

MASSACHUSETTS HISTORICAL SOCIETY, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2018)



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MASSACHUSETTS HISTORICAL SOCIETY, INC.
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YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2018)

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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, 2019, 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

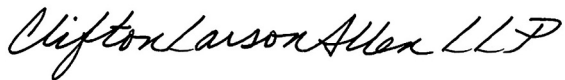
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Historical Society, Inc. as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 2, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

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 January 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boston, Massachusetts
January 29, 2020

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 38,736	\$ 199,400	\$ 238,136	\$ 347,624
Other Investments	2,125,622	730,386	2,856,008	2,918,958
Accounts and Grants Receivable, Net	169,699	672,963	842,662	845,284
Pledges Receivable, Net	5,717	48,526	54,243	117,158
Prepaid Expenses	126,591	-	126,591	141,089
Total Current Assets	<u>2,466,365</u>	<u>1,651,275</u>	<u>4,117,640</u>	<u>4,370,113</u>
NONCURRENT ASSETS				
Grants Receivable - Noncurrent, Net	-	260,190	260,190	174,603
Endowment Investments	28,638,262	58,974,952	87,613,214	82,595,066
Split-Interest Agreements	-	408,664	408,664	475,561
Property and Equipment, Net	10,704,850	-	10,704,850	11,003,978
Total Noncurrent Assets	<u>39,343,112</u>	<u>59,643,806</u>	<u>98,986,918</u>	<u>94,249,208</u>
Total Assets	<u>\$ 41,809,477</u>	<u>\$ 61,295,081</u>	<u>\$ 103,104,558</u>	<u>\$ 98,619,321</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 387,912	\$ -	\$ 387,912	\$ 360,639
Deferred Dues Revenue	91,387	-	91,387	97,692
Long-Term Debt - Current Portion	88,868	-	88,868	91,883
Total Current Liabilities	<u>568,167</u>	<u>-</u>	<u>568,167</u>	<u>550,214</u>
NONCURRENT LIABILITIES				
Split-Interest Agreements	-	221,842	221,842	249,233
Deferred Lease Revenue	361,092	-	361,092	367,760
Long-Term Debt, Net	1,085,023	-	1,085,023	1,169,352
Total Noncurrent Liabilities	<u>1,446,115</u>	<u>221,842</u>	<u>1,667,957</u>	<u>1,786,345</u>
Total Liabilities	2,014,282	221,842	2,236,124	2,336,559
NET ASSETS				
Without Donor Restrictions:				
Undesignated	32,958,534	-	32,958,534	30,062,464
Trustee Designated	6,836,661	-	6,836,661	8,394,798
Total Without Donor Restrictions	<u>39,795,195</u>	<u>-</u>	<u>39,795,195</u>	<u>38,457,262</u>
With Donor Restrictions				
Perpetual in Nature	-	17,061,637	17,061,637	16,339,546
Purpose and Time Restrictions	-	44,011,602	44,011,602	41,485,954
Total With Donor Restrictions	<u>-</u>	<u>61,073,239</u>	<u>61,073,239</u>	<u>57,825,500</u>
Total Net Assets	<u>39,795,195</u>	<u>61,073,239</u>	<u>100,868,434</u>	<u>96,282,762</u>
Total Liabilities and Net Assets	<u>\$ 41,809,477</u>	<u>\$ 61,295,081</u>	<u>\$ 103,104,558</u>	<u>\$ 98,619,321</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUE AND SUPPORT				
Gifts	\$ 988,016	\$ 906,652	\$ 1,894,668	\$ 2,096,245
Bequest	-	151,414	151,414	326,604
Grants	395,500	97,500	493,000	1,008,126
Endowment Support for Operations	3,358,448	-	3,358,448	3,284,869
Seminars, Conferences, Workshops, and Other Events	405,066	-	405,066	259,966
Members and Fellows Dues	55,070	-	55,070	106,718
Royalties, Reproductions, and Rights	58,432	-	58,432	70,654
Sales of Publications	5,266	-	5,266	6,210
Miscellaneous Income	43,008	-	43,008	18,904
Investment Income from Other Investments	105,803	-	105,803	25,418
Net Assets Released from Restrictions	3,228,267	(3,228,267)	-	-
Total Operating Revenue and Support	<u>8,642,876</u>	<u>(2,072,701)</u>	<u>6,570,175</u>	<u>7,203,714</u>
OPERATING EXPENSES				
Programs	4,643,229	-	4,643,229	4,503,849
Management and General	1,184,572	-	1,184,572	1,186,032
Fundraising	598,612	-	598,612	485,672
Total Operating Expenses	<u>6,426,413</u>	<u>-</u>	<u>6,426,413</u>	<u>6,175,553</u>
CHANGE IN NET ASSETS FROM OPERATIONS	2,216,463	(2,072,701)	143,762	1,028,161
NONOPERATING ACTIVITIES				
Endowment Activity:				
Investment Income (Loss), Net of Fees	31,203	63,856	95,059	(200,341)
Endowment Support for Investment Expenses	112,955	-	112,955	-
Purchase of Collections	(70,889)	-	(70,889)	(90,381)
Proceeds from Sale of Collections	-	-	-	650
Realized and Unrealized Gain on on Investments	2,552,501	5,223,687	7,776,188	7,166,199
Endowment Draw for Operations	(3,358,448)	-	(3,358,448)	(3,284,869)
Endowment Draw for Investment Expenses	(112,955)	-	(112,955)	-
Total Nonoperating Changes	<u>(845,633)</u>	<u>5,287,543</u>	<u>4,441,910</u>	<u>3,591,258</u>
CHANGE IN NET ASSETS	1,370,830	3,214,842	4,585,672	4,619,419
Net Assets - Beginning of Year	<u>38,424,365</u>	<u>57,858,397</u>	<u>96,282,762</u>	<u>91,663,343</u>
NET ASSETS - END OF YEAR	<u>\$ 39,795,195</u>	<u>\$ 61,073,239</u>	<u>\$ 100,868,434</u>	<u>\$ 96,282,762</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,585,672	\$ 4,619,419
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	447,134	434,985
Amortization of Finance Costs	4,539	4,539
Grants Received for Capital Projects	-	30,000
Gifts and Grants Received for Endowment	(689,193)	(63,050)
Purchase of Collections	-	90,381
Proceeds from Sale of Collections	-	(650)
Investment (Income) Loss, Net of Management Fees, Reinvested	(95,059)	200,340
Increase in Fair Value of Investments	(7,776,188)	(7,166,199)
(Increase) Decrease in:		
Accounts and Grants Receivable	(82,966)	(104,447)
Pledges Receivable	62,915	(66,766)
Split-Interest Agreements	66,897	11,003
Prepaid Expenses	14,498	14,225
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	27,272	(104,946)
Liability for Split-Interest Agreements	(27,391)	(14,376)
Deferred Revenue	(12,973)	(438)
Net Cash Used by Operating Activities	(3,474,843)	(2,115,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(148,006)	(186,830)
Gifts and Grants Invested	689,193	63,050
Purchase of Collections	-	(90,381)
Proceeds from Sale of Collections	-	650
Investment Sales	4,254,126	4,252,246
Investment Purchases	(1,338,075)	(1,655,895)
Net Cash Provided by Investing Activities	3,457,238	2,382,840
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Principal Payments	(91,883)	(88,863)
Grants Received for Capital Projects	-	(30,000)
Net Cash Used by Financing Activities	(91,883)	(118,863)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,488)	147,997
Cash and Cash Equivalents - Beginning of Year	347,624	199,627
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 238,136	\$ 347,624

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Bank Loan Interest Paid	<u>\$ 46,835</u>	<u>\$ 49,860</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>\$ 102,385</u>	<u>\$ 56,696</u>

See accompanying Notes to Financial Statements.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

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, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2018, 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, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, 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.

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.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Donor Restrictions

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.

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.

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.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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, 2019 and 2018 was 4.5%. In June 2019, the trustees approved a spending percentage of 4.5% for fiscal year 2020.

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.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

MASSACHUSETTS HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF AND FOR YEAR ENDED JUNE 30, 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Principles

The Society has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. The effect of adopting the new standard resulted in a reclassification of net assets without donor restrictions to net assets with donor restrictions of \$33,000 during the year ended June 30, 2018 as a result of the change in required reporting for underwater endowment funds.

New Accounting Pronouncements

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services 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 guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Society for the year ended June 30, 2020. Management is evaluating the impact of the amended revenue recognition guidance on the Society's financial statements.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In June 2018, FASB issued an ASU to clarify and improve accounting guidance for contributions received and made. The ASU provides guidance on distinguishing between contributions and exchange transactions. If a contribution is unconditional, the entity must determine whether it is donor restricted for limited purpose or timing. These contributions should be recognized immediately and classified as net assets with or without donor restrictions.

If a contribution is conditional and assets are received in advance, the entity should record a liability and not recognize revenue until conditions are met. Guidance is further provided regarding reciprocal and nonreciprocal transactions. If both parties receive similar value, the transaction is considered reciprocal. For nonreciprocal transactions, an entity must determine the conditions needed to be met. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Society for the year ended June 30, 2020. Management is evaluating the impact of the amended revenue recognition guidance on the Society's financial statements.

Subsequent Events

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through January 29, 2020, 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:

	2019	2018
Accounts Receivable	\$ 169,699	\$ 24,498
Grants Receivable:		
Federal Agencies	734,368	786,604
Other Grants Receivable	202,000	212,000
Total Grants Receivable	936,368	998,604
Less: Discount to Net Present Value	(3,215)	(3,215)
Grants Receivable, Net	933,153	995,389
Accounts and Grants Receivable, Net	<u>\$ 1,102,852</u>	<u>\$ 1,019,887</u>
Current Portion	\$ 842,662	\$ 848,499
Due After One Year	263,405	174,603
Less: Discount to Net Present Value	(3,215)	(3,215)
Due After One Year, Net	260,190	171,388
Accounts and Grants Receivable, Net	<u>\$ 1,102,852</u>	<u>\$ 1,019,887</u>

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NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at June 30 consist of the following:

	2019	2018
Amounts Due in Less than One Year	\$ 55,493	\$ 118,408
Allowance for Doubtful Accounts	(1,250)	(1,250)
Pledges Receivable, Net	\$ 54,243	\$ 117,158

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. No gifts were received in 2019 or 2018. 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, 2019 and 2018 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, 2019 and 2018 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:

	2019	2018
Cash and Cash Equivalents	\$ 697,209	\$ 673,456
Global Equities	19,911,793	22,557,426
Global Fixed Income	5,326,936	6,067,626
Hedge Funds	2,551,037	1,640,250
Limited Partnerships	59,126,239	51,656,308
Total Endowment Investments Funds	\$ 87,613,214	\$ 82,595,066

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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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance - June 30, 2017	\$ 25,396,275	\$ 53,544,482	\$ 78,940,757
New Gifts and Proceeds from Sales of Collections	650	-	650
Investment Income, Net of Investment Fees	(64,239)	(136,101)	(200,340)
Realized and Unrealized Gain	2,297,954	4,868,245	7,166,199
Direct Expenditures	(90,381)	-	(90,381)
Spending Allowed (Draw for Operations and Expenses)	(1,003,090)	(2,281,779)	(3,284,869)
Interfund Transfers	642,967	(642,967)	-
Additions (New Gifts)	-	63,050	63,050
Balance - June 30, 2018	<u>27,180,136</u>	<u>55,414,930</u>	<u>82,595,066</u>
Change in Accounting Principle			
Reclassification	<u>32,897</u>	<u>(32,897)</u>	<u>-</u>
Balance - June 30, 2018	27,213,033	55,382,033	82,595,066
Investment Income, Net of Investment Fees	31,203	63,856	95,059
Realized and Unrealized Gain	2,552,501	5,223,687	7,776,188
Direct Expenditures	(70,889)	-	(70,889)
Spending Allowed (Draw for Operations and Expenses)	(1,087,586)	(2,383,817)	(3,471,403)
Additions (New Gifts)	-	689,193	689,193
Balance - June 30, 2019	<u>\$ 28,638,262</u>	<u>\$ 58,974,952</u>	<u>\$ 87,613,214</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. There were no deficiencies of this nature as of June 30, 2019. As of June 30, 2018, the original value of the funds totaled \$4,245,602 and the market value was \$4,213,602, resulting in a deficiency of approximately \$33,000 due to unfavorable market conditions. 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>2019</u>	<u>2018</u>
Interest and Dividends	\$ 887,470	\$ 554,880
Realized and Unrealized Gains	7,166,199	13,303,606
Investment Fees	(1,087,810)	(1,020,422)
Total	<u>\$ 6,965,859</u>	<u>\$ 12,838,064</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 services of \$187,882 and \$79,999 for the years ended June 30, 2019 and 2018, respectively, paid to the Society's investment advisor.

NOTE 7 OTHER INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Cash, Cash Equivalents, and Corporate Bonds	<u>\$ 2,856,008</u>	<u>\$ 2,918,959</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, 2019 and 2018 for identical unrestricted securities and are classified as Level 1 in the fair value information in Note 12.

Other investments at their aggregate fair value classified by restrictions and purpose of each fund are composed of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Funds-Designated by Trustees, Not in Perpetuity:		
Capital Acquisitions Fund	\$ 1,250,470	\$ 979,894
President's Discretionary Fund	16,412	118,054
Operating Funds Reserve	858,740	665,330
Liquidity Reserve	-	140,081
Total	<u>2,125,622</u>	<u>1,903,359</u>
Donor Restricted Funds Invested in Perpetuity:		
Gifts and Grants	730,386	1,015,600
Total	<u>\$ 2,856,008</u>	<u>\$ 2,918,959</u>

Investment return includes interest in the amount of \$105,803 and \$25,418 for the years ended June 30, 2019 and June 30, 2018, respectively.

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NOTE 8 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 200,000	\$ 200,000
Buildings and Building Renovations	16,684,428	16,642,744
Furniture and Technology Equipment	979,453	933,543
Capital Projects in Process	159,081	98,669
Total Property and Equipment	<u>18,022,962</u>	<u>17,874,956</u>
Less: Accumulated Depreciation	<u>(7,318,112)</u>	<u>(6,870,978)</u>
Property and Equipment, Net	<u>\$ 10,704,850</u>	<u>\$ 11,003,978</u>

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$447,134 and \$434,985, respectively.

As of June 30, 2019 and 2018, 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, 2019 and 2018.

NOTE 9 LONG-TERM DEBT, NET

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

	<u>2019</u>	<u>2018</u>
Balance Due Under Long-Term Debt Agreement Described Below	\$ 1,219,285	\$ 1,311,168
Less Current Portion	(88,868)	(91,883)
Less: Unamortized Deferred Finance Costs	<u>(45,394)</u>	<u>(49,933)</u>
Total Long-Term Debt, Net	<u>\$ 1,085,023</u>	<u>\$ 1,169,352</u>

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, 2019 and 2018.

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.

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NOTE 9 LONG-TERM DEBT, NET (CONTINUED)

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.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 88,868
2021	98,229
2022	101,566
2023	105,017
2024	108,516
Thereafter	717,089

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 \$116,820 and \$110,376 for the years ended June 30, 2019 and 2018, 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.

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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, 2019, no amounts were 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.

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 Organization 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.

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2019				Investments Measured at Net Asset Value
	Total	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)		
Other Investments:					
Cash, Cash Equivalents, and Corporate Bonds	\$ 2,856,008	\$ 2,856,008			
Endowment Investments:					
Cash and Cash Equivalents -					
Endowment	\$ 697,208	\$ 697,208	\$ -	\$ -	\$ -
Global Equities	19,911,793	1,563,994	-	-	18,347,799
Global Fixed Income	5,326,936	-	-	-	5,326,936
Hedge Funds	2,551,038	-	-	-	2,551,038
Limited Partnerships	59,126,239	-	-	-	59,126,239
Total	<u>\$ 87,613,214</u>	<u>\$ 2,261,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,352,012</u>
Split-Interest Agreements:					
Cash, Cash Equivalents	\$ 27,037	\$ 27,037			
Global Equities	221,471	221,471			
Global Fixed Income	160,156	160,156			
Total	<u>\$ 408,664</u>	<u>\$ 408,664</u>			

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	June 30, 2018				Investments Measured at Net Asset Value
	Total	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)		
Other Investments:					
Cash, Cash Equivalents, and Corporate Bonds	\$ 2,918,958	\$ 2,918,958			
Endowment Investments:					
Cash and Cash Equivalents -					
Endowment	\$ 673,456	\$ 673,456	\$ -	\$ -	\$ -
Global Equities	22,557,426	1,988,264	-	-	20,569,162
Global Fixed Income	6,067,626	-	-	-	6,067,626
Hedge Funds	1,640,250	-	-	-	1,640,250
Limited Partnerships	51,656,308	-	-	-	51,656,308
Total	<u>\$ 82,595,066</u>	<u>\$ 2,661,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,933,346</u>
Split-Interest Agreements:					
Cash, Cash Equivalents	\$ 25,315	\$ 25,315			
Global Equities	255,856	255,856			
Global Fixed Income	194,390	194,390			
Total	<u>\$ 475,561</u>	<u>\$ 475,561</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, 2019:

Investments Measured at NAV:	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Over 1 Year	Days Notice
Global Equities	\$ 18,347,799	\$ -	\$ 8,305,614	\$ 1,947,614	\$ 4,976,473	\$ 3,118,098	1 - 180 Days
Global Fixed Income	5,326,936	915,219	4,411,717	-	-	-	1 - 5 Days
Hedge Funds	2,551,038	-	-	-	-	2,551,037	60 Days
Limited Partnerships ^{1 and 2}	59,126,239	-	3,335,922	-	-	55,790,317	90 Days - 360 Days
Total	<u>\$ 85,352,012</u>	<u>\$ 915,219</u>	<u>\$ 16,053,253</u>	<u>\$ 1,947,614</u>	<u>\$ 4,976,473</u>	<u>\$ 61,459,452</u>	

1 - \$2,881,642 subject to a 5 year lock up

2 - \$3,307,061 subject to a 3 year rolling lock up

Unfunded commitments for limited partnership amounted to \$895,000 as of June 30, 2019.

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

During the years ended June 30, 2018, the Society transferred Level 2 and 3 assets in the amount of \$17,427,920 and \$61,512,837, respectively, to investments that are measured at net asset value. The transfers were made as of the beginning of each year.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019		2018	
	Net Assets Not Invested In Perpetuity	Net Assets Invested In Perpetuity	Net Assets Not Invested In Perpetuity	Net Assets Invested In Perpetuity
General Support	\$ 28,961,058	\$ 9,810,514	\$ 27,514,973	\$ 9,810,513
Library Operations	9,648,554	2,929,266	9,024,533	2,929,266
Publications	4,483,968	1,588,345	4,182,702	1,588,345
Special Purposes	918,022	2,733,512	763,746	2,044,319
Total	\$ 44,011,602	\$ 17,061,637	\$ 41,485,954	\$ 16,372,443

NOTE 14 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.

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NOTE 14 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

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.

As of June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 238,136	\$ 347,624
Accounts Receivable, Net	842,662	845,284
Gifts Receivable, Net	54,243	117,158
Investments Convertible to Cash in the Next 12 Months	<u>26,153,761</u>	<u>29,461,077</u>
Total	<u>\$ 27,288,802</u>	<u>\$ 30,771,143</u>
Financial Assets Available To Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 38,736	\$ 148,224
Accounts Receivables	169,699	24,498
Current Portion of Gifts Receivable, Net	5,717	110,408
Appropriated Earnings from Endowment	<u>3,358,448</u>	<u>3,284,869</u>
Total	<u>\$ 3,572,600</u>	<u>\$ 3,567,999</u>

Per the spending policy described in Note 2, the spending percentage for operations for both of the years ended June 30, 2019 and 2018 was 4.5%.

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NOTE 15 FUNCTIONAL EXPENSES

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

	2019						2018	
	Program Services			Supporting Services			Total	Total
	Collections Storage, Services, and Library	Publications and Research	Education, Exhibitions, and Events	Total Program Services	General and Administrative	Fundraising		
Salaries, Payroll Taxes, and Benefits	\$ 1,546,320	\$ 1,066,078	\$ 486,096	\$ 3,098,494	\$ 918,906	\$ 384,201	\$ 4,401,601	\$ 4,023,932
Occupancy Costs	166,700	119,608	37,100	323,408	63,919	24,800	412,127	431,837
Depreciation	298,462	47,754	51,733	397,949	31,300	17,885	447,134	434,985
Grant Funded Program Expenses:								
Research Fellows and Projects	-	151,188	-	151,188	-	-	151,188	127,563
Education and Public Programs	-	-	175,207	175,207	-	-	175,207	129,175
Collections Processing	63,690	-	-	63,690	-	-	63,690	48,555
Exhibits	-	-	212,263	212,263	-	-	212,263	259,168
Offsite Storage	39,333	-	-	39,333	-	-	39,333	73,409
Printing	-	20,749	-	20,749	-	9,907	30,656	33,182
Long-Term Debt Interest and Fees	-	-	-	-	46,835	-	46,835	49,860
Advertising and Public Relations	-	-	-	-	33,806	-	33,806	30,884
Audit and Tax	-	-	-	-	-	-	-	46,000
Legal	-	-	-	-	2,938	-	2,938	2,030
Computer Supplies, Software, and Support	42,070	25,569	7,969	75,608	20,482	32,249	128,339	106,483
Seminars and Conferences	-	11,699	-	11,699	-	-	11,699	4,837
Conservation	13,075	-	-	13,075	-	-	13,075	9,875
Consulting and Outside Services	2,562	-	-	2,562	10,294	504	13,360	5,452
Cultivation, Meetings, and Events	-	-	-	-	38,340	112,970	151,310	192,065
Sponsorship Expense	-	5,000	13,967	18,967	-	-	18,967	105,296
Office Supplies and Expenses	15,883	11,403	4,241	31,527	4,954	8,113	44,594	28,101
Postage	463	4,636	935	6,034	1,066	7,983	15,083	18,036
Dues and Subscriptions	200	1,151	125	1,476	11,732	-	13,208	14,827
Total Expenses	<u>\$ 2,188,758</u>	<u>\$ 1,464,835</u>	<u>\$ 989,636</u>	<u>\$ 4,643,229</u>	<u>\$ 1,184,572</u>	<u>\$ 598,612</u>	<u>\$ 6,426,413</u>	<u>\$ 6,175,553</u>

