<i>Total</i>	<u>\$ 53,841</u>

Note 14. Rental Activity

The Society leases office space to tenants under non-cancelable operating leases that expires 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, 2020 were as follows:

Revenue:

Rental income, building and parking	\$ 319,270
Rental income, facilities	500
<i>Total revenues</i>	<u>319,770</u>

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Expenses:

Salaries and wages expense	9,214
Maintenance and repairs	31,216
Real estate taxes	26,409
Insurance and other administrative costs	7,953
Depreciation expense	37,501
<i>Total expenses</i>	<u>112,293</u>

Net rental earnings \$ 207,477

The following is a schedule by years of future minimum rentals under the leases at September 30, 2020:

Year Ending September 30

2021	\$ 289,689
2022	292,395
2023	295,222
2024	298,107
2025	301,049
<i>Total</i>	<u>\$ 1,476,462</u>

Note 15. 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.

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 will 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, 2020.

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 \$83,368 for the year ended September 30, 2020 and are not reflected in the statement of activities and changes in net assets.

NEW HAMPSHIRE HISTORICAL SOCIETY

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Note 16. 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 fund was \$87,887 for the year ended September 30, 2020. 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 \$1,774,791 at September 30, 2020.

In accordance with the FASB Accounting Standards Codification topic for Revenue Recognition (FASB 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.

Note 17. Charitable Remainder Unitrust

The Society is 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.

In accordance with the FASB Accounting Standards Codification topic for Revenue Recognition (FASB 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.

Note 18. COVID-19 and Paycheck Protection Program

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." This outbreak will affect virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of the COVID-19 on the Society's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Society's customers, employees, and vendors, all of which are uncertain and cannot be predicted.

In April 2020, the Society received \$208,300 in funds from the federal Paycheck Protection Program (PPP). PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The SBA (Small Business Administration) will forgive the loan if the Society meets the requirements for the specified period of time and the money is used for payroll, rent, mortgage interest, or utilities. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 18 payments commencing November 16, 2020. The AICPA released guidance on recording options and the Society has decided to record these funds under the debt model (FASB ASC 470). The cash received under the PPP is recorded as a liability until formal forgiveness takes place. When the Society has formally had the debt forgiven, the cancellation of the liability is recorded as revenue. As of September 30, 2020, the Society had not yet met conditions on \$208,300 which is recorded as debt on the statement of financial position. The Society expects to meet all conditions for forgiveness early in fiscal year 2021.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

In the absence of this forgiveness, the debt matures as follows:

Year Ending September 30,

2021	\$ 126,923
2022	81,377
<i>Total</i>	<u>\$ 208,300</u>

Note 19. 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 year ended September 30, 2020 was \$8,574. The fair value of the Fund assets was \$221,138 at September 30, 2020.

The Society is the beneficiary of the Robert P. Hubbard Fund, a Designated Fund at the New Hampshire Charitable Foundation ("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 received from the Fund for the year ended September 30, 2020 was \$21,632. The fair value of the Fund assets was \$584,572 at September 30, 2020.

Note 20. 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 year ended September 30, 2020 amounted to \$85,873.

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

Note 21. Concentration of Credit Risk

The Society maintains cash accounts with several financial institutions. The Society's cash accounts are insured up to \$250,000 per depositor at each financial institution. At times during the year, the Society maintains cash balances in excess of federally insured limits. The Society had no deposit in excess of federally insured limits at September 30, 2020. Shares of a pool of mortgage-backed securities are pledged as collateral for uninsured amounts at September 30, 2020.

Note 22. 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 \$287,744 and liability accounts equaling \$53,841 at September 30, 2020.

Note 23. 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 year ended September 30, 2020 amounted to \$36,620.

Note 24. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year financial statement presentation. These reclassifications have had no effect on net assets as previously reported.

Note 25. Subsequent Events

The Society has evaluated subsequent events through March 11, 2021 the date which the financial statements were available to be issued and have not evaluated subsequent events after that date.

Subsequent to year end, on December 7, 2020, the funds received from the Paycheck Protection Program were forgiven in full. In the beginning of 2021, the Society received funds from the second round of Paycheck Protection Program funds for the same amount of \$208,300.

No other subsequent events were identified that would require disclosure in the financial statements for the year ended September 30, 2020.

NEW HAMPSHIRE HISTORICAL SOCIETY

SUPPLEMENTARY SCHEDULES OF DEMOCRACY PROJECT ACTIVITY

Years Ended September 30, 2020 and 2019

	2020	2019
Revenue and support:		
Grants, gifts and fundraising	\$ 112,866	\$ 159,000
Contributed goods and services	26,217	75,000
Teacher training revenue	-	17,580
<i>Total revenue and support</i>	<u>139,083</u>	<u>251,580</u>
Operating expenses:		
Depreciation expense	83,445	38,000
Salaries and benefits	79,307	72,363
Wage allocations	69,494	77,780
Contracted services	10,755	18,997
Teacher training stipends	6,000	5,850
Supplies	2,565	2,536
Food and beverages	1,434	4,143
Printing and photography	1,276	1,126
Travel and accommodations	690	558
Postage and shipping	405	241
Equipment	63	-
Bank fees	-	842
Staff development	-	424
<i>Total operating expenses</i>	<u>255,434</u>	<u>222,860</u>
<i>Excess of revenue and support over expenses</i> <i>(expenses over revenue and support)</i>	<u>(116,351)</u>	<u>28,720</u>
Purchase of capitalized items related to the Democracy Project, net of depreciation	<u>103,469</u>	<u>285,000</u>
<i>Net current year Democracy Project activity</i>	<u>\$ (219,820)</u>	<u>\$ (256,280)</u>