

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

Financial Statements

Years Ended June 30, 2021 and 2020

(With Independent Accountants' Review Report Thereon)

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

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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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, 2021 and 2020, 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 the 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 engagements 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.

Kahn, Litwin, Renya & Co., Ltd.

May 9, 2022

NEWTON HISTORICAL SOCIETY, INC.
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STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020



	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 171,377	\$ 82,267
Inventory	18,948	11,984
Accounts and grants receivable	18,306	55,315
Prepaid expenses	9,983	13,036
Investments	125,694	126,405
Total current assets	344,308	289,007
Investments	3,260,116	2,655,780
Collections (Note 6)	-	-
Total Assets	\$ 3,604,424	\$ 2,944,787
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 58,308	\$ 35,783
PPP loan payable	85,570	50,117
Total current liabilities	143,878	85,900
Net Assets:		
Without donor restrictions	2,398,139	1,877,308
With donor restrictions	1,062,407	981,579
Total net assets	3,460,546	2,858,887
Total Liabilities and Net Assets	\$ 3,604,424	\$ 2,944,787

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020



	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions	\$ 55,317	\$ 16,884	\$ 72,201	\$ 116,031	\$ 13,000	\$ 129,031
Grant income	15,485	-	15,485	12,902	-	12,902
Program revenue	32,465	-	32,465	59,791	-	59,791
Membership revenue	51,475	-	51,475	39,255	-	39,255
Investment income, net	638,470	116,267	754,737	74,722	13,582	88,304
In-kind revenue (Note 11)	327,803	-	327,803	334,700	-	334,700
PPP loan forgiveness	50,117	-	50,117	-	-	-
Other income	6,963	-	6,963	-	-	-
Net assets released from restrictions	52,323	(52,323)	-	28,290	(28,290)	-
Total support and revenue	1,230,418	80,828	1,311,246	665,691	(1,708)	663,983
Expenses:						
Program services	541,884	-	541,884	551,786	-	551,786
Management and general	72,533	-	72,533	72,342	-	72,342
Fundraising	94,545	-	94,545	94,273	-	94,273
Total expenses	708,962	-	708,962	718,401	-	718,401
Change in net assets before activity related to collection items	521,456	80,828	602,284	(52,710)	(1,708)	(54,418)
Expenditures on collection items (Note 6)	(625)	-	(625)	(20,702)	-	(20,702)
Change in Net Assets	520,831	80,828	601,659	(73,412)	(1,708)	(75,120)
Net Assets, beginning of year	1,877,308	981,579	2,858,887	1,950,720	983,287	2,934,007
Net Assets, end of year	\$ 2,398,139	\$ 1,062,407	\$ 3,460,546	\$ 1,877,308	\$ 981,579	\$ 2,858,887

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

NEWTON HISTORICAL SOCIETY, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Compensation and related expenses	\$ 345,649	\$ 62,430	\$ 91,903	\$ 499,982
Employee benefits	36,989	-	-	36,989
Bad debt expense	-	2,908	-	2,908
Credit card and bank service fees	1,893	-	-	1,893
Dues and subscriptions	3,023	-	374	3,397
Equipment rental and maintenance	18,450	-	-	18,450
Historic house markers	4,932	-	-	4,932
Insurance	14,415	959	-	15,374
Marketing and promotion	7,121	-	-	7,121
Meetings and staff development	-	-	-	-
Museum shop cost of sales	1,318	-	-	1,318
Occupancy	64,099	145	115	64,359
Postage and delivery	1,030	-	535	1,565
Printing and copying	638	-	1,573	2,211
Professional fees	29,618	6,037	-	35,655
Supplies expense	12,709	54	45	12,808
Total expenses	\$ 541,884	\$ 72,533	\$ 94,545	\$ 708,962

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020



	Program Services	Management and General	Fundraising	Total Expenses
Compensation and related expenses	\$ 365,260	\$ 62,000	\$ 91,925	\$ 519,185
Employee benefits	38,138	-	-	38,138
Bad debt expense	-	320	-	320
Credit card and bank service fees	1,206	-	-	1,206
Dues and subscriptions	2,861	-	295	3,156
Equipment rental and maintenance	8,385	-	-	8,385
Exhibits	5,228	-	-	5,228
Food and refreshments	1,535	130	176	1,841
Historic house markers	2,872	-	-	2,872
Insurance	6,992	1,199	-	8,191
Marketing and promotion	3,096	42	-	3,138
Meetings and staff development	1,795	-	185	1,980
Museum shop cost of sales	3,012	-	-	3,012
Occupancy	78,053	146	116	78,315
Postage and delivery	1,101	-	305	1,406
Printing and copying	3,117	308	1,118	4,543
Professional fees	20,162	8,090	-	28,252
Supplies expense	8,712	107	52	8,871
Travel	261	-	101	362
Total expenses	\$ 551,786	\$ 72,342	\$ 94,273	\$ 718,401

NEWTON HISTORICAL SOCIETY, INC.
D/B/A HISTORIC NEWTON
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020



	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 601,659	\$ (75,120)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Bad debt expense	2,908	320
Net gain on investments	(730,232)	(56,870)
PPP loan forgiveness	(50,117)	-
Changes in operating assets and liabilities:		
Inventory	(6,964)	1,257
Accounts and grants receivable	34,101	(48,267)
Prepaid expenses	3,053	381
Accounts payable and accrued expenses	22,525	(2,241)
Net cash used by operating activities	(123,067)	(180,540)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	153,308	238,513
Purchase of investments	(26,701)	(124,911)
Net cash provided by investing activities	126,607	113,602
Cash Flows from Financing Activities:		
PPP loan payable	85,570	50,117
Net cash provided by financing activities	85,570	50,117
Net Increase (Decrease) in Cash and Cash Equivalents	89,110	(16,821)
Cash and Cash Equivalents, beginning of year	82,267	99,088
Cash and Cash Equivalents, end of year	\$ 171,377	\$ 82,267

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

NEWTON HISTORICAL SOCIETY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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, and the 1734 Durant-Kenrick House and Grounds (Durant-Kendrick), owned by the Organization. Durant-Kenrick expands educational opportunities for the public and preserves an important resource for the people of the City.

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 Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity 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. Effective July 1, 2020, the Organization adopted ASU 2014-09, using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant effect on the Organization's financial statements.

NEWTON HISTORICAL SOCIETY, INC.
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NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 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. Effective July 1, 2020, the Organization adopted ASU 2019-03. The adoption of ASU 2019-03 did not have a significant effect on the Organization's financial statements.

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 restrictions and net assets with donor restrictions.

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 to be cash equivalents, except those funds which the Board has designated for investment.

Inventory

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

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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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, 2021 and 2020, management has determined that no allowance for doubtful accounts is 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 assets 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.

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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, net. Gains and losses on investments are reported as changes in net assets without donor restrictions, 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. Purchases and sales of securities are recorded on the trade date.

Investments reported as current assets consist of amounts available for expenditure in accordance with the Organization's spending policy.

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 restrictions 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 for direct care of the existing collection. The Organization defines direct care as actions that preserve and protect collections by enhancing their life, usefulness, or quality. Such costs include archival supplies, hardware and supplies for storage or exhibition, and other costs that management deems necessary for the preservation or restoration of its collections. 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.

PPP Loan Payable

The Organization received Paycheck Protection Program loans and has elected to record this funding as a loan payable. Loan forgiveness will be recognized when the Organization satisfies the conditions for loan forgiveness and the forgiveness amount is formally approved by the U.S. Small Business Administration (SBA).

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Support and Revenue Recognition

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

Program Revenue - The Organization recognizes program revenue at the point in time the program takes place.

Membership Revenue - The Organization recognizes revenue at the beginning of the applicable membership period. The effects of not recognizing membership revenue over time ratably over the membership period, in accordance with accounting principles generally accepted in the United States of America, are immaterial to these financial statements.

In-kind Revenue - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills 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 values in the period received.

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.

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.

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 and estimates of time and effort. Depreciation and occupancy and all other indirect expenses are allocated on the basis of square footage.

**NEWTON HISTORICAL SOCIETY, INC.
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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.

Recent Accounting Pronouncements

The following is a summary of a recent authoritative pronouncement 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 September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. The standard will be effective for the Organization's year ending June 30, 2022.

Subsequent Events

Management has evaluated subsequent events through May 9, 2022, which is the date these financial statements were available to be issued.

3. Liquidity and Availability

At June 30, 2021, 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	\$ 171,377
Accounts and grants receivable	18,306
Investments, current	125,694
Financial assets at June 30, 2021	315,377
Less those unavailable for general expenditure:	
Purpose restrictions	18,000
Financial assets available to meet cash needs for general expenditure within one year	\$ 297,377

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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 7). In addition, the Organization has board-designated funds functioning as an endowment of \$2,182,291 (Note 9) of which \$125,694 has been appropriated for general expenditure for the year ending June 30, 2022. Although the Organization does not intend to spend from its board-designated funds functioning as an endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated funds functioning as an endowment could be available if necessary.

COVID-19 Pandemic

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The extent of the impact of COVID-19 on the Organization's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and state and local limitations, which are uncertain and cannot be predicted. While the Organization's operations continue, it is possible that this outbreak will negatively impact future operating results. The Organization is not able to reliably estimate the length or severity of this outbreak and the related financial impact at this time.

4. Investments

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

	2021	2020
Level 1:		
Money markets	\$ 1,801	\$ -
Mutual funds:		
Equity	1,282,089	1,037,047
Bond	572,432	507,715
Total Level 1	1,856,322	1,544,762
Level 3:		
Multi-asset pooled funds	1,529,488	1,237,423
Total investments	\$ 3,385,810	\$ 2,782,185

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The multi-asset pooled funds (the Fund) are 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 underlying 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:

	2021	2020
Beginning balance	\$ 1,237,423	\$ 1,256,093
Investment return, net of fees	379,971	60,889
Transfers out	(87,906)	(79,559)
Ending balance	\$ 1,529,488	\$ 1,237,423

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

	2021	2020
From Investments:		
Interest and dividend income	\$ 33,624	\$ 39,641
Net gain on investments	730,232	56,870
Investment fees	(9,122)	(8,301)
	754,734	88,210
From Cash and Cash Equivalents:		
Interest	3	94
Total	\$ 754,737	\$ 88,304

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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, 2021 and 2020, the Organization did not sell any collections. For the years ended June 30, 2021 and 2020, the Organization expended \$625 and \$20,702 relating to collections, respectively.

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 (3.25% at June 30, 2021 and 2020). The line of credit is secured by all of the Organization's assets. At June 30, 2021 and 2020, there was no outstanding balance on the line-of-credit.

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

7. PPP Loans Payable and Subsequent Event

On April 20, 2020, the Organization received loan proceeds of \$50,117 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 outbreak. Proceeds from this loan (PPP Loan) may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations provided the related agreements were effective prior to February 15, 2020. The PPP Loan was set to mature on April 20, 2022 and bore interest at a rate of 1% per annum, payable monthly. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

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The Organization believes it used the proceeds in accordance with the loan terms and applied for forgiveness from the SBA. The Organization received notification of SBA approval for forgiveness of the entire loan proceeds on January 11, 2021.

On March 22, 2021, the Organization received loan proceeds of \$85,570 under the PPP. Proceeds from the second-draw PPP loan (PPP2 Loan) may only be used for payroll costs, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. The PPP2 Loan was set to mature on March 22, 2026 and bore interest at a rate of 1% per annum, payable monthly. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization believes it used the proceeds in accordance with the loan terms and applied for forgiveness from the SBA. The Organization received notification of SBA approval for forgiveness of the entire loan proceeds on December 6, 2021.

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8. Net Assets

A summary of net assets is as follows:

	2021	2020
Net Assets Without Donor Restrictions:		
Undesignated	\$ 197,759	\$ 61,819
Board-designated funds functioning as an endowment	2,200,380	1,815,489
	2,398,139	1,877,308
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	7,325	8,099
Other	121,100	124,144
Elizabeth Newman oral history program	13,485	13,485
Other programs	29,677	40,302
	546,635	561,078
Subject to spending policy and appropriation:		
Museum Educator accumulated return	115,772	20,501
Subject to restriction in perpetuity:		
Museum Educator	400,000	400,000
Total net assets with donor restrictions	1,062,407	981,579
Total net assets	\$ 3,460,546	\$ 2,858,887

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9. 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.

Board-designated Funds Functioning as Endowment

The Board has designated certain net assets without donor restrictions as funds functioning as an 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 restrictions. However, they are managed in the same manner as the donor-restricted endowment fund as described below.

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.

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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The change in endowment net assets for the years ended June 30, 2021 and 2020 is as follows:

	Without donor restrictions	With Donor Restrictions	
		Accumulated endowment return	Original gift held in perpetuity
Endowment net assets, June 30, 2019	\$ 1,865,954	\$ 25,273	\$ 400,000
Endowment return:			
Investment income, net of fees	20,661	4,709	-
Net realized and unrealized gains	37,380	8,519	-
Total endowment return	<u>58,041</u>	<u>13,228</u>	<u>-</u>
Appropriations under spending formula	<u>(108,506)</u>	<u>(18,000)</u>	<u>-</u>
Endowment net assets, June 30, 2020	1,815,489	20,501	400,000
Endowment return:			
Investment income, net of fees	15,990	3,703	-
Net realized and unrealized gains	476,506	110,368	-
Total endowment return	<u>492,496</u>	<u>114,071</u>	<u>-</u>
Appropriations under spending formula	<u>(107,605)</u>	<u>(18,800)</u>	<u>-</u>
Endowment net assets, June 30, 2021	<u>\$ 2,200,380</u>	<u>\$ 115,772</u>	<u>\$ 400,000</u>

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 which includes return on the fund restricted in perpetuity.

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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 investment 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 year ended June 30, 2021, the distribution rate was 4.7%. For the year ended June 30, 2020, 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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10. In-kind Revenue

In-kind revenue consisted of the following:

	2021	2020
Compensation and related expenses	\$ 242,012	\$ 241,786
Employee benefits	31,671	31,184
Occupancy	50,620	58,230
Professional fees	3,500	3,500
Total in-kind revenue	\$ 327,803	\$ 334,700

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.

11. Concentrations of Credit and Business Risk

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

The Organization maintains its operating accounts in two financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization’s bank balances may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

At June 30, 2021, approximately \$10,000, or 55%, of the Organization’s outstanding receivables, excluding the ERC, were due from four customers. Management has performed an analysis of these receivables at year-end and does not believe that there is a significant credit risk related to those receivables.

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 changes 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.

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The Organization received approximately \$324,300 in in-kind revenue, or 25% of its total revenue and support, for the year ended June 30, 2021 from the City. Management does not believe that significant business risk exists at year-end with respect to this funding source.