

**NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON**

Financial Statements

Years Ended June 30, 2019 and 2018

(With Independent Accountants' Review Report Thereon)



**NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON**

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Newton Historical Society, Inc.
D/B/A Historic Newton:

We have reviewed the accompanying financial statements of Newton Historical Society, Inc., d/b/a Historic Newton (a non-profit organization) (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As of June 30, 2019, the Organization adopted Financial Accounting Standards Board Accounting Standard Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. The changes required by the update have been applied retrospectively to all periods presented. However, the Organization has exercised the permitted option to omit disclosures about liquidity and availability of resources for year ended June 30, 2018.

Kahn, Litwin, Renya & Co., Ltd.

March 18, 2020

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 99,088	\$ 114,116
Inventory	13,241	12,265
Pledges receivable, current portion	-	5,100
Accounts and grants receivable	7,368	12,753
Prepaid expenses	13,417	20,059
Investments	126,506	123,510
Total current assets	259,620	287,803
Investments	2,712,411	2,760,917
Collections (note 5)	-	-
Total Assets	\$ 2,972,031	\$ 3,048,720
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 38,024	\$ 32,033
Net Assets:		
Without donor restrictions	1,950,720	2,003,566
With donor restrictions	983,287	1,013,121
Total net assets	2,934,007	3,016,687
Total Liabilities and Net Assets	\$ 2,972,031	\$ 3,048,720

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018



	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:						
Contributions and pledges	\$ 44,255	\$ 820	\$ 45,075	\$ 45,071	\$ 27,500	\$ 72,571
Grant income	19,760	-	19,760	24,039	-	24,039
Special events, net of expenses of \$51,182 and \$52,650	34,552	-	34,552	27,611	-	27,611
Program revenue	65,042	-	65,042	63,991	-	63,991
Membership revenue	52,793	-	52,793	46,395	-	46,395
Investment income, net	72,242	13,161	85,403	154,915	27,638	182,553
In-kind revenue	316,419	-	316,419	316,826	-	316,826
Net assets released from restrictions	43,815	(43,815)	-	43,235	(43,235)	-
Total support and revenue	648,878	(29,834)	619,044	722,083	11,903	733,986
Expenses:						
Program services	548,071	-	548,071	554,527	-	554,527
Management and general	60,989	-	60,989	70,001	-	70,001
Fundraising	92,664	-	92,664	60,403	-	60,403
Total expenses	701,724	-	701,724	684,931	-	684,931
Change in net assets before activity related to collections items	(52,846)	(29,834)	(82,680)	37,152	11,903	49,055
Expenditures on collection items (note 5)	-	-	-	(671)	-	(671)
Change in Net Assets	(52,846)	(29,834)	(82,680)	36,481	11,903	48,384
Net Assets, beginning of year	2,003,566	1,013,121	3,016,687	1,967,085	1,001,218	2,968,303
Net Assets, end of year	\$ 1,950,720	\$ 983,287	\$ 2,934,007	\$ 2,003,566	\$ 1,013,121	\$ 3,016,687

See accompanying notes to the financial statements and independent accountants' review report.

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019



	Program Services	Management and General	Fundraising	Total Expenses
Compensation and related expenses	\$ 352,663	\$ 36,367	\$ 88,232	\$ 477,262
Employee benefits	28,849	-	-	28,849
Credit card and bank service fees	2,092	-	-	2,092
Dues and subscriptions	1,869	-	295	2,164
Equipment rental and maintenance	13,616	-	-	13,616
Food and refreshments	1,647	592	30	2,269
Historic house markers	3,137	-	-	3,137
Insurance	12,529	2,398	-	14,927
Marketing and promotion	3,254	-	935	4,189
Meetings and staff development	776	-	124	900
Museum shop cost of sales	1,105	-	-	1,105
Occupancy	76,159	142	111	76,412
Postage and delivery	1,283	323	926	2,532
Printing and copying	7,526	661	1,571	9,758
Professional fees	24,087	19,630	-	43,717
Supplies expense	16,599	876	195	17,670
Travel	880	-	245	1,125
Subtotal	548,071	60,989	92,664	701,724
Expenditures on collection items	-	-	-	-
Total expenses	\$ 548,071	\$ 60,989	\$ 92,664	\$ 701,724

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018



	Program Services	Management and General	Fundraising	Total Expenses
Compensation and related expenses	\$ 341,214	\$ 42,326	\$ 37,503	\$ 421,043
Employee benefits	24,798	-	-	24,798
Bad debt	-	200	-	200
Credit card and bank service fees	2,432	-	-	2,432
Dues and subscriptions	3,781	-	295	4,076
Equipment rental and maintenance	17,614	-	-	17,614
Food and refreshments	871	829	43	1,743
Historic house markers	3,787	-	-	3,787
Insurance	14,195	1,199	-	15,394
Marketing and promotion	1,599	-	2,360	3,959
Meetings and staff development	1,328	-	-	1,328
Museum shop cost of sales	1,674	-	-	1,674
Occupancy	83,858	157	125	84,140
Postage and delivery	1,864	225	666	2,755
Printing and copying	4,293	1,312	10,941	16,546
Professional fees	38,667	23,540	8,221	70,428
Supplies expense	11,912	213	128	12,253
Travel	640	-	121	761
Subtotal	<u>554,527</u>	<u>70,001</u>	<u>60,403</u>	<u>684,931</u>
Expenditures on collection items	<u>671</u>	<u>-</u>	<u>-</u>	<u>671</u>
Total expenses	<u>\$ 555,198</u>	<u>\$ 70,001</u>	<u>\$ 60,403</u>	<u>\$ 685,602</u>

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018



	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (82,680)	\$ 48,384
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Bad debt expense	-	200
Net unrealized/realized gain on investments	(27,343)	(92,077)
Changes in operating assets and liabilities:		
Inventory	(976)	(1,224)
Pledges receivable	5,100	300
Accounts and grants receivable	5,385	(5,004)
Prepaid expenses	6,642	(8,403)
Accounts payable and accrued expenses	5,991	3,230
Net cash used by operating activities	<u>(87,881)</u>	<u>(54,594)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	197,764	312,112
Purchase of investments	(124,911)	(215,178)
Net cash provided by investing activities	<u>72,853</u>	<u>96,934</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,028)	42,340
Cash and Cash Equivalents, beginning of year	<u>114,116</u>	<u>71,776</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 99,088</u></u>	<u><u>\$ 114,116</u></u>

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

1. Nature of Operations

Newton Historical Society, Inc., d/b/a Historic Newton (a non-profit organization) (the Organization) located in Newton, Massachusetts, was founded in 1953 as the Friends of the Jackson Homestead. The Organization, in cooperation with the City of Newton (the City), promotes inquiry into and exploration of Newton within the broad context of American History. The Organization conducts educational programs, hosts special events and encourages the public to visit its museums, exhibitions and programs.

The Organization carries out its mission using the 1809 Jackson Homestead historic house and collections, owned and provided by the City of Newton, and the 1734 Durant-Kenrick House and Grounds, owned by the Organization. Durant-Kenrick expands educational opportunities for the public and preserves an important resource for the people of Newton.

The Organization derives its revenues primarily from contributions, grants, membership dues, educational programs, special events, and other direct public support.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity and availability of resources, financial performance, and cash flows. The Organization adopted the provisions of this new standard in 2019 and applied it retrospectively to the 2018 presentation except, as permitted, to omit 2018 disclosures about liquidity and availability of resources. Upon adoption, net assets were reduced to two classes: (without and with donor restriction).

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

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 which may be perpetual in nature. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Organization considers all cash balances and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents except those funds which the Board has designated for investments.

Inventory

Inventory, consisting of books, postcards, and other educational items, is stated at cost. Cost is determined using the average cost method and valued at the lower of cost or net realizable value.

Pledges Receivable

Pledges receivable consist of promises to give from contributors to support the Organization's charitable mission. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are discounted at an appropriate rate commensurate with the risk involved. If material, receivables with amounts due beyond one year are discounted to their net present value using the interest rate for treasury bills with a remaining term equal to future receipts.

On a periodic basis, the Organization evaluates its pledges receivable and establishes an allowance for doubtful accounts, based on a history of past collections and current credit conditions. At June 30, 2019 and 2018, management has deemed that an allowance is not necessary.

Accounts and Grants Receivable

The Organization carries its accounts and grants receivable at net realizable value. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

NEWTON HISTORICAL SOCIETY, INC.
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Years Ended June 30, 2019 and 2018

The Organization does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At June 30, 2019 and 2018, management has determined that no allowance for doubtful accounts is deemed necessary.

Investments and Fair Value Measurements

The Organization reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.)

The Organization's investments are classified as levels 1 and 3 in the fair value hierarchy, as follows:

Level 1 investments owned by the Organization and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date. In the absence of recorded sales, Level 1 investments are valued at the last quoted bid price reported as of the financial statement reporting date.

Level 3 investment values are provided by the Organization's fund managers who develop their valuations using assumptions that market participants would use in pricing the asset and liabilities of the fund. These valuations rely on monthly statements and estimates obtained from the underlying fund managers, which consist of unobservable market inputs in accordance with authoritative guidance.

NEWTON HISTORICAL SOCIETY, INC.
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The Organization reports the investments' net realized and unrealized gains and losses at each reporting date in the statements of activities as a component of investment income.

Gains and losses on investments are reported as changes in net assets without donor restriction, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Interest and dividend income, net of investment fees, are included in the statement of activities as a component of investment income. Purchases and sales of securities are recorded on the trade date.

Collections

The Organization's collections consist of historic buildings, landscapes and artifacts of historical significance that are held for educational, research, and curatorial purposes.

The historical collections are not capitalized by the Organization. In addition, the Organization does not capitalize repairs or improvements to inexhaustible collections. All purchases of collection items and restoration or improvements to inexhaustible collections are recorded as decreases in net assets without donor restriction in the year in which the expenditure is made. The Organization maintains a collection policy that addresses collections upkeep, accession and de-accession policies and other aspects of collections management. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The Organization has adopted a policy that any proceeds from the sale of collection items are to be used to acquire other items for the collection or to conserve the existing collection. In accordance with the policy of not recording collections in the financial records, donated collection items received during the year are not reflected in the statements of activities.

Support and Revenue Recognition

Contributions, Pledges and Grants

The Organization recognizes contributions, pledges and grants in the fiscal year in which the contribution/pledge/grant is made. Contributions, pledges and grants are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor/grantor imposed restrictions.

Program Revenue, Special Events, and Other Sources

The Organization recognizes revenue when goods or services are provided.

Membership Revenue

The Organization recognizes revenue at the beginning of the applicable membership period.

NEWTON HISTORICAL SOCIETY, INC.
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Years Ended June 30, 2019 and 2018

In-kind Revenue

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Accounting principles generally accepted in the United States of America state that certain in-kind contributions are not eligible for recording in the financial statements. Accordingly, the value of these services has not been recognized in the accompanying financial statements.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the state and federal levels and no uncertain tax positions exist at June 30, 2019 and 2018.

The Organization annually files IRS Form 990 - *Return of Organization Exempt from Income Tax* and Massachusetts Tax returns, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These informational tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

Advertising

Advertising costs are expensed as incurred.

Estimates and Assumptions

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of job description, estimates of time and effort. Depreciation and occupancy are allocated on the basis of square footage. All other indirect expenses are also allocated on the basis of square footage.

NEWTON HISTORICAL SOCIETY, INC.
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Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements which either clarified or revised guidance set forth in ASU 2014-09. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an organization providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This standard will be effective for the Organization's year ending June 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for Organization's year ending June 30, 2020.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definition of Collections*, which is effective for annual periods beginning after December 15, 2019. The standard amends the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). The standard also modifies previous guidance to permit the proceeds from sales of collection items to be used to support the direct care of existing collections in addition to being used to acquire other items for collections. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. This standard will be effective for the Organization's year ending June 30, 2021, with early adoption permitted.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through March 18, 2020, which is the date these financial statements were available to be issued.

NEWTON HISTORICAL SOCIETY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets	
Cash and cash equivalents	\$ 99,088
Accounts and grants receivable	7,368
Investments	126,506
Financial assets, at June 30, 2019	232,962
Less those unavailable for general expenditure	
Purpose restrictions	10,324
Financial assets available to meet cash needs for general expenditure within one year	\$ 222,638

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a revolving line-of-credit facility with a local bank for \$200,000 (note 6). In addition, the Organization has a board designated endowment of \$1,865,954 (note 8) of which \$126,506, has been appropriated for general expenditure for June 30, 2020. Although the Organization 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 its board designated endowment could be available if necessary.

4. Investments

The following represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis:

	2019	2018
Level 1:		
Money markets	\$ 562	\$ 142,121
Mutual funds:		
Equity funds	1,080,920	474,943
Bond funds	501,342	761,778
Exchange traded funds	-	209,576
Total Level 1	1,582,824	1,588,418

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Level 3:

Multi-asset pooled funds	1,256,093	1,296,009
Total investments	\$ 2,838,917	\$ 2,884,427

The multi-asset pooled funds (the Fund) is invested in common and preferred stocks, real estate investment trusts, high yield bonds, securities issued or guaranteed by the United States government, including Treasury inflation-protected securities, corporate bonds, and short-term investments, such as high-quality, short-term money market instruments. In addition, the Fund may invest a substantial portion of its assets in synthetic and derivative instruments, such as futures, options and swaps.

The fair value of the Fund, provided by the managers of the Fund, has been estimated using the net asset value per share of the investment. Full or fractional shares may be redeemed on any business day upon a member's request. Because Level 3 investments are not readily marketable, their estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for such investments exist. Such differences could be material.

A reconciliation of investments in multi-asset pooled funds (level 3) is as follows:

	2019	2018
Beginning balance	\$ 1,296,009	\$ 1,368,414
Investment income, net of fees	24,798	61,723
Gain on investments	6,392	40,450
Transfers out	(71,106)	(174,578)
Ending balance	\$ 1,256,093	\$ 1,296,009

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The composition of investment income on all investments and cash and cash equivalents is as follows:

	2019	2018
From Investments:		
Interest and dividend income	\$ 69,578	\$ 101,369
Net gain on investments	27,343	92,077
Investment fees	(11,699)	(11,178)
	85,222	182,268
From Cash and Cash Equivalents:		
Interest	181	285
Total	\$ 85,403	\$ 182,553

5. Collections

The Organization's collections include the historic 1734 Durant-Kenrick House, museum-quality period furnishings and a historic parcel of land which provide an opportunity to interpret the Durant family and their civic engagement in pre-Revolutionary Newton. The land is historic in its own right as the site of the 19th century Kenrick nursery and orchard. The house and grounds provide an opportunity to interpret the Kenrick family, who were among America's first horticulturalists. The grounds will be historically preserved and interpreted with specimen trees from the Kenrick Catalogue.

Preservation restrictions for the exterior and interior of the house and on the land protect the historic building, structure, or site from destruction and inappropriate changes.

For the years ended June 30, 2019 and 2018, the Organization did not sell any collections. The Organization did not expend any funds related to the collection during the year ended June 30, 2019. For the year ended June 30, 2018, the Organization expended \$671, relating to collections.

6. Line of Credit

The Organization has a \$200,000 revolving line-of-credit facility with a local financial institution. Interest on any outstanding principal amount is at the Prime Rate as quoted in the Wall Street Journal (5.50% at June 30, 2019 and 5.00% at June 30, 2018). The line of credit is secured by all of the Organization's assets. At June 30, 2019 and 2018, there was no outstanding balance on the line-of-credit.

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In addition, the line-of-credit agreement contains various financial covenants and restrictions. At year end, management believes the Organization was in compliance with their covenants.

7. Net Assets

A summary of net assets is as follows:

	2019	2018
Net Assets Without Donor Restrictions:		
Undesignated	\$ 84,766	\$ 88,678
Board designated for quasi-endowment	1,865,954	1,914,888
	1,950,720	2,003,566
Net Assets With Donor Restrictions:		
Subject to expenditure for specified purpose:		
Burying ground program	5,489	5,489
Capital maintenance projects:		
Durant-Kenrick investments	369,559	369,559
Jackson Homestead and museum expansion	11,375	14,895
Other	127,225	133,438
Elizabeth Newman oral history program	14,543	15,002
Other programs	29,823	44,186
	558,014	582,569
Subject to spending policy and appropriation:		
Museum Educator accumulated return	25,273	30,552
Subject to restriction in perpetuity:		
Museum Educator	400,000	400,000
Total net assets with donor restrictions	983,287	1,013,121
Total net assets	\$ 2,934,007	\$ 3,016,687

Capital maintenance projects to Jackson Homestead include exterior painting, repair of shutters and re-glazing 10 windows. Other programs include interpretative programs and to endow its on-going operations.

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8. Endowment Funds

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Donor-restricted Endowment

The Organization's donor-restricted endowment consists of one individual fund established in perpetuity at the request of the donor and its unappropriated income, which is available for a specific purpose.

Board-designated Funds Functioning as Endowment

The Board designated certain net assets without donor restriction as funds functioning as endowment to support the mission of the Organization. Since the funds resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restriction. However, they are managed in the same manner as the donor-restricted endowment fund as described below.

Interpretation of Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor's direction expressed in the gift instrument. The remaining portion of the donor-restricted fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions subject to the spending policy and appropriation 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 Organization considers the long and short-term needs of the Organization in carrying out its mission, the duration, preservation and restriction of the donor restricted fund, expected total returns on the Organization's investments, and general economic conditions and other factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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Change in endowment net assets for the years ended June 30, 2019 and 2018 is as follows:

	Without donor restrictions	With Donor Restrictions	
		Accumulated endowment return	Original gift held in perpetuity
Endowment net assets, June 30, 2017	\$ 1,899,256	\$ 21,896	\$ 400,000
Endowment return:			
Investment income, net of fees	59,475	13,211	-
Net realized and unrealized gains	60,526	13,445	-
Total endowment return	120,001	26,656	-
Appropriations under spending formula	(104,369)	(18,000)	-
Endowment net assets, June 30, 2018	1,914,888	30,552	400,000
Endowment return:			
Investment income, net of fees	38,424	8,640	-
Net realized and unrealized gains	18,152	4,081	-
Total endowment return	56,576	12,721	-
Appropriations under spending formula	(105,510)	(18,000)	-
Endowment net assets, June 30, 2019	\$ 1,865,954	\$ 25,273	\$ 400,000

Endowment Net Assets with Donor Restrictions

Endowment net assets with donor restrictions include an original gift restricted in perpetuity under a challenge grant from the National Endowment for the Humanities (NEH) with a required three to one match of non-federal contributions restricted for the purpose of endowing a museum educator position, and accumulated endowment return includes return on the fund restricted in perpetuity, which exceeded the amount appropriated for the restricted purpose.

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Return Objective and Risk Parameters

The Organization has adopted investment and distribution spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce annualized results that exceed the spending rate plus inflation while assuming a moderate level of investment risk. The Organization's investment goal is to provide an average rate of return in excess of approximately 5% annually. Actual return in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objective Relates to Spending Policy

The Organization has a policy of appropriating for distribution each year 4% to 6% of the average market value of endowment funds determined by the prior three-year moving average through an appropriate month-end preceding the fiscal year in which the distribution is planned. For a significant newly board-designated or new donor-restricted fund which has been in existence for fewer than 3 years, the average market value is determined by the moving average value for the period the fund has been in existence, up to three years. For the years ended June 30, 2019 and 2018, the distribution rate was 4.5%.

In establishing this policy, the Organization considered the long-term expected return of a 5% spending rate plus inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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9. In-kind Revenue

In-kind revenue included in the statements of activities for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Compensation and related expenses	\$ 230,010	\$ 220,259
Employee benefits	25,887	21,406
Occupancy	57,522	66,044
Professional fees	3,000	9,117
Total in-kind revenue	\$ 316,419	\$ 316,826

In accordance with a Mutual Cooperation Agreement (the Agreement) dated October 1, 1991 between the Organization and the City, the City provides office space and management services at the Museum to augment the Organization’s paid and volunteer staff.

10. Concentrations of Credit and Business Risk

The financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents and investments.

The Organization maintains its operating accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. From time to time, the Organization had bank balances in excess of federally insured limits.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements. The Organization’s investments are maintained in a diversified portfolio in an attempt to minimize potential risk associated with marketable securities to the extent possible. The Organization retains an investment advisor to make recommendations to the Finance Committee and the Board on an appropriate and prudent level of diversification.

The Organization received approximately \$313,000 in in-kind revenue or 51% of its total revenue for the year ended June 30, 2019 from the City of Newton. Management does not believe that significant business risk exists at year end with respect to this funding source.