

MASSACHUSETTS HISTORICAL SOCIETY, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2020)



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MASSACHUSETTS HISTORICAL SOCIETY, INC.
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YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2020)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Massachusetts Historical Society, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Massachusetts Historical Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.


Board of Trustees
Massachusetts Historical Society, Inc.

Opinion

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

Report on Summarized Comparative Information

We have previously audited Massachusetts Historical Society, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 20, 2021

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 762,646	\$ 203,144	\$ 965,790	\$ 658,452
Other Investments	1,606,290	1,920,535	3,526,825	3,894,552
Accounts and Grants Receivable, Net	110,204	156,257	266,461	406,025
Pledges Receivable, Net	9,250	-	9,250	-
Prepaid Expenses	144,630	-	144,630	122,083
Total Current Assets	<u>2,633,020</u>	<u>2,279,936</u>	<u>4,912,956</u>	<u>5,081,112</u>
NONCURRENT ASSETS				
Grants Receivable - Noncurrent, Net	-	139,960	139,960	131,928
Endowment Investments	44,788,831	92,753,520	137,542,351	89,532,291
Split-Interest Agreements	-	506,953	506,953	399,839
Property and Equipment, Net	10,093,024	-	10,093,024	10,341,356
Total Noncurrent Assets	<u>54,881,855</u>	<u>93,400,433</u>	<u>148,282,288</u>	<u>100,405,414</u>
Total Assets	<u>\$ 57,514,875</u>	<u>\$ 95,680,369</u>	<u>\$ 153,195,244</u>	<u>\$ 105,486,526</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 688,959	\$ -	\$ 688,959	\$ 572,671
Deferred Dues Revenue	92,022	-	92,022	91,387
Payroll Protection Program Note Payable	-	-	-	767,600
Long-Term Debt - Current Portion	101,566	-	101,566	98,229
Total Current Liabilities	<u>882,547</u>	<u>-</u>	<u>882,547</u>	<u>1,529,887</u>
NONCURRENT LIABILITIES				
Split-Interest Agreements	-	254,256	254,256	217,572
Deferred Lease Revenue	348,403	-	348,403	354,424
Long-Term Debt, Net	888,277	-	888,277	985,304
Total Noncurrent Liabilities	<u>1,236,680</u>	<u>254,256</u>	<u>1,490,936</u>	<u>1,557,300</u>
Total Liabilities	2,119,227	254,256	2,373,483	3,087,187
NET ASSETS				
Without Donor Restrictions:				
Undesignated	44,561,347	-	44,561,347	32,687,879
Trustee Designated	10,834,301	-	10,834,301	6,952,151
Total Without Donor Restrictions	<u>55,395,648</u>	<u>-</u>	<u>55,395,648</u>	<u>39,640,030</u>
With Donor Restrictions:				
Perpetual in Nature	-	17,556,658	17,556,658	17,297,208
Purpose and Time Restrictions	-	77,869,455	77,869,455	45,462,101
Total With Donor Restrictions	<u>-</u>	<u>95,426,113</u>	<u>95,426,113</u>	<u>62,759,309</u>
Total Net Assets	<u>55,395,648</u>	<u>95,426,113</u>	<u>150,821,761</u>	<u>102,399,339</u>
Total Liabilities and Net Assets	<u>\$ 57,514,875</u>	<u>\$ 95,680,369</u>	<u>\$ 153,195,244</u>	<u>\$ 105,486,526</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUE AND SUPPORT				
Gifts	\$ 901,961	\$ 1,255,063	\$ 2,157,024	\$ 2,573,926
Bequest	-	-	-	23,808
Grants	64,600	574,577	639,177	185,346
Endowment Support for Operations	3,716,784	-	3,716,784	3,474,292
Seminars, Conferences, Workshops, and Other Events	180,843	-	180,843	185,491
Members and Fellows Dues	76,535	-	76,535	101,405
Royalties, Reproductions, and Rights	32,314	-	32,314	63,311
Sales of Publications	700	-	700	11,096
Miscellaneous Income	30,126	-	30,126	38,278
Investment Income from Other Investments	107,912	-	107,912	87,937
Paycheck Protection Program Loan Forgiveness	767,600	-	767,600	-
Net Assets Released from Restrictions	3,687,942	(3,687,942)	-	-
Total Operating Revenue and Support	9,567,317	(1,858,302)	7,709,015	6,744,890
OPERATING EXPENSES				
Programs	4,433,233	-	4,433,233	4,496,094
Management and General	1,442,291	-	1,442,291	1,264,373
Fundraising	919,420	-	919,420	658,870
Total Operating Expenses	6,794,944	-	6,794,944	6,419,337
CHANGE IN NET ASSETS FROM OPERATIONS	2,772,373	(1,858,302)	914,071	325,553
NONOPERATING ACTIVITIES				
Endowment Activity:				
Investment Income (Loss), Net of Fees	(588,154)	(1,017,874)	(1,606,028)	(89,603)
Endowment Support for Investment Expenses	95,399	-	95,399	167,077
Purchase of Collections	(45,421)	-	(45,421)	(83,480)
Proceeds from Sale of Collections	127,000	-	127,000	-
Realized and Unrealized Gain on Investments	17,206,604	35,542,980	52,749,584	4,852,727
Endowment Draw for Operations	(3,716,784)	-	(3,716,784)	(3,474,292)
Endowment Draw for Investment Expenses	(95,399)	-	(95,399)	(167,077)
Total Nonoperating Changes	12,983,245	34,525,106	47,508,351	1,205,352
CHANGE IN NET ASSETS	15,755,618	32,666,804	48,422,422	1,530,905
Net Assets - Beginning of Year	39,640,030	62,759,309	102,399,339	100,868,434
NET ASSETS - END OF YEAR	<u>\$ 55,395,648</u>	<u>\$ 95,426,113</u>	<u>\$ 150,821,761</u>	<u>\$ 102,399,339</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 48,422,422	\$ 1,530,905
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Debt Forgiveness	(767,600)	-
Depreciation	463,276	452,870
Amortization of Finance Costs	4,539	4,539
Gifts and Grants Received for Endowment	(259,450)	(235,571)
Proceeds from Sale of Collections	(127,000)	-
Investment (Income) Loss, Net of Management Fees, Reinvested	1,606,028	89,603
Increase in Fair Value of Investments	(52,749,584)	(4,852,727)
(Increase) Decrease in:		
Accounts and Grants Receivable	131,532	564,900
Pledges Receivable	(9,250)	54,244
Split-Interest Agreements	(107,114)	8,824
Prepaid Expenses	(22,547)	4,507
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	116,288	184,757
Liability for Split-Interest Agreements	36,684	(4,269)
Deferred Revenue	(5,386)	(6,668)
Net Cash Used by Operating Activities	(3,267,162)	(2,204,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(214,945)	(89,376)
Gifts and Grants Invested	259,450	235,571
Proceeds from Sale of Collections	127,000	-
Investment Sales	20,643,992	3,787,177
Investment Purchases	(17,142,768)	(1,981,672)
Net Cash Provided by Investing Activities	3,672,729	1,951,700
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Principal Payments	(98,229)	(94,898)
Proceeds from Payroll Protection Program Note Payable	-	767,600
Net Cash Provided (Used) by Financing Activities	(98,229)	672,702
NET INCREASE IN CASH AND CASH EQUIVALENTS	307,338	420,316
Cash and Cash Equivalents - Beginning of Year	658,452	238,136
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 965,790	\$ 658,452

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Bank Loan Interest Paid	<u>\$ 40,483</u>	<u>\$ 43,997</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Additions to Property and Equipment for Capital Projects in Process Included in Accounts Payable and Accrued Expenses	<u>\$ 90,184</u>	<u>\$ 75,946</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 1 ORGANIZATION

The Massachusetts Historical Society, Inc. (the Society) was founded in 1791 as an independent research library and center of learning that collects, preserves, makes accessible, and communicates manuscripts and other materials in order to promote the study of history of Massachusetts and the nation.

The Society provides the following programs:

Collections Storage, Services, and Library

The Society's extraordinary collections tell the story of America through millions of rare and unique documents, artifacts, and national treasures, including the personal papers of three presidents – John Adams, John Quincy Adams, and Thomas Jefferson. Through its research library, online resources, publications, exhibitions, and programs, the Society makes its holdings accessible to anyone with an interest in the people and events that shaped our country.

Education, Exhibitions, and Events

The Society's exhibitions celebrate the perspective American history brings to our own time and illustrate how it sustains our republic and guides our future. As one of the region's major venues for history presentations, the Society produces exhibitions that are thematic, tell stories, and explore turning points in history.

Continuing to develop a vibrant selection of public and education programs enables the Society to enhance the understanding of our Nation's past and its connection to the present, demonstrating that history is not just a series of events that happened to individuals long ago, but is integral to the fabric of our daily lives.

The Society also offers an engaging array of programs and resources to teachers and students, including workshops, fellowship opportunities, and curriculum resources. Committed to using its unique resources to improve and support the teaching of American history in kindergarten through Grade 12 classrooms, the Society launched the center for the teaching of history in January 2017 to promote history and civics education and is among the nation's premier resource providers for educators.

Publications and Research

The Society strives to foster a research community that actively promotes the study of the history of Massachusetts and the nation. The Society offers an exceptional range of resources for making and sharing historical discoveries. Visitors can enjoy public talks, tours, exhibitions, scholarly seminars, and conferences, and can gain access to unparalleled collections through a research library and website.

The Society began publishing books in 1792 and is one of the oldest continually operating publishers in the United States. Through this program, the Society makes available printed books, electronic publications, newsletters, and a scholarly journal.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Society is required under GAAP to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets without donor restrictions represent those assets which the Society may use at its discretion.

Net Assets with Donor Restrictions – Net assets subject to grantor/donor-imposed stipulations that may or will be met by actions of the Society and/or the passage of time. This also includes contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Comparative Financial Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Society considers all highly liquid investments without restrictions with an initial maturity of three months or less to be cash equivalents.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period when earned. The Society recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Donor-restricted revenue and support is reported as an increase in net assets with donor restrictions. When a restriction expires, 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.

A portion of the Society's revenue is derived from cost-reimbursable federal contracts and grants, which are conditional grants based on certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as earned and are reported as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. As of June 30, 2021, conditional contributions of \$229,604 have not yet been recognized in the financial statements.

To determine revenue recognition for the arrangements that the Society determines are within the scope of Topic 606, the Society performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Society satisfies a performance obligation. Member and Fellow dues, Royalties, Reproductions, and Rights revenue, and Sales of Publications revenue are recognized as the related services and/or goods are provided. Unearned member dues are reflected as deferred dues revenue on the statement of financial position.

Accounts, Grants, and Pledges Receivable

Accounts, grants, and pledges 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 a valuation allowance based on its assessment of the current status of individual accounts. As of June 30, 2021 and 2020, management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Pledges receivable are unconditional promises to give that are recognized as revenue in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges and grants receivable that are expected to be collected within one year are recorded at their realizable value. Pledges and grants receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in gifts and grant revenue.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Society carries its investments in Split-Interest Agreements, other investments, and endowment funds in the statement of financial position at their fair values as further described in Note 12.

Unrealized gains and losses on endowment and other investments are included in the change in net assets in the accompanying statement of activities. The investment income, realized and unrealized gains and losses, and investment expenses are included in the increase (decrease) in net assets from non-operating activities unless the income or loss is restricted by donor or law.

Investment Pools

The Society maintains separate master investment accounts for its split-interest agreements, endowment funds, and its other investments. Investment income, investment expenses, and realized and unrealized gains and losses from investments in the master investment accounts are allocated to the individual endowment funds and other investment funds based on the relationship of the fair value of each fund to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts during the year.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property.

Building and Building Renovations	10 to 50 Years
Furniture and Technology Equipment	3 to 25 Years

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicated the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Deferred Revenue

The Society leases a building it owns to an unrelated nonprofit organization for a period of 75 years, expiring August 18, 2074. The entire lease payment was received at the inception of the lease and is being amortized ratably over the lease term. The Society also defers recognition of membership dues until the revenue is earned.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

The Society's collections are made up of manuscripts, rare books, pamphlets, reference works, art objects and other artifacts of historical significance that are held for educational, research, historic, and curatorial purposes. Each of these items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

The collections, which were acquired through purchases and donor contributions since the Society's inception, are not recognized as assets on the statements of financial position. Purchases of collections are recorded as a reduction in the appropriate class of net assets in the statement of activities. Proceeds from sales of collections are reflected in the statements of activities based on the absence or existence and nature of donor-imposed restrictions.

Financing Costs

Financing costs associated with obtaining financing are capitalized and amortized over the term of the loan using the straight-line method, which approximates the effective interest method. Deferred financing costs are reported net against long-term debt (Note 9).

Income Taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Society is also exempt from Massachusetts income taxes. However, income from certain activities not directly related to the Society's tax-exempt purpose may be subject to taxation as unrelated business income at both the state and federal levels. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Society evaluates all significant tax positions. As of June 30, 2021, the Society does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next 12 months. The Society's income tax returns are subject to examination by the appropriate taxing jurisdictions; however, there are no examinations in process.

Total Return Spending Policy

The Society utilizes a total return policy with respect to its use of endowment assets. The trustees set an annual spending amount from endowment assets for support of operations computed on a trailing 12-quarter quarterly average market value basis and approve a specific spending percentage for operations each fiscal year as part of approving the Society's annual operating budget. Investment fees and expenses are paid directly from investments. The spending percentage for operations for both of the years ended June 30, 2021 and 2020 was 4.5%. In June 2021, the trustees approved a spending percentage of 4.5% for fiscal year 2022.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The operating costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The Society reports certain categories of expenses that are attributable to one or more program or supporting functions. Expenses are directly coded to programs or supporting functions whenever possible. Expenses that are attributable to multiple programs or supporting functions are allocated on a reasonable basis that is consistently applied. Those expenses include occupancy, information technology, and certain office expenses, which are allocated based on estimates of time and effort related to the programs and supporting services. Depreciation is allocated based on square footage related to the programs and supporting services.

Donor-Restricted Endowment Assets

The Commonwealth of Massachusetts adopted the Uniform Prudent, Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. The Society's policies as to the classification and appropriation of donor restricted endowment funds are described below and are consistent with the requirements of UPMIFA.

The Society classifies as net assets with donor restrictions (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's gift instructions at the time the accumulation is added to the fund.

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 fund
- (2) The mission of the Society and purpose 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
- (7) The investment policies of the Society

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term, return objectives within prudent risk constraints.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period, and board of trustee-designated funds.

In connection with the annual budgeting process, the investment committee, after reviewing the conditions of the financial markets and consultation with investment advisors, concluded that the Society's estimates of the returns on endowment assets should provide for an expected long-term total net real (inflation-adjusted) rate of return of approximately 4.6% or more annually while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year a spending percentage of invested assets computed on a trailing 12-quarter quarterly average of its endowment asset market values. In establishing this policy, the Society considered the long-term expected returns on its endowment assets. Accordingly, over the long-term, the Society expects the spending policy to allow its endowment to grow at a rate in excess of inflation. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets.

The cumulative net unspent appreciation on investments with donor restrictions is accounted for as net assets with donor restrictions and together with unspent appreciation on unrestricted endowment funds is not available for distribution, except by the express appropriation action of the board of trustees of the Society.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Society adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. There was no material impact on the Society's financial position and results of operations upon adoption of the new standard.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The effective date for the Society is for annual periods beginning after December 15, 2021, however, early application is permitted. The Society is currently evaluating the impact this guidance will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through December 20, 2021, the date the financial statements were available to be issued.

NOTE 3 ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable at June 30 consist of the following:

	2021	2020
Accounts Receivable	\$ 110,204	\$ 107,157
Grants Receivable:		
Federal Agencies	299,432	434,011
Other Grants Receivable	-	-
Total Grants Receivable	299,432	434,011
Less: Discount to Net Present Value	(3,215)	(3,215)
Grants Receivable, Net	296,217	430,796
Accounts and Grants Receivable, Net	<u>\$ 406,421</u>	<u>\$ 537,953</u>
Current Portion	\$ 266,461	\$ 406,025
Due After One Year	143,175	135,143
Less: Discount to Net Present Value	(3,215)	(3,215)
Due After One Year, Net	139,960	131,928
Accounts and Grants Receivable, Net	<u>\$ 406,421</u>	<u>\$ 537,953</u>

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NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at June 30 consist of the following:

	2021	2020
Amounts Due in Less than One Year	\$ 9,250	\$ -
Allowance for Doubtful Accounts	-	-
Pledges Receivable, Net	\$ 9,250	\$ -

NOTE 5 SPLIT-INTEREST AGREEMENTS

The Society administers various agreements through charitable remainder trusts and annuities. These agreements provide for the payment of distributions to the grantor or other designated beneficiaries over the terms of the agreement. At the end of the term, the remaining assets are available for the Society's use. The portion of the agreements attributable to the present value of the future benefits to be received by the Society is recorded in the statements of activities as gift revenue with donor restrictions in the period the agreement is established. In 2021, new gifts of \$24,681 were received. No gifts were received in 2020. Investment assets held under these agreements are managed by an investment advisor and held in a brokerage account. They are carried at their fair value in the Society's statements of financial position. The fair value of these investments is based on unadjusted quoted prices in active markets that are accessible at June 30, 2021 and 2020 for identical securities without donor restrictions and are classified as Level 1 in the fair value information in Note 12. On an annual basis, the Society revalues the present value liability for future distributions to the designated beneficiaries based on updated actuarial assumptions. The present value of the estimated future liability for payments to grantors at June 30, 2021 and 2020 is calculated using discount rates ranging from 1.2% to 6.2% and applicable mortality tables.

NOTE 6 ENDOWMENT INVESTMENTS

Endowment investment funds are carried at their aggregate fair value and consist of the following as of June 30:

	2021	2020
Global Equities	\$ 20,664,814	\$ 10,454,539
Global Fixed Income	5,406,510	7,764,875
Hedge Funds	4,724,970	3,693,799
Limited Partnerships	106,746,057	67,619,078
Total Endowment Investments Funds	\$ 137,542,351	\$ 89,532,291

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NOTE 6 ENDOWMENT INVESTMENTS (CONTINUED)

The Society, under the direction of its investment committee and in consultation with its investment advisors, has selected several independent investment fund managers to manage specific allocations of its endowment investment funds in accordance with an investment policy approved by the trustees of the Society. The investment fund managers' report monthly transactions and month-end fair values based on the Society's net asset value in the respective funds.

Changes in endowment net assets consisted of the following as of June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - June 30, 2019	\$ 28,638,262	\$ 58,974,952	\$ 87,613,214
Investment Income, Net of Investment Fees	(29,251)	(60,352)	(89,603)
Realized and Unrealized Gain	1,584,311	3,268,416	4,852,727
Reclassification	645,231	-	645,231
Direct Expenditures	(83,480)	-	(83,480)
Spending Allowed (Draw for Operations and Expenses)	(1,576,947)	(2,064,422)	(3,641,369)
Additions (New Gifts)	-	235,571	235,571
Balance - June 30, 2020	29,178,126	60,354,165	89,532,291
Investment Income, Net of Investment Fees	(588,154)	(1,017,874)	(1,606,028)
Realized and Unrealized Gain	17,206,604	35,542,980	52,749,584
Reclassification	-	337,658	337,658
Deaccession Proceeds	-	127,000	127,000
Direct Expenditures	(45,421)	-	(45,421)
Spending Allowed (Draw for Operations and Expenses)	(962,324)	(2,849,859)	(3,812,183)
Additions (New Gifts)	-	259,450	259,450
Balance - June 30, 2021	<u>\$ 44,788,831</u>	<u>\$ 92,753,520</u>	<u>\$ 137,542,351</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual nature. Deficiencies of this nature are reported in net assets with donor restriction. As of June 30, 2021, the original value of such funds totaled \$4,571,994 and the market value was \$4,571,946, resulting in a deficiency of approximately \$48 due to unfavorable market conditions. There was a deficiency of this nature of approximately \$1,716 as of June 30, 2020. The total return spending policy described in Note 2 permits the Society's calculation to include underwater endowment funds, unless otherwise precluded by donor intent or regulations.

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NOTE 6 ENDOWMENT INVESTMENTS (CONTINUED)

The following schedule summarizes the components of investment return for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and Dividends	\$ 174,142	\$ 926,935
Realized and Unrealized Gains	52,749,585	4,852,727
Investment Fees	(1,780,171)	(1,016,538)
Total	<u>\$ 51,143,556</u>	<u>\$ 4,763,124</u>

The above investment fees include custodial fees and investment advisory fees charged by the Society's investment managers. Fees for both years also include investment advisory and professional services of \$95,399 and \$167,077 for the years ended June 30, 2021 and 2020, respectively, paid to the Society's investment advisor.

NOTE 7 OTHER INVESTMENTS

Other investments are composed of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash, Cash Equivalents, and Corporate Bonds	<u>\$ 3,526,824</u>	<u>\$ 3,894,551</u>

These investments are managed by an investment advisor and held in a brokerage account. They are carried at their fair value in the Society's statements of financial position. The fair value of these investments is based on unadjusted quoted prices in active markets that are accessible at June 30, 2021 and 2020 for identical unrestricted securities and are classified as Level 1 in the fair value information in Note 12.

Investment return includes interest in the amount of \$5,673 and \$87,937 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications as June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 200,000	\$ 200,000
Buildings and Building Renovations	16,831,228	16,701,075
Furniture and Technology Equipment	1,082,459	1,032,932
Capital Projects in Process	213,594	178,331
Total Property and Equipment	<u>18,327,281</u>	<u>18,112,338</u>
Less: Accumulated Depreciation	<u>(8,234,257)</u>	<u>(7,770,982)</u>
Property and Equipment, Net	<u>\$ 10,093,024</u>	<u>\$ 10,341,356</u>

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NOTE 8 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$463,276 and \$452,870, respectively.

As of June 30, 2021 and 2020, the building under lease was fully depreciated. However, land for the leased building is not depreciated and has a net book value of \$175,000 and is included in property and equipment at June 30, 2021 and 2020.

NOTE 9 LONG-TERM DEBT, NET

Long-term debt consists of the following at June 30:

	2021	2020
Balance Due Under Long-Term Debt Agreement Described Below	\$ 1,026,158	\$ 1,124,388
Less Current Portion	(101,566)	(98,229)
Less: Unamortized Deferred Finance Costs	(36,315)	(40,855)
Total Long-Term Debt, Net	\$ 888,277	\$ 985,304

Amortization of financing costs of \$4,539 is included in long-term debt interest and fees in the schedule of functional expenses for the years ended June 30, 2021 and 2020.

On April 1, 2015, the Society entered into long-term debt agreements with the Massachusetts Development Finance Agency, First Republic Lending Corp, and First Republic Bank pursuant to which the Massachusetts Development Finance Agency loaned to the Society the proceeds of the sale of a \$1,500,000, 3.3%, tax exempt revenue note designated the Massachusetts Historical Society Issue, Series 2015 to First Republic Lending Corp. Proceeds from the note were used to finance two major projects; the restoration of the balustrade and roofs of its facilities on Boylston Street and the installation of enhanced audio visual systems and equipment in three public rooms.

Under the terms of the loan agreements the Society drew down \$1,500,000 to fund the project costs. The loan is for a 15-year term with interest, fixed at 3.3%, paid monthly on the outstanding amount. Commencing on May 9, 2016 and on each monthly payment date thereafter, equal payments of principal and interest will be payable in an amount necessary to fully amortize the then outstanding principal amount of the note and interest by the maturity date April 9, 2030. Up to 20% of the outstanding balance of the loan may be prepaid without premium from internal sources in any fiscal year and the entire loan may be prepaid without premium after the fifth year.

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NOTE 9 LONG-TERM DEBT, NET (CONTINUED)

Maturities of the long-term debt are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 101,566
2023	105,017
2024	108,516
2025	112,272
2026	116,087
Thereafter	482,700

The long-term debt is collateralized by gross receipts, accounts receivable, equipment, inventory and general intangibles, and any insurance proceeds thereof. Collateral excludes all collections, all investment securities, and property and the real property of the Society located on Boylston Street, Boston, Massachusetts. The Society has also made a negative pledge that it will not encumber in any manner or dispose this real property except in accordance with the terms of the loan. In addition, the agreements contain certain covenants that, among other things, require the Society to maintain specified levels of (a) unrestricted liquidity and (b) total endowment assets each to be tested on June 30 and December 31 for the term of the agreement.

NOTE 10 PENSION PLANS

The Society has a defined contribution retirement plan for its employees administered by TIAA (formally the Teachers Insurance and Annuity Association of America). The Society made matching contributions of \$135,342 and \$133,295 for the years ended June 30, 2021 and 2020, respectively.

Since April 1, 2006, the Society has sponsored a deferred compensation plan for certain eligible employees under IRS code 457(b). All contributions to the plan are made by employees and there are no contributions made by the Society.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash balances in its operating bank accounts; accounts receivable, grants receivable, and pledges receivable, and other investments. The Society's cash balances at its commercial bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021, approximately \$732,000 was in excess of those limits. Credit risk in accounts receivable, grants receivable, and pledges receivable are limited due to the large number of contributors comprising the Society's contributor base and their dispersion across different industries, government sectors, and geographic areas. Other investments are invested in cash, money market funds, and short duration U.S. treasuries and highly rated corporate bonds.

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NOTE 12 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for reporting fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Except for investments reported at net asset value or its equivalent (NAV) as a practical expedient to estimate fair value, the Society uses a three-tiered hierarchy to categorize those assets carried a fair value based on the valuation methodologies employed. The hierarchy is described as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Other significant observable inputs (including quoted prices in markets that are not considered to be active or similar financial instruments for which all significant inputs are observable, either directly or indirectly).

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The inputs used in valuing securities are not necessarily an indication of the risk or liquidity associated with investing in the respective financial instruments.

Short-term investments including cash and cash equivalents, corporate bonds and global equities are classified as Level 1 of the fair value hierarchy because their fair values are based on quoted prices for identical securities. The remaining investments of the Society are considered alternative investments and do not have readily determinable fair values. Investments that do not have readily determinable fair values are valued using the investments net asset value as the practical expedient. The Society summarizes alternative investments by significant investment category consisting of (1) global equities, (2) global fixed income, (3) hedge funds, and (4) limited partnerships.

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The disclosure criteria described above is used by the Society to present the following information about the fair values of its investments in the statements of financial position classified according to the method for determining such fair values for the years ended June 30 are as follows:

	June 30, 2021				Investments Measured at Net Asset Value
	Fair Value Measurements at Report Date Using				
	Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
	Total				
Other Investments:					
Cash, Cash Equivalents, and Corporate Bonds	\$ 3,526,825	\$ 3,526,825			\$ -
Endowment Investments:					
Global Equities	\$ 20,664,814	\$ 2,299,763	\$ -	\$ -	\$ 18,365,051
Global Fixed Income	5,406,510	-	-	-	5,406,510
Hedge Funds	4,724,970	-	-	-	4,724,970
Limited Partnerships	106,746,057	-	-	-	106,746,057
Total	<u>137,542,351</u>	<u>\$ 2,299,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,242,588</u>
Split-Interest Agreements:					
Cash, Cash Equivalents	\$ 18,515	\$ 18,515			
Global Equities	285,940	285,940			
Global Fixed Income	202,498	202,498			
Total	<u>\$ 506,953</u>	<u>\$ 506,953</u>			
June 30, 2020					
Fair Value Measurements at Report Date Using					
Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Total					
Other Investments:					
Cash, Cash Equivalents, and Corporate Bonds	\$ 3,894,552	\$ 3,641,154			\$ 253,398
Endowment Investments:					
Global Equities	\$ 10,454,539	\$ 1,659,045	\$ -	\$ -	\$ 8,795,494
Global Fixed Income	7,764,875	-	-	-	7,764,875
Hedge Funds	3,693,799	-	-	-	3,693,799
Limited Partnerships	67,619,078	-	-	-	67,619,078
Total	<u>\$ 89,532,291</u>	<u>\$ 1,659,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,873,246</u>
Split-Interest Agreements:					
Cash, Cash Equivalents	\$ 12,452	\$ 12,452			
Global Equities	226,015	226,015			
Global Fixed Income	161,372	161,372			
Total	<u>\$ 399,839</u>	<u>\$ 399,839</u>			

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents the Society's liquidity for investments measured at net asset value as of June 30, 2021:

Investments Measured at NAV:	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Over 1 Year	Days Notice
Global Equities ¹	\$ 18,365,051	\$ -	\$ -	\$ 7,020,936	\$ 3,893,647	\$ 7,450,468	1 - 180 Days
Global Fixed Income	5,406,510	663,789	4,742,721	-	-	-	1 - 10 Days
Hedge Funds	4,724,970	-	-	1,574,990	-	3,149,980	60 Days
Limited Partnerships	106,746,057	-	-	1,410,304	13,539,135	91,796,618	90 Days - 360 Days
Total	<u>\$ 135,242,588</u>	<u>\$ 663,789</u>	<u>\$ 4,742,721</u>	<u>\$ 10,006,230</u>	<u>\$ 17,432,782</u>	<u>\$ 102,397,066</u>	

1 - \$3,369,792 subject to a 3 year lock up

There were no unfunded commitments for limited partnerships as of June 30, 2021.

The following presents the Society's liquidity for investments measured at net asset value as of June 30, 2020:

Investments Measured at NAV:	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Over 1 Year	Days Notice
Global Equities	\$ 8,795,494	\$ 1,659,043	\$ 1,785,910	\$ 2,863,485	\$ 4,146,099	-	1 - 180 Days
Global Fixed Income	7,764,875	3,200,314	4,564,561	-	-	-	1 - 5 Days
Hedge Funds	3,693,799	-	-	1,231,266	-	2,462,533	60 Days
Limited Partnerships ^{1 and 2}	67,619,078	-	-	3,719,026	12,323,731	51,576,321	90 Days - 360 Days
Total	<u>\$ 87,873,246</u>	<u>\$ 4,859,357</u>	<u>\$ 6,350,471</u>	<u>\$ 7,813,777</u>	<u>\$ 16,469,830</u>	<u>\$ 54,038,854</u>	

1 - \$3,678,469 subject to a 5 year lock up

2 - \$2,863,485 subject to a 3 year rolling lock up

Unfunded commitments for limited partnership amounted to \$2,221,000 as of June 30, 2020.

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NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2021		2020	
	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity
General Support	\$ 50,214,634	9,811,511	\$ 29,977,347	\$ 9,810,513
Library Operations	16,675,909	3,029,266	9,892,396	2,929,266
Publications	7,868,145	1,588,345	4,601,689	1,588,345
Special Purposes	3,110,767	3,127,536	990,669	2,969,084
Total	<u>\$ 77,869,455</u>	<u>17,556,658</u>	<u>\$ 45,462,101</u>	<u>\$ 17,297,208</u>

NOTE 14 TRUSTEE DESIGNATED NET ASSETS

The Society's Trustees' have designated net assets without donor restrictions for the following purposes as of June 30:

	2021	2020
Designated by Trustees, Not in Perpetuity:		
General Support Funds	\$ 1,654,350	\$ 1,082,905
Library Funds	3,933,997	2,435,347
Publication Funds	5,245,954	3,433,899
Total	<u>\$ 10,834,301</u>	<u>\$ 6,952,151</u>

NOTE 15 AVAILABLE RESOURCES AND LIQUIDITY

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Society has various sources of liquidity at its disposal, including cash and cash equivalents, equities, and fixed income securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Society operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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NOTE 15 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

As of June 30, 2021 and 2020, the following tables show the total liquid financial assets held by the Society and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 965,790	\$ 658,452
Accounts Receivable, Net	266,461	842,662
Gifts Receivable, Net	9,250	-
Investments Convertible to Cash in the Next 12 Months	<u>36,372,347</u>	<u>39,387,987</u>
Total	<u>\$ 37,613,848</u>	<u>\$ 40,889,101</u>
Financial Assets Available To Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 762,646	\$ 38,736
Accounts Receivables	110,204	107,157
Current Portion of Gifts Receivable, Net	9,250	-
Appropriated Earnings from Endowment	<u>3,946,173</u>	<u>3,474,292</u>
Total	<u>\$ 4,828,273</u>	<u>\$ 3,620,185</u>

Per the spending policy described in Note 2, the spending percentage for operations for both of the years ended June 30, 2021 and 2020 was 4.5%.

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NOTE 16 FUNCTIONAL EXPENSES

Expenses are classified on a functional basis as follows for the years ended June 30:

	2021				2020			
	Program Services			Total Program Services	Supporting Services		Total	Total
	Collections Storage, Services, and Library	Publications and Research	Education, Exhibitions, and Events		General and Administrative	Fundraising		
Salaries, Payroll Taxes, and Benefits	\$ 1,498,055	\$ 1,214,771	\$ 547,912	\$ 3,260,738	\$ 913,848	\$ 639,306	\$ 4,813,892	\$ 4,872,368
Occupancy Costs	187,400	103,000	43,100	333,500	89,872	53,900	477,272	405,269
Depreciation	174,778	107,971	45,074	327,823	79,110	56,343	463,276	452,870
Grant Funded Program Expenses:								
Research Fellows and Projects	-	226,803	-	226,803	-	-	226,803	97,715
Education and Public Programs	-	-	31,668	31,668	-	-	31,668	82,958
Collections Processing	62,486	-	-	62,486	-	-	62,486	52,756
Exhibits	-	-	14,096	14,096	-	-	14,096	26,112
Books and Manuscripts	459	-	35	494	-	-	494	-
Offsite Storage	6,281	-	-	6,281	-	-	6,281	6,068
Printing	-	4,507	-	4,507	-	23,977	28,484	14,250
Long-Term Debt Interest and Fees	-	-	-	-	40,483	-	40,483	43,997
Advertising and Public Relations	-	-	-	-	-	6,627	6,627	21,467
Audit and Tax	-	-	-	-	47,560	-	47,560	41,408
Legal	-	-	-	-	15,738	-	15,738	2,706
Computer Supplies, Software, and Support	43,771	21,981	8,810	74,562	22,743	50,331	147,636	127,877
Seminars and Conferences	-	-	-	-	-	-	-	8,262
Conservation	4,476	-	-	4,476	-	-	4,476	11,840
Consulting and Outside Services	40,062	-	17,511	57,573	202,774	23,888	284,235	43,879
Cultivation, Meetings, and Events	-	1,500	-	1,500	14,582	52,563	68,645	48,527
Sponsorship Expense	-	5,000	-	5,000	-	-	5,000	6,100
Office Supplies and Expenses	7,798	5,463	2,633	15,894	2,755	6,621	25,270	27,043
Postage	730	3,645	-	4,375	979	5,229	10,583	8,350
Dues and Subscriptions	590	867	-	1,457	11,847	635	13,939	17,515
Total Expenses	\$ 2,026,886	\$ 1,695,508	\$ 710,839	\$ 4,433,233	\$ 1,442,291	\$ 919,420	\$ 6,794,944	\$ 6,419,337

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(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2020)

NOTE 17 RISKS AND UNCERTAINTIES

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Society, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results including but not limited to additional costs for increased use of technology and supplies and potential changes in funding sources and events. Management believes the Society is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 20, 2021.

NOTE 18 PAYCHECK PROTECTION PROGRAM

The Society applied for and was approved for a \$767,600 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for 6 months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of 2 years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Society fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The covered period to spend their funds was for 24 weeks following receipt of the funds in April 2020. The loan was uncollateralized and fully guaranteed by the federal government.

On June 7, 2021, the Society received a letter from First Republic Bank stating that the PPP loan principal and interest was forgiven in full by the Small Business Administration. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Society's financial position.