

**NORTHAMPTON COUNTY HISTORICAL
& GENEALOGICAL SOCIETY**

FINANCIAL REPORT

December 31, 2019

**BUCKNO
LISICKY** 
& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

NORTHAMPTON COUNTY HISTORICAL AND GENEALOGICAL SOCIETY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northampton County Historical & Genealogical Society
Easton, Pennsylvania

We have audited the accompanying financial statements of Northampton County Historical & Genealogical Society (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2019 and the related statements of revenues and expenses – modified cash basis and functional expenses – modified cash basis, 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of material misstatement.

An audit includes 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Northampton County Historical & Genealogical Society as of December 31, 2019 and its revenues and expenses for the year then ended in conformity with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Buckno Lisicky & Co PC

Bethlehem, Pennsylvania
November 13, 2020

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 551,415
Investments	2,146,513
Beneficial interest in perpetual trust	123,044
Inventory	4,639
Property and equipment, net	<u>5,407,229</u>

TOTAL ASSETS **\$ 8,232,840**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Security deposits payable	\$ <u>500</u>
TOTAL CURRENT LIABILITIES	<u>500</u>

NET ASSETS

Without donor restriction	7,872,744
With donor restriction	<u>359,596</u>
TOAL NET ASSETS	<u>8,232,340</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 8,232,840**

See Notes to Financial Statements.

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY**Statement of Revenues and Expenses - Modified Cash Basis**

Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Program:			
Admissions	\$ 6,362	\$ -	\$ 6,362
Membership dues	59,221	-	59,221
Library revenue	2,251	-	2,251
Education programs	4,484	-	4,484
Museum store sales	17,382	-	17,382
Contributions and gifts	28,837	5,235	34,072
Grants	17,146	172,433	189,579
Special events	163,214	-	163,214
Deaccension	121,009	-	121,009
Rent	55,419	-	55,419
Miscellaneous	11,147	-	11,147
Investment income	364,484	-	364,484
Change in value of perpetual trust	-	16,532	16,532
Net assets released from restrictions	82,520	(82,520)	-
TOTAL REVENUE AND OTHER SUPPORT	<u>933,476</u>	<u>111,680</u>	<u>1,045,156</u>
EXPENSES			
Program expenses	529,435	-	529,435
Supporting services:			
Management and general	241,860	-	241,860
Fundraising	64,566	-	64,566
TOTAL EXPENSES	<u>835,861</u>	<u>-</u>	<u>835,861</u>
CHANGE IN NET ASSETS	97,615	111,680	209,295
NET ASSETS, Beginning of Year	7,775,129	247,916	8,023,045
NET ASSETS, End of Year	<u>\$ 7,872,744</u>	<u>\$ 359,596</u>	<u>\$ 8,232,340</u>

See Notes to Financial Statements.

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY**Statement of Functional Expenses - Modified Cash Basis**

Year Ended December 31, 2019

	<u>Program Expenses</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 116,374	\$ 117,974	\$ 45,545	\$ 279,893
Payroll taxes	12,681	12,855	4,963	30,499
Professional fees	-	32,624	-	32,624
Advertising	-	4,495	-	4,495
Insurance	25,293	25,293	-	50,586
Bank fees	-	1,423	-	1,423
Collections exhibits	56,684	-	-	56,684
Occupancy and maintenance	85,528	6,918	-	92,446
Miscellaneous expense	-	1,279	-	1,279
Museum store purchases	10,895	-	-	10,895
Library expenses	103	-	-	103
Education	39,189	-	-	39,189
Passport to history	2,026	-	-	2,026
Postage	-	1,453	-	1,453
Office supplies and equipment	5,364	5,439	2,100	12,903
Technology	4,650	4,714	1,820	11,184
Depreciation	169,333	27,393	-	196,726
Other taxes	1,315	-	-	1,315
Special events expense	-	-	10,138	10,138
	<u>\$ 529,435</u>	<u>\$ 241,860</u>	<u>\$ 64,566</u>	<u>\$ 835,861</u>

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY

Notes to the Financial Statements

December 31, 2019

NOTE 1. NATURE OF ACTIVITIES

Northampton County Historical & Genealogical Society is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was founded in 1906 and its mission is to preserve the past, serve the present and shape the future of Northampton County. The sources of revenue are contributions, membership dues and return on investments.

The Society provides public admission hours for its display and interpretation of its holdings at the Sigal Museum, Bachmann Publick House and Jacob Nicholas House. More than 75 lectures, programs and events annually are open to the public, covering a wide range of topics on Northampton County and American history, including public school field trips and educational outreach in the schools. The extensive local history and genealogical files of the society's library are available for review by students, scholars, local historians and those undertaking genealogical research.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the modified cash basis which is a basis of accounting that differs from generally accepted accounting principles in the United States of America. Certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. With the exception of the Society's accounting for the changes in market value of investments, the capitalization and depreciation of non-historical property, and accruing payroll liabilities, all remaining transactions are recognized on the cash basis. The Society reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions.

Basis of presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) No. 2016-14, which provides guidance for the classification of net assets. The amounts for each of the two classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

Net assets without donor restrictions – net assets of the Society whose use has not been restricted by an outside donor or law. They are available for any use carrying out the operation of the Society. This class also includes assets previously restricted where restrictions have expired or have been met.

Net assets with donor restriction – net assets of the Society whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Society. When such stipulations end or are fulfilled, the net assets with donor restrictions are released to net assets without donor restrictions. Certain restrictions may need to be maintained in perpetuity.

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY

Notes to the Financial Statements

December 31, 2019

Contributions

Contributions are recorded as made. All contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give (pledges) are recorded in the year the cash contribution is received. The majority of promises to give are received from local businesses as a result of an annual campaign.

Donated services

The Society receives volunteer services donated by its members in the carrying out of its program services. No amounts have been reflected in the financial statements for these services in that they do not meet the criteria for recognition.

Program services

Program services include museum functions, historical programs, educational programs and meetings. Any fee collected for services is recognized when the service is provided.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Store inventory

Inventory is valued by management at the lower of cost or market using the first-in, first-out method. Items to be sold on consignment are not included in museum inventory.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions and betterments of \$500 or more are capitalized while maintenance and repairs that do not improve or extend the original useful lives of the respective assets are expenses as incurred:

	Years
Buildings and improvements	10-40
Furniture and equipment	3-10

Sales tax

The Society collects the appropriate sales tax from its non-exempt customers and remits the entire amount to the appropriate State. The Society's accounting policy is to include the tax collected and remitted to the State in revenues and costs of sales.

Advertising

The Society expenses the costs of advertising the first time the advertising takes place, except for trade show brochures relating to the following year. Advertising expense is \$4,495 for the year ended December 31, 2019.

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY

Notes to the Financial Statements

December 31, 2019

Collections

The Society maintains a collection of rare books, diaries, pamphlets, manuscripts, documents, paintings, photographs, furniture, and various artifacts. The collections, which were acquired through purchases and contributions since the Society's inception, are not recognized as assets on the statement of assets, liabilities and net assets. Purchases of collection items are recorded as operating expenses in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements.

Income taxes

The Society is a non-profit organization that is exempt from income taxes under the section 501(c)(3) of the Internal Revenue Code. The Society files a Return of Organization Exempt From Income Tax annually. The Society's returns for 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and support services. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Expenses that are generally allocated on the basis of estimated time and effort include salaries and wages and payroll taxes. Expenses that are generally allocated on the basis of square footage include depreciation and occupancy expenses.

Date of management's review

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, the date the financial statements were available to be issued.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consists of the following:

Buildings	\$6,994,954
Furniture and equipment	<u>154,810</u>
	7,149,764
Less: accumulated depreciation	<u>(1,742,535)</u>
	<u>\$5,407,229</u>

Depreciation charged to expense was \$196,726 for 2019.

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are presented at estimated fair market value. Fair value is the selling price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY

Notes to the Financial Statements

December 31, 2019

market participants at the measurement date. Accounting standards defines fair value and establishes a hierarchy that prioritizes the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Directly or indirectly observable inputs other than quoted prices included for identical or similar assets and liabilities other than Level 1;

Level 3: Unobservable inputs not corroborated by market data, thereby requiring the entity to use the best available information in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost on the balance sheets, approximate fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents and other current liabilities. For long-term assets, the Society will continue to utilize the exemption from certain disclosure requirements for financial instruments provided by FASB ASC 825-10-50-3.

The following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used from December 31, 2018.

Equity securities, U.S. Government securities and unit investment trusts: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

Outside perpetual trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Society's share based on its pro-rata share of distributable income of the trusts.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Society's measure of financial instruments at fair value as of December 31, 2019 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>TOTAL</u>
Cash and equivalents	\$ 21,863	\$ -	\$ -	\$ 21,863
Fixed income	563,553	-	-	563,553
Fixed income: accrued int.	2,041	-	-	2,041
Equity securities	1,426,702	-	-	1,426,702
Liquid real assets	132,354	-	-	132,354
Outside Perpetual Trust	-	-	123,044	123,044
	<u>\$ 2,146,513</u>	<u>\$ -</u>	<u>\$ 123,044</u>	<u>\$ 2,269,557</u>

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Notes to the Financial Statements

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NOTE 5. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Society is the beneficiary of a perpetual trust held by Wilmington Trust. Terms of the trust provide for quarterly income distributions to the Society. Distributions from the Trust were \$3,126 for 2019. Distributions are unrestricted. The amount recorded as an asset represents the fair value of the Society's beneficial interest held by the bank which was \$123,044 as of December 31, 2019.

The table below sets forth a summary of changes in fair value of the trust, a Level 3 asset, for the year ended December 31, 2019:

Balance, Beginning of Year	\$ 109,675
Additions:	
Interest and dividends	2,573
Realized gains	3,879
Unrealized gains	13,155
	<u>19,607</u>
Distributions:	
Distributions to beneficiary	(3,126)
Fees and expenses	(3,112)
	<u>(6,238)</u>
Balance, End of Year	<u>\$ 123,044</u>

NOTE 6. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Society's net assets without donor restrictions is comprised of amounts for the following purposes as of December 31, 2019:

Undesignated	\$ 186,487
Board-designated:	
Endowment	2,146,513
Collections account	132,515
Investment in property and equipment	<u>5,407,229</u>
Total Net Assets Without Donor Restrictions	<u>\$ 7,872,744</u>

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NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019:

Subject to purpose or time:	
Capital campaigns	\$ 116,375
Grants and programs	<u>120,177</u>
	<u>236,552</u>
Perpetual in nature:	
Beneficial perpetual trust	<u>123,044</u>
	<u>123,044</u>
Total Net Assets With Donor Restrictions	<u>\$ 359,596</u>

NOTE 8. BOARD DESIGNATED ENDOWMENT

A portion of net assets without donor restrictions consist of endowment funds from a contributor, held in investments by the Society, in the Society's name. The Society invests the endowment funds in diversified publicly traded debt and equity securities, managed by a professional investment advisor. The Society spends up to the net income of the funds, generally the fund's interest and dividend income, which are used for museum operations and maintenance.

Endowment Return Objectives, Risk Parameters and Strategies

The Society has adopted an investment policy which has been approved by the Board of Directors. The investment objective is long-term growth generating comparable returns to current market indices. The Society's portfolio should be balanced with asset allocations consisting of cash, fixed income and common stocks.

Endowment Spending Policy

The Society is permitted to spend the earnings of the fund quarterly at its discretion. This is defined as the interest and dividends earned in the fiscal period. By practice, the Society recognized the portion of earnings on the endowment as distributed at the end of the fiscal year and reported as investment income in the without donor restrictions net asset class.

The following table represents the changes in the board designated endowment for the year ended December 31, 2019:

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December 31, 2019

Endowment net assets, beginning	\$ 1,750,631
Transfers in	90,000
Investment return:	
Interest and dividends	44,975
Net realized and unrealized gains	329,313
Investment fees	(13,606)
Endowment withdrawal	<u>(54,800)</u>
Endowment net assets, ending	<u>\$ 2,146,513</u>

NOTE 9. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is without donor restrictions limiting their use within one year of the balance sheet date, comprises the following:

Financial assets available to fund general operations within one year	
Cash and cash equivalents	\$ 551,415
Investments	<u>2,146,513</u>
	<u>2,697,928</u>
Less those unavailable for general expenditures within one year, due to	
Financial assets subject to donor restrictions for specified purpose	(236,552)
Financial assets held for specified purpose designated by Board	<u>(2,279,028)</u>
	<u>(2,515,580)</u>
Plus other funds subject to appropriation for expenditure	
Endowment appropriations for operations in the next fiscal year	<u>58,119</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 240,467</u>

NOTE 10. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Society to concentrations of credit risk, consist of cash balances in excess of federally insured amounts. Periodically, the Society's cash was in excess of the federal deposit insurance limit of \$250,000. The Society has not experienced any losses as a result of these uninsured cash balances.

NOTE 11. SUBSEQUENT EVENTS

COVID-19

The Society's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health

NORTHAMPTON COUNTY HISTORICAL & GENEALOGICAL SOCIETY

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December 31, 2019

Organization in March 2020. The ultimate disruption caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Society's future financial position, operations and cash flows. Possible effects may include, but are not limited to, disruptions to the Society's patrons and revenue, absenteeism in the Society's staff.

On April 23, 2020, the Society received loan proceeds in the amount of \$29,340 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The CARES Act provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after a minimum of eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Society intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. It is, at least, reasonably possible that this belief could change in the near term and cause the Society to be ineligible for forgiveness of the loan in part.

Litigation

In July 2020, the Society was informed by their attorney that a previous settled complaint under the Equal Employment Opportunity Commission by a former employee has been reopened under the Pennsylvania Human Relations Act. The complaint is still pending. The Society intends to vigorously defend the claim and it is not anticipated that the complainant will prevail in the claim. However, the outcome of the claim and the amount is not able to be determined at this time.