



Lehigh County Historical Society
Lehigh Valley Heritage Museum
432 West Walnut Street
Allentown, PA 18102
610-435-1074

March 2024

Re: IRS 990 & Annual Audit

Dear Friends,

As **Treasurer** of the Lehigh County Historical Society, I would like to clarify a significant point concerning our recent audit for the year ended March 31, 2022 and associated IRS 990.

My point deals with page 4 of the audit and page 11 of the 990 (Part IX, column A, line 22) referencing a substantial deduction of \$192,599 for Depreciation & Amortization. This is a nonoperation expense charge that does not involve an expenditure of any cash actually spent or transferred. It is an accounting procedure that amortizes the cost of an asset over a given period of years. **In this instance**, the asset is the cost of our museum building erected some nineteen years ago now being amortized and depreciated over a prescribed period of forty years. This deduction for depreciation is also carried on page one of our Form 990 in the expense section. When applied against our revenue for a given year, the deduction for depreciation could give the false impression that our cash expenses exceeded our income. This is not true.

I hope this correspondence helps to better clarify our overall financial picture.

Sincerely,

Alan C. France

Alan C. France
Treasurer

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Auditor's Report**

March 31, 2023

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lehigh County Historical Society
Allentown, PA

Opinion

We have audited the accompanying financial statements of Lehigh County Historical Society (A Not-for-Profit Corporation), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh County Historical Society as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lehigh County Historical Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lehigh County Historical Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lehigh County Historical Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lehigh County Historical Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Lehigh County Historical Society's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Congell, Rappold & Yucasita LLP

February 15, 2024

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION**

- ASSETS -	March 31,	
	2023	2022
Cash and Cash Equivalents	\$ 63,364	\$ 278,547
Accounts Receivable	11,350	8,000
Prepaid Expenses	1,691	3,747
Inventory (Note 2)	2,578	1,950
Grants Receivable (Note 9)	18,175	9,719
Investments (Note 4)	3,093,278	3,314,276
Outside Perpetual Trusts (Note 7)	1,082,322	1,224,651
Land, Building and Equipment, Net (Note 6)	4,154,225	4,149,769
 COLLECTIONS (Note 2 and 5)		
 TOTAL ASSETS	\$ 8,426,983	\$ 8,990,659
 - LIABILITIES AND NET ASSETS -		
Accounts Payable	\$ 9,158	\$ 3,225
Accrued Payroll and Related Expenses	37,305	53,105
 COMMITMENTS (Note 11)		
 TOTAL LIABILITIES	46,463	56,330
Net Assets: (Note 10)		
Without Donor Restrictions	6,456,946	6,793,932
With Donor Restrictions	1,923,574	2,140,397
 TOTAL NET ASSETS	8,380,520	8,934,329
 TOTAL LIABILITIES AND NET ASSETS	\$ 8,426,983	\$ 8,990,659

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended March 31, 2023
With Comparative Totals for the Year Ended March 31, 2022

<u>OPERATING:</u>	Without Donor Restrictions	With Donor Restrictions	Total Year Ended 03/31/2023	Total Year Ended 03/31/2022
<u>Support and Revenue:</u>				
Contributions	\$ 353,432	\$ 43,175	\$ 396,607	\$ 360,148
Government Appropriations	96,000	-	96,000	96,000
Admissions and Tours Income	17,447	-	17,447	8,225
Memberships	78,731	-	78,731	69,040
Research Fees	8,577	-	8,577	4,282
Rental Income	3,475	-	3,475	3,790
Extinguishment of Debt - PPP	-	-	-	73,301
Miscellaneous Income	-	-	-	1,001
Gift Shop Sales (Net of Cost of Goods of \$1,459 and \$1,001)	1,013	-	1,013	695
Investment Income (Net of Fees of \$6,886 and \$12,826)	111,763	22,073	133,836	109,555
	<u>670,438</u>	<u>65,248</u>	<u>735,686</u>	<u>726,037</u>
Net Assets Released from Restrictions	<u>56,467</u>	<u>(56,467)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>726,905</u>	<u>8,781</u>	<u>735,686</u>	<u>726,037</u>
<u>Expenses:</u>				
<u>Program Services:</u>				
Collections and Exhibits	236,886	-	236,886	219,009
Library and Archives	139,926	-	139,926	122,050
Education	128,762	-	128,762	120,462
Total Program Services	<u>505,574</u>	<u>-</u>	<u>505,574</u>	<u>461,521</u>
Management and General Development	112,948	-	112,948	112,019
	<u>32,702</u>	<u>-</u>	<u>32,702</u>	<u>29,299</u>
Total Expenses	<u>651,224</u>	<u>-</u>	<u>651,224</u>	<u>602,839</u>
Increase in Net Assets from Operating Activities	<u>75,681</u>	<u>8,781</u>	<u>84,462</u>	<u>123,198</u>
<u>NONOPERATING:</u>				
Depreciation Expense	(192,599)	-	(192,599)	(187,138)
Realized/Unrealized Gain (Loss) on Investments and Other Assets	(220,068)	(83,275)	(303,343)	66,541
Change in Value of Outside Perpetual Trusts	<u>-</u>	<u>(142,329)</u>	<u>(142,329)</u>	<u>(38,738)</u>
Increase (Decrease) in Net Assets from Nonoperating Activities	<u>(412,667)</u>	<u>(225,604)</u>	<u>(638,271)</u>	<u>(159,335)</u>
Change in Net Assets	<u>(336,986)</u>	<u>(216,823)</u>	<u>(553,809)</u>	<u>(36,137)</u>
Net Assets at Beginning of Year	<u>6,793,932</u>	<u>2,140,397</u>	<u>8,934,329</u>	<u>8,970,466</u>
Net Assets at End of Year	<u>\$ 6,456,946</u>	<u>\$ 1,923,574</u>	<u>\$ 8,380,520</u>	<u>\$ 8,934,329</u>

See independent auditor's report and notes to financial statements.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS**

	Year Ended March 31,	
	2023	2022
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ (553,809)	\$ (36,137)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	192,599	187,138
Net Realized and Unrealized (Gain) Loss on Investments	303,343	(66,541)
Change in Value of Outside Perpetual Trusts	142,329	38,738
Extinguishment of Debt - PPP	-	(73,301)
(Increase) Decrease in:		
Accounts Receivable	(3,350)	250
Prepaid Expenses	2,056	(2,479)
Inventory	(628)	235
Grants Receivable	(8,456)	7,223
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(9,867)	803
 Net Cash Provided by Operating Activities	 <u>64,217</u>	 <u>55,929</u>
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Equipment	(197,055)	(2,536)
Purchase of Investments	(2,906,868)	(73,850)
Proceeds from Sale of Investments	2,824,523	12,826
 Net Cash Used by Investing Activities	 <u>(279,400)</u>	 <u>(63,560)</u>
 Net Decrease in Cash and Cash Equivalents	 (215,183)	 (7,631)
 Cash and Cash Equivalents at Beginning of Year	 <u>278,547</u>	 <u>286,178</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 63,364</u>	 <u>\$ 278,547</u>

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2023
With Comparative Totals for the Year Ended March 31, 2022

	Program Services			
	Collections and Exhibits		Library and Archives	Education
	Heritage Center	Other Properties		
Salaries	\$ 45,769	\$ 30,968	\$ 102,034	\$ 99,722
Payroll Taxes	3,549	2,401	7,911	7,732
Employee Benefits	1,017	2,279	4,927	2,543
Telephone	1,692	203	745	813
Utilities	17,562	2,107	7,727	8,429
Security	2,057	247	905	987
Insurance	17,212	4,590	7,573	8,262
Repairs and Renovations	28,045	17,990	-	-
Supplies	4,711	242	636	195
Cost of Goods Sold	1,459	-	-	-
Marketing and Recruitment	11,798	-	1,242	-
Professional Fees	2,850	-	-	-
Subscriptions, Dues and Memberships	1,136	200	94	-
Travel	1,335	2,783	-	37
Printing, Postage, and Copier Expenses	15,698	-	1,930	-
Other Expenses	2,098	474	4,202	42
Event Expenses, Hospitality	7,047	1,860	-	-
Exhibit Expenses and Special Projects	6,966	-	-	-
Bad Debt Expense	-	-	-	-
Technology Expenses	-	-	-	-
Total Operating Expenses	<u>172,001</u>	<u>66,344</u>	<u>139,926</u>	<u>128,762</u>
Depreciation and Amortization	76,430	9,171	33,628	36,685
Less: Expenses included with Support and Revenues on the Statement of Activities and Changes in Net Assets				
Cost of Goods Sold	<u>(1,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 246,972</u>	<u>\$ 75,515</u>	<u>\$ 173,554</u>	<u>\$ 165,447</u>

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended March 31, 2023
With Comparative Totals for the Year Ended March 31, 2022

Total Program Services	Management and General	Development	Total 03/31/2023	Total 03/31/2022
\$ 278,493	\$ 34,249	\$ 27,964	\$ 340,706	\$ 329,609
21,593	2,656	2,168	26,417	23,798
10,766	3,416	1,028	15,210	24,446
3,453	745	68	4,266	4,732
35,825	7,727	702	44,254	31,072
4,196	905	82	5,183	4,091
37,637	7,573	688	45,898	39,033
46,035	-	-	46,035	40,790
5,784	3,918	-	9,702	8,605
1,459	-	-	1,459	1,001
13,040	697	-	13,737	11,696
2,850	32,226	-	35,076	32,802
1,430	225	-	1,655	3,557
4,155	2,991	-	7,146	5,545
17,628	8,037	-	25,665	16,010
6,816	2,836	2	9,654	10,361
8,907	-	-	8,907	4,956
6,966	-	-	6,966	6,086
-	-	-	-	250
-	4,747	-	4,747	5,400
507,033	112,948	32,702	652,683	603,840
155,914	33,628	3,057	192,599	187,138
(1,459)	-	-	(1,459)	(1,001)
\$ 661,488	\$ 146,576	\$ 35,759	\$ 843,823	\$ 789,977

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

1. Nature of Activities

Lehigh County Historical Society (the "Society") is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of the collection, preservation, and publication of the history and historical data relative to Lehigh County for the education of the general public.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Lehigh County Historical Society are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 and Changes in Net Assets as net assets released from restrictions.

Concentration of Credit Risk

The Society maintains its cash accounts at commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times through the year exceeded the federally insured limit. As of March 31, 2023, the Society did not have any uninsured deposits.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Society is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Society and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the fiscal years 2023 and 2022.

The Society files its Form 990 with the United States Internal Revenue Service and Form BCO-10 with the Bureau of Charitable Organizations in Pennsylvania.

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

Contributions

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for use without donor restrictions unless specifically restricted by the donor and are recognized as revenues in the period the unconditional promise is given. Contributions to be given in future periods are discounted at an appropriate discount rate.

Gifts of cash and other noncapital assets are reported as net assets with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are reflected as contributions without donor restrictions in the accompanying financial statements at their estimated values at the date of receipt provided by comparing prices of similar materials from retail stores and vendors. A substantial number of unpaid volunteers have made significant contributions of their time to develop and carry out the Society's programs and activities. Included in these activities are persons serving as tour guides, curatorial services, and clerical services. No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services, and the services do not meet the criterion for recognition.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets which are temporary in nature by fulfillment of the donor-stipulated purpose or by the passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. The Society's revenue from contracts with customers in the scope of ASC 606 is recognized within Admissions and Tours, Memberships, Research Fees, Rental Income, and Gift Shop Sales. The Society's revenue streams are accounted for in the following segments:

- **Admissions and Tours:** The Society earns income from providing guided educational tours of the Society's locations. The Society's policy is to recognize revenue when each specific educational tour takes place.
- **Memberships:** The Society earns income from selling annual memberships to the general public for admission to the museum and access to certain member benefits. The Society's policy is to recognize revenue each month as member benefits are provided.
- **Research Fees:** The Society earns income from performing special research projects for customers. The Society's policy is to recognize revenue upon completion of each specific project.
- **Rental Income:** The Society leases out space to unrelated third parties for storage of documents. The Society's policy is to recognize revenue on a monthly basis.
- **Gift Shop Sales:** The Society earns income from the sale of goods held for sale at the museum gift shop. The Society's policy is to recognize the revenue from the sale of goods at the time each sales transaction takes place.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022**

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

As reported in the Statement of Functional Expenses, expenses of the Society have been allocated to the following functional reporting classifications:

Collections and Exhibits
Library and Archives
Education
Management and General
Development

The Society's method for allocating expenses among the functional reporting classifications which cannot be specifically identified are based on estimates made for time spent by key personnel between functions, consumption, and other objective bases.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in checking accounts, and other interest-bearing instruments with an original maturity of three months or less, unless held within investment accounts.

Accounts Receivable

Accounts receivable represents various amounts due to the Society. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at March 31, 2023 and 2022.

Inventory

The Society has a gift shop located in the Heritage Center. Inventory is stated at the lower of cost or market value on a first-in, first-out basis.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair value in the Statements of Financial Position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the Statement of Activities and Changes in Net Assets as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor stipulation or law.

Fair value of investments in securities is based on the last reported sales price at March 31. The value initially assigned to investments received by gift is the market value at the date of donation.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Land, Building and Equipment

Land, building and equipment is stated at cost or donated value. Depreciation is computed by use of the straight-line method based on estimated useful lives. Acquisitions in excess of \$1,000 are capitalized. Interest costs connected with the construction of the building are capitalized during the period of construction activity. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

	<u>Years</u>
Building	40
Equipment and Furniture	5 - 7
Vehicles	5 - 7
Permanent Exhibit	10

Collections

The collections, which were acquired through purchases and contributions since the Society's inception, are not recognized as assets on the Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Accounting for Paycheck Protection Program (PPP)

The Society may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, *Debt*, or under other models, if certain conditions are met. If the Society expects to meet the PPP's eligibility criteria and conclude that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Society may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. On May 7, 2020, the Society received \$73,301 under the Paycheck Protection Program. During July 2021, the Society was notified by the United States Small Business Administration and its lender that it had received full forgiveness of this loan. As such, the Society recognized extinguishment of debt in the amount of \$73,301 during the year ended March 31, 2022.

Adoption of New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability across entities by recognizing right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the Statement of Financial Position and disclosing key information about leasing arrangements for lessees and lessors. On May 20, 2020, the FASB voted to defer the effective date of ASC 842 to annual periods beginning after December 31, 2021.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022**

2. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standard (Continued)

The Society adopted ASU 2016-02, *Leases (Topic 842)*, on April 1, 2022 and elected to utilize the effective date method approach to apply the transition provisions. This allows entities to report the cumulative effect of the adoption of the standard on the date of adoption while continuing to apply the legacy guidance in *ASC 840*, including disclosure requirements, in comparative periods presented in the year of adoption. Pursuant to the practical expedients, the Society elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases. The Society elected to apply the short-term lease measurement and recognition exemption to its leases where applicable. Additionally, the Society elected to apply a de minimis measurement and recognition exemption to all leases which contain payments that are less than \$1,000 per month.

The adoption of ASU 2016-02 did not have a material impact on the Society's operating results.

Subsequent Events

Management has evaluated subsequent events through February 15, 2024, the date on which the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statements of Financial Position, consist of the following:

	March 31,	
	2023	2022
Cash and Cash Equivalents	\$ 63,364	\$ 278,547
Accounts Receivable	11,350	8,000
Grants Receivable	18,175	9,719
Investments	3,093,278	3,314,276
Net Assets With Donor Restrictions	(841,252)	(915,746)
	\$ 2,344,915	\$ 2,694,796

The Society is supported mainly by contributions, memberships, and government grants. The Society believes that contributions, memberships, and government grants along with the assets held at March 31, 2023, are sufficient to enable the Society to continue to operate for the upcoming year.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022**

4. Investments

Investments are comprised of the following:

	March 31, 2023		March 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Cash Management Funds	\$ 9,356	\$ 9,356	\$ 5,841	\$ 5,841
Money Market Funds	2,885,855	2,885,855	-	-
Equities	225,806	198,067	225,316	205,397
Equity Funds	-	-	1,347,950	2,249,723
Fixed Income Funds	-	-	892,409	853,315
	<u>\$ 3,121,017</u>	<u>\$ 3,093,278</u>	<u>\$ 2,471,516</u>	<u>\$ 3,314,276</u>

A summary of earnings on investments for the years ended March 31, 2023 and 2022 are as follows:

	Year Ended March 31,	
	2023	2022
Interest and Dividends	\$ 140,722	\$ 122,381
Realized Gains/(Losses)	(295,512)	87
Unrealized Gains/(Losses)	(7,831)	66,454
Investment Fees	(6,886)	(12,826)
Total	<u>\$ (169,507)</u>	<u>\$ 176,096</u>

5. Collections

The Society's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or for the preservation and direct care of existing collection items. The Society 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 collection.

As part of its collections, the Society holds title to the following properties: Claussville School House, Troxell-Steckel House, Gruber House, Reninger House, Trout Hall, and Allen Park.

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6. Land, Building and Equipment

Land, building, and equipment consists of the following:

	March 31,	
	2023	2022
Land and Land Improvements	\$ 41,033	\$ 41,033
Building	7,452,735	7,257,665
Permanent Exhibit	493,103	493,103
Equipment and Furniture	359,590	357,605
Vehicles	22,026	22,026
	8,368,487	8,171,432
Less: Accumulated Depreciation	(4,214,262)	(4,021,663)
	\$ 4,154,225	\$ 4,149,769

Depreciation charged to expense was \$192,599 and \$187,138 for the years ending March 31, 2023 and 2022, respectively.

7. Outside Perpetual Trusts

The Society is an income beneficiary of two outside perpetual trusts.

The amounts recorded represent the pro rata share of net assets that provides for distribution of income to the Society as beneficiary. Income is disbursed as a reimbursement for expenses paid to maintain the respective properties. The trusts are as follows:

Trust	% Trust	March 31,	
		2023	2022
		Share of Net Assets	Share of Net Assets
Gruber House	100%	\$ 690,754	\$ 786,008
Reninger House	20%	391,568	438,643
		\$ 1,082,322	\$ 1,224,651

8. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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8. Fair Value Measurements (Continued)

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). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2023 and 2022.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Equity funds, and fixed income funds: Valued at the net asset value ("NAV") of shares held by the Society at year end.

Outside perpetual trusts: Measurement based on the Society's pro rata share of the Trust assets, which approximates the expected future cash flows from the Trust.

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8. Fair Value Measurements (Continued)

The methods 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 following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of March 31, 2023:

	Assets at Fair Value as of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 9,356	\$ -	\$ -	\$ 9,356
Money Market Funds	2,885,855	-	-	2,885,855
Equities	198,067	-	-	198,067
Equity Mutual Funds	-	-	-	-
Fixed Income Mutual Funds	-	-	-	-
Outside Perpetual Trusts	-	-	1,082,322	1,082,322
Total Assets at Fair Value	\$ 3,093,278	\$ -	\$ 1,082,322	\$ 4,175,600

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of March 31, 2022:

	Assets at Fair Values as of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 5,841	\$ -	\$ -	\$ 5,841
Money Market Funds	-	-	-	-
Equities	205,397	-	-	205,397
Equity Mutual Funds	2,249,723	-	-	2,249,723
Fixed Income Mutual Funds	853,315	-	-	853,315
Outside Perpetual Trusts	-	-	1,224,651	1,224,651
Total Assets at Fair Value	\$ 3,314,276	\$ -	\$ 1,224,651	\$ 4,538,927

Changes in Fair Value of Level 3 Assets:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

We evaluate the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets.

During the years ended March 31, 2023 and 2022, there were no purchases, transfers in, or transfers out of Level 3 assets. The Society received issuances totaling \$50,000 and \$47,800 during the years ended March 31, 2023 and 2022, respectively.

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9. Grants Receivable

Grants receivable consist of:

	March 31,	
	2023	2022
Grants Receivable	\$ 18,175	\$ 9,719
Less: Allowance for Uncollectible	-	-
	\$ 18,175	\$ 9,719
Less Than 1 Year	\$ 18,175	
One to Five Years	-	
	\$ 18,175	

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	March 31,	
	2023	2022
Temporary in Nature:		
Archives	\$ -	\$ 4,158
COVID Funds	-	6,819
General Operating	-	7,119
Heroes of History	7,000	7,000
Jewish History Project	12,061	12,061
Lehigh County Quality of Life	2,600	2,600
Lehigh County Sites	5,364	-
Tours and Outreach	1,000	1,560
Income from Endowment Funds	389,449	450,651
	\$ 417,474	\$ 491,968
Perpetual in Nature:		
Gruber House	\$ 690,754	\$ 786,008
Reninger House	391,568	438,643
Endowment, income is expendable for program purposes	423,778	423,778
	\$ 1,506,100	\$ 1,648,429
Total Net Assets With Donor Restrictions	\$ 1,923,574	\$ 2,140,397

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10. Net Assets with Donor Restrictions (Continued)

Net assets were released from restriction upon satisfaction of the following restricted purposes:

	Year Ended March 31,	
	2023	2022
Archives	\$ 4,158	\$ 842
COVID-19	6,819	23,181
HVAC	2,500	-
Exhibits and Programs	11,000	11,000
General Operating 2022 FY	7,119	6,942
General Operating 2023 FY	5,575	-
Lehigh County Quality of Life	2,600	2,500
Lehigh County Tourism	-	5,020
Lehigh County Sites	4,636	-
Tours and Outreach	12,060	3,753
	\$ 56,467	\$ 53,238

11. Operating Leases

The Society leases equipment under several long-term operating lease agreements. The leases have expirations through April 2027. Equipment rental expense was \$4,454 and \$4,807 during the years ended March 31, 2023 and 2022, respectively.

Minimum lease payments as of March 31, 2023 are as follows:

Year ending March 31,		
2024	\$	4,454
2025		4,454
2026		4,454
2027		4,454
2028		371

12. Retirement Plan

The Society operates a defined contribution retirement plan (the "Plan") in accordance with section 403(b) of the Internal Revenue Code. Employees may defer a portion of their base compensation on a pre-tax basis up to the maximum allowed by law. They are eligible to make these deferrals immediately upon hire. After the employee has reached age 21 and has completed 12 consecutive months of service with the Society, the Society will match the employee's contributions up to a maximum of 3.0% of base compensation. Employer contributions to the Plan were \$9,140 and \$8,492 for the years ended March 31, 2023 and 2022, respectively.

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13. Endowment Funds

The Society's endowment consists solely of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Society follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. As a result of this interpretation, the Society classifies as donor restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the laws of the Commonwealth of Pennsylvania.

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 capital growth generating comparable returns to current market indices. The Society's portfolio should be balanced with asset allocation consisting of a diverse group of equity mutual funds and fixed income mutual funds.

Spending Policy

The Society is permitted to spend the earnings of the fund at its discretion. This is defined as the interest earned in the fiscal period. By practice, the Society recognizes the portion of earnings on the endowment funds held in perpetuity as net assets restricted for a specific purpose to be used for operations and reported as investment income with donor restrictions. When earnings are appropriated for expenditure, the funds are released from restriction.

Endowment net asset composition by type of funds as of March 31, 2023 and 2022 are as follows:

	March 31, 2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Donor-Restricted Endowment	\$ -	\$ 389,449	\$ 423,778	\$ 813,227
	March 31, 2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Donor-Restricted Endowment	\$ -	\$ 450,651	\$ 423,778	\$ 874,429

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13. Endowment Funds (Continued)

Changes in endowment net assets as of March 31, 2023:

	For the Year Ended March 31, 2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Beginning Endowment Net Assets	\$ -	\$ 450,651	\$ 423,778	\$ 874,429
Contributions	-	-	-	-
Investment Return	-	22,073	-	22,073
Net Depreciation	-	(83,275)	-	(83,275)
Appropriation of Net Assets for Expenditure	-	-	-	-
Ending Endowment Net Assets	\$ -	\$ 389,449	\$ 423,778	\$ 813,227

Changes in endowment net assets as of March 31, 2022:

	For the Year Ended March 31, 2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Beginning Endowment Net Assets	\$ -	\$ 427,834	\$ 423,778	\$ 851,612
Contributions	-	-	-	-
Investment Return	-	15,898	-	15,898
Net Appreciation	-	6,919	-	6,919
Appropriation of Net Assets for Expenditure	-	-	-	-
Ending Endowment Net Assets	\$ -	\$ 450,651	\$ 423,778	\$ 874,429

14. Summarized Totals for Year Ended March 31, 2022

The financial statements include certain prior year summarized comparative information in total, but not by net assets or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended March 31, 2022, from which summarized information was derived.