

**HISTORIC BETHLEHEM PARTNERSHIP, INC.
AND AFFILIATES**

**Consolidated Financial Statements,
Independent Auditor's Report,
and Supplementary Information**

For the Years Ended February 28, 2021 and February 29, 2020

**HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1 - 3
<i><u>Financial Statements:</u></i>	
Consolidated Statements of Financial Position	4 - 5
Consolidated Statements of Activities	6 - 7
Consolidated Statement of Functional Expenses	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 27
<i><u>Supplementary Information:</u></i>	
Partnership and Affiliates - Individual Financial Position And Activities Statements	30 - 37

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Historic Bethlehem Partnership, Inc.
And Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Historic Bethlehem Partnership, Inc. and Affiliates (not-for-profit corporations), which comprise the consolidated statement of financial position as of February 28, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Historic Bethlehem Partnership, Inc. and Affiliates as of February 28, 2021, 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 Historic Bethlehem Partnership, Inc. and Affiliates 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Historic Bethlehem Partnership, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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, including omissions, 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 consolidated 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 consolidated 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 Historic Bethlehem Partnership, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Historic Bethlehem Partnership, Inc. and Affiliates' 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Historic Bethlehem Partnership, Inc. and Affiliates' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statements of financial position by affiliates, statements of activities by affiliates, and consolidated statement of activities for both years then ended on pages 30 to 37 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Congbell, Rappold & Yasaita LLP

October 4, 2021

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
February 28, 2021

	February 28, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS:</u>			
Cash - Operating	\$ 554,950	\$ -	\$ 554,950
Cash - Restricted	-	989,810	989,810
Interfund (Payable) Receivable	250,047	(250,047)	-
Accounts/Grants Receivable	7,483	-	7,483
Promises to Give (Note 3)	-	348,376	348,376
Prepaid Expenses	21,763	-	21,763
Inventory	44,345	-	44,345
Long-Term Investments (Note 4)	536,792	4,150,933	4,687,725
Beneficial Interest in Perpetual Trust (Note 6)	-	332,204	332,204
Property and Equipment, (Net of Accumulated Depreciation) (Note 7)	7,192,222	-	7,192,222
TOTAL ASSETS	<u>\$ 8,607,602</u>	<u>\$ 5,571,276</u>	<u>\$ 14,178,878</u>
<u>LIABILITIES AND NET ASSETS:</u>			
Liabilities			
Accounts Payable	\$ 104,815	\$ -	\$ 104,815
Accrued Wages and Compensated Absences	51,953	-	51,953
Deferred Revenue	27,527	-	27,527
Security Deposits	4,250	-	4,250
Mortgages and Loans Payable (Note 8)	457,317	-	457,317
Other Liabilities	90,310	-	90,310
TOTAL LIABILITIES	<u>736,172</u>	<u>-</u>	<u>736,172</u>
Commitments and Contingencies			
Net Assets			
Undesignated	202,179	-	202,179
Board Designated	619,846	-	619,846
Net Investment in Property and Equipment	7,049,405	-	7,049,405
Total Net Assets Without Donor Restrictions	7,871,430	-	7,871,430
Restricted for a Purpose (Note 9)	-	2,860,852	2,860,852
Restricted in Perpetuity (Note 9)	-	2,710,424	2,710,424
Total Net Assets	<u>7,871,430</u>	<u>5,571,276</u>	<u>13,442,706</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,607,602</u>	<u>\$ 5,571,276</u>	<u>\$ 14,178,878</u>

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
February 29, 2020

	February 29, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS:</u>			
Cash - Operating	\$ 288,293	\$ -	\$ 288,293
Cash - Restricted	-	797,148	797,148
Interfund (Payable) Receivable	212,769	(212,769)	-
Accounts/Grants Receivable	12,623	-	12,623
Promises to Give (Note 3)	-	235,371	235,371
Prepaid Expenses	19,280	-	19,280
Inventory	35,809	-	35,809
Long-Term Investments (Note 4)	456,090	3,607,264	4,063,354
Beneficial Interest in Perpetual Trust (Note 6)	-	298,044	298,044
Property and Equipment, (Net of Accumulated Depreciation) (Note 7)	7,302,357	-	7,302,357
TOTAL ASSETS	\$ 8,327,221	\$ 4,725,058	\$ 13,052,279
<u>LIABILITIES AND NET ASSETS:</u>			
Liabilities			
Accounts Payable	\$ 97,848	\$ -	\$ 97,848
Accrued Wages and Compensated Absences	15,640	-	15,640
Deferred Revenue	14,278	-	14,278
Security Deposits	4,750	-	4,750
Mortgages and Loans Payable (Note 8)	153,056	-	153,056
Other Liabilities	81,945	-	81,945
TOTAL LIABILITIES	367,517	-	367,517
Commitments and Contingencies			
Net Assets			
Undesignated	251,911	-	251,911
Board Designated	558,492	-	558,492
Net Investment in Property and Equipment	7,149,301	-	7,149,301
Total Net Assets Without Donor Restrictions	7,959,704	-	7,959,704
Restricted for a Purpose (Note 9)	-	2,168,732	2,168,732
Restricted in Perpetuity (Note 9)	-	2,556,326	2,556,326
Total Net Assets	7,959,704	4,725,058	12,684,762
TOTAL LIABILITIES AND NET ASSETS	\$ 8,327,221	\$ 4,725,058	\$ 13,052,279

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended February 28, 2021 and February 29, 2020

	Year Ended 2/28/2021	Year Ended 2/29/2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING ACTIVITIES		
Revenue:		
Contributions	\$ 270,431	\$ 276,597
In-Kind Contributions (Note 12)	54,259	66,897
Grants	195,105	69,557
Tourism	65,469	148,330
Admission/Programs	57,438	129,826
Rental Income	71,645	179,553
Special Events	286,452	471,313
Less: Direct Costs of Special Events	(98,380)	(240,309)
Sales to Public	106,862	155,397
Less: Costs of Store Purchases	(58,424)	(113,958)
Miscellaneous	74,147	20,419
Release of Spending Policy Investment Return (Note 10)	191,590	150,086
Release of Restricted Funds for Seeking Excellence Capital Campaign (Note 10)	-	(19,577)
Release of Restricted Funds for Operating Expenses (Note 10)	122,465	354,854
Total Operating Revenue	1,339,059	1,648,985
Expenses:		
Program Expenses	939,102	1,140,919
Management and General Expenses	232,409	244,178
Fundraising Expenses	216,553	254,493
Total Operating Expenses	1,388,064	1,639,590
OPERATIONAL SURPLUS (DEFICIT)	(49,005)	9,395
NONOPERATING ACTIVITIES		
Contributions	34,295	-
Gain on Disposal of Assets	-	800
Depreciation	(273,334)	(271,558)
Investment Return (Net of Expenses of \$2,359 and \$2,204)	88,753	24,796
Release of Restricted Funds for Assets/Debt (Note 10)	111,017	99,822
Change in Nonoperating Activities	(39,269)	(146,140)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (88,274)	\$ (136,745)

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended February 28, 2021 and February 29, 2020

	<u>Year Ended</u> <u>2/28/2021</u>	<u>Year Ended</u> <u>2/29/2020</u>
NET ASSETS WITH PURPOSE RESTRICTIONS		
ACTIVITIES		
Contributions/Grants	\$ 439,603	\$ 775,576
Capital Campaign Contributions	-	(19,577)
Investment Return (Net of Expenses of \$18,894 and \$17,894)	677,589	202,426
Net Assets Released to Without Donor Restriction (Note 10)	<u>(425,072)</u>	<u>(585,185)</u>
CHANGES IN NET ASSETS WITH PURPOSE RESTRICTIONS	<u>692,120</u>	<u>373,240</u>
NET ASSETS WITH PERPETUITY RESTRICTIONS		
ACTIVITIES		
Contributions	119,938	115,677
Change in Value of Outside Perpetual Trusts	<u>34,160</u>	<u>(1,234)</u>
CHANGES IN NET ASSETS WITH PERPETUITY RESTRICTIONS	<u>154,098</u>	<u>114,443</u>
CHANGES IN NET ASSETS	<u>757,944</u>	<u>350,938</u>
NET ASSETS, AT BEGINNING OF PERIOD	<u>12,684,762</u>	<u>12,333,824</u>
NET ASSETS, AT END OF PERIOD	<u><u>\$ 13,442,706</u></u>	<u><u>\$ 12,684,762</u></u>

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended February 28, 2021
With Comparative Totals for the Year Ended February 29, 2020

	Year Ended February 28, 2021				2/29/2020
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Wages	\$ 354,972	\$ 163,744	\$ 141,242	\$ 659,958	\$ 690,804
Employee Benefits	36,997	19,934	15,942	72,873	104,188
Payroll Taxes	32,901	11,913	11,913	56,727	61,679
Tourism	46,800	-	-	46,800	43,394
Education/Publicity/Advertising	17,301	-	-	17,301	28,255
Collections	-	-	-	-	25
Occupancy	133,619	-	-	133,619	179,838
Printing	7,086	-	-	7,086	10,256
Interest	7,086	-	-	7,086	7,141
Miscellaneous	10,172	-	-	10,172	12,841
Postage	1,055	2,005	1,002	4,062	5,182
Professional Fees	61,320	19,816	19,816	100,952	132,844
Building Repairs and Maintenance	140,767	-	-	140,767	141,885
Supplies and Bank Fees	19,858	-	4,823	24,681	42,427
Telephone	9,810	1,055	527	11,392	9,911
Fundraising Expense	-	-	14,015	14,015	30,111
Dues and Subscriptions	5,824	-	-	5,824	5,006
Public Relations/Volunteers	12,378	-	-	12,378	75,364
Insurance	38,577	10,580	6,662	55,819	47,405
Equipment Rental and Maintenance	2,139	3,362	611	6,112	6,312
Travel	440	-	-	440	4,722
Direct Costs of Special Events	-	-	98,380	98,380	240,309
Store Sales	58,424	-	-	58,424	113,958
Depreciation Expense	273,334	-	-	273,334	271,558
Total Expenses by Function	1,270,860	232,409	314,933	1,818,202	2,265,415
Less: Expenses Included With Revenues on the Statement of Activities:					
Direct Costs of Special Events	-	-	(98,380)	(98,380)	(240,309)
Costs of Store Purchases	(58,424)	-	-	(58,424)	(113,958)
Depreciation Expense	(273,334)	-	-	(273,334)	(271,558)
	\$ 939,102	\$ 232,409	\$ 216,553	\$ 1,388,064	\$ 1,639,590

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended February 28, 2021 and February 29, 2020

	<u>Year Ended</u> <u>2/28/2021</u>	<u>Year Ended</u> <u>2/29/2020</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 757,944	\$ 350,938
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Restricted Contributions/Investment Income	(633,861)	(979,699)
Depreciation and Amortization	273,334	271,558
Realized/Unrealized (Gain) Loss on Investments	(681,988)	(128,992)
Gain on Disposal of Assets	-	(800)
Transfers from Restricted to Operating	314,055	585,185
Change in Value of Outside Trusts	(34,160)	1,234
Changes in Operating Assets/Liabilities:		
Receivables	5,140	292,276
Inventory	(8,536)	(2,511)
Prepaid Expenses	(2,483)	(311)
Accounts Payable	6,967	(4,817)
Deferred Revenue/Security Deposits/Accrued Wages and Compensated Absences	<u>57,427</u>	<u>(96,123)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>53,839</u>	<u>287,938</u>
<u>Cash Flows from Investing Activities:</u>		
Equipment Acquisitions/Building Improvements	(163,199)	(150,941)
Proceeds from Disposal of Assets	-	800
Proceeds from Sale of Investments	283,162	206,982
Purchase of Investments	<u>(225,545)</u>	<u>(234,005)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(105,582)</u>	<u>(177,164)</u>
<u>Cash Flows from Financing Activities:</u>		
Restricted Contributions/Investment Income	633,861	979,699
Unpaid Promises to Give	(113,005)	(215,794)
Transfers to Operating from Restricted Funds	(314,055)	(585,185)
Proceeds from Long-Term Debt	314,500	-
Repayment of Short-Term and Long-Term Debt	<u>(10,239)</u>	<u>(13,155)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>511,062</u>	<u>165,565</u>
INCREASE IN CASH AND CASH EQUIVALENTS	459,319	276,339
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,085,441</u>	<u>809,102</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,544,760</u>	<u>\$ 1,085,441</u>
<u>Reconciliation of Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents	\$ 554,950	\$ 288,293
Restricted Cash	<u>989,810</u>	<u>797,148</u>
Total Cash and Cash Equivalents	<u>\$ 1,544,760</u>	<u>\$ 1,085,441</u>
<u>Supplemental Information:</u>		
Interest Paid	<u>\$ 7,086</u>	<u>\$ 7,141</u>

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization/Affiliates

Historic Bethlehem Partnership, Inc. (the "Organization") is a Pennsylvania not-for-profit corporation and is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is the operating corporation for its affiliate museums and historical agencies. The affiliates include Burnside Plantation, Inc. (BPI), Historic Bethlehem, Incorporated (HBI), Kemerer Museum of Decorative Arts (KMDA), and Moravian Museum of Bethlehem, Inc. (MM). All of the member affiliates are tax-exempt 501(c)(3) organizations. The Organization is responsible for managing cultural resources held by its member affiliates by providing staff and offering program services for the benefit of the public. Primary sources of revenue include contributions, program fees, and special events.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. All intra-organizational accounts and transactions have been eliminated.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. 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 or certain grantor-imposed restrictions. Some donor-imposed 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 stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

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

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization and Affiliates are not-for-profit corporations that are 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 Organization and Affiliates 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 Organization and affiliates 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 2021 and 2020.

The Organization and Affiliates file their 990's with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania. The Organizations are generally no longer subject to examination by the Internal Revenue Service for years before 2017.

Operating Revenue

The Consolidated Statements of Activities reflect revenues and expenses on an operating and non-operating format. Non-operating activities include contributions designated by the Board of Directors for future purposes, depreciation expense, investment income, changes in the value of investments which are invested for long-term purposes, and releases of net assets with donor restriction for the purchase of assets and payment on debt.

Accounting for Contributions

Contributions received are recorded as revenue with donor restrictions or revenue without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions. The Organization and Affiliates report gifts of goods and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization and Affiliates report expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers

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 passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. The Organizations' revenue from contracts with customers in the scope of ASC 606 is recognized within Tourism, Admission/Programs, Special Events, and Sales to Public. The Organizations' revenue streams are accounted for in the following segments:

- **Tourism:** The Organizations earn income from providing guided educational tours of the Organizations' locations as well as the historic district within the City of Bethlehem, PA. The Organizations' policy is to recognize revenue when each specific educational tour takes place.
- **Admission/Programs:** The Organizations earn income from providing admission into their historical locations as well as from specific educational programs held at the historical locations. The Organizations' policy is to recognize revenue upon admission into the historical locations as well as when each specific educational program takes place.
- **Special Events:** The Organizations hold various fundraising events each year to raise operating funds. Many of the events require attendees to purchase a ticket for admission. Each ticket contains the characteristics of a contribution and an exchange transaction. The Organizations recognize the contribution when the ticket is purchased; revenue is recognized from the exchange transaction when the event takes place.
- **Sales to Public:** The Organizations earn income from the sale of goods held for sale at various sites and museum gift shops. The Organizations' policy is to recognize the revenue from the sale of goods at the time each sales transaction takes place.

Cash and Cash Equivalents

All cash in bank accounts is considered to be cash equivalents on the Consolidated Statements of Cash Flows. Any cash included in its investment portfolios is not considered cash on the Consolidated Statements of Cash Flows, as it represents funds available for investment purposes.

Accounts Receivable

Accounts receivable previously consisted primarily of amounts due from the Commonwealth of Pennsylvania in relation to the Organizations' RACP grant. Management evaluates accounts for collectability and writes off items deemed uncollectible.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

An allowance for uncollectible accounts is determined based on an analysis of individual accounts and the overall receivable balance. Balances greater than 90 days are considered delinquent. The RACP grant was received in its entirety during the year ended February 29, 2020, and therefore the allowance for doubtful collections was \$-0- at February 28, 2021 and February 29, 2020, respectively.

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory

Inventory consists of finished goods available for resale to the public, which are recorded at the lower of cost or net realizable value on the first in, first out (FIFO) method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value. Investment return (including gains and losses on investments, interest and dividends) is included in the Consolidated Statements of Activities as net assets without donor restriction unless restricted by the donor.

Property and Equipment/Collections

Equipment acquisitions and property improvements, including improvements to historical buildings, in excess of \$500 are capitalized and depreciated over their estimated useful lives on the straight-line basis. Expenditures for repairs and maintenance are expensed in the period incurred.

Land, land improvements, and certain historic buildings which meet the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit-Entities" are not depreciated.

Historical and museum objects donated to the Organization and Affiliates are not reflected on the consolidated financial statements. Any collections acquired by purchase are expensed in the year purchased. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. 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. There were no deaccessions during the years ended February 28, 2021 and February 29, 2020.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of allocating certain program and supporting services have been summarized on a functional basis on the Consolidated Statements of Functional Expenses. The Consolidated Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries have been allocated by time. Depreciation, utilities, insurance, telephone, and repairs and maintenance have been allocated based on estimated percentages of building use. All other expenses have been allocated based upon direct use.

Reclassifications

Certain 2020 amounts have been reclassified in order to conform to the 2021 consolidated financial statement presentation. The reclassifications have no effect on the changes in net assets as previously reported.

Adoption of New Accounting Standards

On March 1, 2020, the Organizations adopted ASU No. 2018-13, *Fair Value Measurements (Topic 820)* ("ASU 2018-13"), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements under Topic 820, including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty.

In addition, on March 1, 2020, the Organizations adopted ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The new guidance modifies one of the conditions for classifying works of art, historical treasures, or similar assets as collection items and eliminates some diversity in practice. ASU 2019-03 amends the criteria at paragraph 1307.1, item c, to state proceeds from the sale of such items would not be limited only to the acquisition of other collection items. Such proceeds also could be used for the direct care of existing collection items.

The Organizations have determined that the implementation of the new accounting standard updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

Accounting for Paycheck Protection Program (PPP)

The Organizations 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 Organizations expect 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 Organizations may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of February 28, 2021, management has not submitted the application for forgiveness of the loan. For this reason, the Organizations have elected the debt method.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Accounting for Paycheck Protection Program (PPP) (Continued)

Under this method, the Organizations recorded a debt liability on the Consolidated Statements of Financial Position and will subsequently recognize revenue from the extinguishment of debt once forgiveness has been determined by the Small Business Administration. On April 16, 2020, the Organizations received \$164,500 under the Paycheck Protection Program.

Subsequent Events

Management is required to consider and investigate the existence of transactions or events that would qualify as subsequent events in relationship to their internal and external financial statements. In 2019, a novel strain of coronavirus surfaced in China and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Organizations could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain or treat its impact, among others.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Stimulus Act of 2020 (the "CARES Act") was signed. Title I of the CARES Act establishes, among other things, the Paycheck Protection Program (the "Paycheck Program") which provided business concerns with loans backed by the United States Small Business Administration (SBA) that are forgivable under certain circumstances. The Paycheck Program is a short-term program for the covered period from February 15, 2020 until June 30, 2020 (extended to December 31, 2020) and loans are capped at the lesser of 2.5x a borrower's LTM average monthly payroll consisting of no more than \$100,000 per employee plus health and retirement benefits, or \$10,000,000 per borrower. The Organizations received \$164,500 related to this program. As discussed in Note 1, on July 14, 2021 the Organizations were notified that the entire Paycheck Program loan was forgiven.

Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CA Act") was signed. Included in the CA Act is a second round of Paycheck Program loans for businesses facing significant revenue declines in any 2020 quarter compared to the same quarter in 2019. Eligible second-time borrowers were required to have 300 or fewer employees, a 25% gross revenue decline during any quarter in 2020 as compared to the same quarter in 2019, and have used or will use the full amount of the first Paycheck Program loan. The second round of Paycheck Program loans are capped at the lesser of 2.5x a borrower's LTM average monthly payroll consisting of no more than \$100,000 per employee plus health and retirement benefits, or \$2,000,000 per borrower. The Organizations have the option to choose the length of the covered period of expenses of not fewer than eight weeks, but not longer than twenty-four weeks. The Organizations received \$164,527 related to this program.

Lastly, on May 20, 2021, the Organizations paid off the HBI mortgage with a lump sum balloon payment. See footnote 8 for more details.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Subsequent Events (Continued)

Subsequent events have been evaluated through October 4, 2021 the date on which the consolidated financial statements were available to be issued.

2. 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 Consolidated Statement of Financial Position, consist of the following:

	2/28/2021	2/29/2020
Cash and Cash Equivalents	\$ 554,950	\$ 288,293
Accounts/Grants Receivable	7,483	12,623
Long-Term Investments	536,792	456,090
Net Assets With Designations	(619,846)	(558,492)
 Total	 \$ 479,379	 \$ 198,514

The Organizations are supported mainly by contributions, grants, and special events revenue. The Organizations believe that contributions, grants, and special events revenue along with the assets held at February 28, 2021, is sufficient to enable the Organizations to continue to operate for the upcoming year. Additionally, by approval by the Board of Directors, net assets with designations could be made available if necessary. The Organizations also have various lines of credit with up to \$200,000 of availability to provide working capital, if needed.

3. Promises to Give

Contributions receivable, net of allowance for uncollectible pledges, are summarized as follows:

	2/28/2021	2/29/2020
Unconditional Promises Expected to be Collected in:		
Less than one year	\$ 211,600	\$ 100,109
One to five years	168,174	158,262
	379,774	258,371
Less: Unamortized Discount (2%)	(12,409)	(10,000)
Less: Allowance for Uncollectible Pledges	(18,989)	(13,000)
	 \$ 348,376	 \$ 235,371

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

4. Long-Term Investments

Entity	Securities	Market Value February 28, 2021			Market Value 2/29/2020
		Without Restriction	With Restriction	Total	
BPI	Cash			\$ 17,855	\$ 4,764
	Equities			270,057	163,308
	Fixed Income			119,912	80,485
	Total BPI	\$ 59,478	\$ 348,346	\$ 407,824	\$ 248,557
HBI	Cash			\$ 17,122	\$ 8,347
	Equities			200,705	190,978
	Fixed Income			119,841	95,591
	Total HBI	\$ 1,368	\$ 336,300	\$ 337,668	\$ 294,916
HBP	Cash			\$ 17,255	\$ 5,786
	Equities			277,119	254,432
	Fixed Income			112,053	112,211
	Total HBP	\$ 11,007	\$ 395,420	\$ 406,427	\$ 372,429
KMDA	Cash			\$ 87,139	\$ 103,142
	Equities			1,343,395	1,167,969
	Fixed Income			874,732	782,781
	Total KMDA	\$ -	\$ 2,305,266	\$ 2,305,266	\$ 2,053,892
MM	Cash			\$ 48,683	\$ 54,611
	Equities			747,278	635,564
	Fixed Income			434,579	403,385
	Total MM	\$ 464,939	\$ 765,601	\$ 1,230,540	\$ 1,093,560
Total All Entities	\$ 536,792	\$ 4,150,933	\$ 4,687,725	\$ 4,063,354	

A summary of earnings on investments for the years ended February 28, 2021 and February 29, 2020 are as follows:

	Year Ended 2/28/2021	Year Ended 2/29/2020
Realized/Unrealized Gains	\$ 681,988	\$ 128,992
Dividends and Interest	105,607	118,328
Investment Fees	(21,253)	(20,098)
Total	\$ 766,342	\$ 227,222

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

5. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, Fair Value Measurements, 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. 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 Organizations have 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 February 28, 2021 and February 29, 2020.

Corporate Bonds and U.S. Government Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

5. Fair Value Measurements (Continued)

Mutual Funds: Valued at the net asset value (“NAV”) of shares held by the Organization at year end.

Beneficial Interest in Perpetual Trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Organizations’ share based on its pro-rata share of distributable income of the Trusts.

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 Organizations believe their 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 Organizations’ assets at fair value as of February 28, 2021 and February 29, 2020:

Assets at Fair Value as of February 28, 2021				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 188,054	\$ -	\$ -	\$ 188,054
Mutual Funds	2,838,554	-	-	2,838,554
Fixed Income Bond Funds	1,661,117	-	-	1,661,117
Beneficial Interest In Perpetual Trusts	-	-	332,204	332,204
Total Assets at Fair Value	\$ 4,687,725	\$ -	\$ 332,204	\$ 5,019,929
Assets at Fair Value as of February 29, 2020				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 176,650	\$ -	\$ -	\$ 176,650
Mutual Funds	2,412,251	-	-	2,412,251
Fixed Income Bond Funds	1,474,453	-	-	1,474,453
Beneficial Interest In Perpetual Trusts	-	-	298,044	298,044
Total Assets at Fair Value	\$ 4,063,354	\$ -	\$ 298,044	\$ 4,361,398

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

6. Beneficial Interest in Perpetual Trusts

Moravian Museum and Burnside Plantation received contributions whereby the donors restricted the assets in perpetuity, which are invested and administered by trustees. Distributions are received annually and reported as contributions. The funds are invested in debt and equity securities, and the Museum and Plantation record their interest in these trusts at fair value based on estimated future cash flows, which approximates the present market value. Annual adjustments to trust values are recorded as changes in value of beneficial trusts by the respective entities. Burnside Plantation can borrow the principal of the Burnside Plantation Fund upon approval of three-fourths of its Board of Directors.

7. Property and Equipment

	Life in Years	<u>2/28/2021</u>	<u>2/29/2020</u>
HBP			
Equipment	3 - 5	\$ 137,282	\$ 129,685
Accumulated Depreciation		<u>(116,757)</u>	<u>(107,605)</u>
Net		<u>20,525</u>	<u>22,080</u>
HBI			
Land, Building and Improvements	15 - 75	4,624,557	4,494,779
Equipment	5 - 7	177,406	165,550
Accumulated Depreciation		<u>(2,215,282)</u>	<u>(2,116,582)</u>
Net		<u>2,586,681</u>	<u>2,543,747</u>
BPI			
Land, Building and Improvements	10 - 50	1,834,419	1,834,419
Equipment	5 - 10	50,329	50,329
Accumulated Depreciation		<u>(652,384)</u>	<u>(629,380)</u>
Net		<u>1,232,364</u>	<u>1,255,368</u>
MM			
Land, Building and Improvements	5 - 30	1,031,192	1,046,192
Equipment	5 - 10	24,299	11,526
Construction in Progress		-	-
Accumulated Depreciation		<u>(553,966)</u>	<u>(528,318)</u>
Net		<u>501,525</u>	<u>529,400</u>
KMDA			
Land, Building and Improvements	5 - 30	4,698,910	4,698,910
Equipment	5 - 10	132,904	132,904
Accumulated Depreciation		<u>(1,980,687)</u>	<u>(1,880,052)</u>
Net		<u>2,851,127</u>	<u>2,951,762</u>
Total Net All Entities		<u>\$ 7,192,222</u>	<u>\$ 7,302,357</u>

Depreciation charged to expense was \$273,334 and \$271,558 for the years ended February 28, 2021 and February 29, 2020, respectively.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

8. Mortgages and Loans Payable

<u>Entity</u>	<u>Description</u>	<u>2/28/2021</u>	<u>2/29/2020</u>
<u>Lines of Credit:</u>			
HBI	\$100,000 revolving line of credit at prime rate (3.25% at February 28, 2021), with interest paid monthly and principal due on demand; line of credit secured by real estate, expiring January 31, 2022.	\$ -	\$ -
MM	\$50,000 revolving line of credit at prime rate (3.25% at February 28, 2021), with interest paid monthly and principal due on demand; line of credit secured by all assets of the Organization, expiring January 31, 2022.	-	-
KMDA	\$50,000 revolving line of credit at prime rate (3.25% at February 28, 2021), with interest paid monthly and principal due on demand; line of credit secured by real estate, expiring January 31, 2022.	-	-
<u>Mortgages/Loans:</u>			
HBI	Mortgage at 4.50%, payable in monthly installments of \$1,705 including principal and interest, due May 2021, secured by real estate.	142,817	153,056
HBP	SBA Loan at 2.75%, payable in monthly installments of \$612 including principal and interest, due May 2052, secured by property.	150,000	-
HBP	Payroll Protection Program Loan at 1.00%, payable in monthly installments of \$9,864 including principal and interest, due February 2023.	<u>164,500</u>	<u>-</u>
Total All Entities		<u>\$ 457,317</u>	<u>\$ 153,056</u>

Long term debt maturities are as follows:

Year Ended February,	
2022	\$ 191,535
2023	118,222
2024	3,332
2025	3,425
2026	3,520
Thereafter	<u>137,283</u>
	<u>\$ 457,317</u>

Interest expense related to the mortgages and loans totaled \$7,086 and \$7,141 for the years ended February 28, 2021 and February 29, 2020, respectively.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

9. Analysis of Net Assets With Donor Restrictions

Net assets with donor restrictions as of February 28, 2021 and February 29, 2020 were as follows:

Entity	2/28/2021		2/29/2020	
	Restricted for a Purpose	Restricted in Perpetuity	Restricted for a Purpose	Restricted in Perpetuity
HBP				
Operations	\$ 105,100	\$ 266,819	\$ 79,084	\$ 265,719
Marketing	11,922	10,000	9,980	10,000
Archives and Library Operations	10,777	20,000	6,945	20,000
Visual Impairment	7,978	-	7,978	-
COVID-19 Assistance	25,000	-	-	-
Education Programs	18,000	-	-	-
Schwarz Heritage	56,000	-	51,000	-
Signage	1,433	-	1,433	-
Taking the World Stage	670,150	-	381,097	-
RACP	2,888	-	127,063	-
Library	301	-	301	-
	<u>909,549</u>	<u>296,819</u>	<u>664,881</u>	<u>295,719</u>
HBI				
Capital Improvements	15,159	-	21,355	-
Goundie House	81,318	101,466	59,155	94,078
Smithy Endowment	9,816	59,104	3,566	59,104
Endowment	13,596	74,000	6,870	74,000
Taking the World Stage	56,000	-	11,000	-
Flood Damage	760	-	760	-
	<u>176,649</u>	<u>234,570</u>	<u>102,706</u>	<u>227,182</u>
BPI				
Capital Improvements	10,333	-	14,660	-
Endowment	36,220	267,266	3,845	155,816
Taking the World Stage	250,330	-	203,389	-
Beneficial Interest in Perpetual Trust	-	43,829	-	39,322
Garden Maintenance	7,434	37,201	1,578	37,201
	<u>304,317</u>	<u>348,296</u>	<u>223,472</u>	<u>232,339</u>
MM				
Operating Endowment	3,961	25,000	646	25,000
Preservation	481,477	-	464,271	-
Garden Maintenance	1,917	4,000	1,644	4,000
Music Operations	83,100	55,923	60,635	55,923
Lecture Operations	44,673	53,585	28,159	53,585
Beneficial Interest in Perpetual Trusts	-	288,375	-	258,722
	<u>615,128</u>	<u>426,883</u>	<u>555,355</u>	<u>397,230</u>
KMDA				
Operating Endowment	141,471	580,226	99,541	580,226
Toy and Dollhouse Acquisition	329,946	-	281,572	-
Prime Collection	27,392	82,400	10,582	82,400
Educational Operations	144,155	406,955	71,084	406,955
Museum Maintenance	9,985	28,998	6,949	28,998
Lecture Operations	9,854	8,091	7,798	8,091
Programming	64,104	200,000	28,905	200,000
Christmas Operations	24,401	51,400	13,449	51,400
Building Improvements	59,095	-	66,693	-
Garden Maintenance	44,806	45,786	35,745	45,786
	<u>855,209</u>	<u>1,403,856</u>	<u>622,318</u>	<u>1,403,856</u>
Total All Entities	<u>\$ 2,860,852</u>	<u>\$ 2,710,424</u>	<u>\$ 2,168,732</u>	<u>\$ 2,556,326</u>

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

10. Analysis of Restricted Net Assets

Net assets released from restrictions during the years ended February 28, 2021 and February 29, 2020 were as follows:

<u>Entity</u>	<u>Purpose</u>	<u>2/28/2021</u>	<u>2/29/2020</u>
HBP	Spending Policy for Program Operations	\$ 35,856	\$ 19,843
	Seeking Excellence Capital Campaign	-	(19,577)
	Program Operations	856	236,502
		<u>36,712</u>	<u>236,768</u>
HBI	Property	111,017	16,756
	Program Operations	19,354	27,408
	Spending Policy for Program Operations	21,593	14,463
		<u>151,964</u>	<u>58,627</u>
BPI	Spending Policy for Program Operations	14,312	7,686
	Program Operations	8,677	17,847
	Property	-	33,611
		<u>22,989</u>	<u>59,144</u>
MM	Spending Policy for Program Operations	2,333	13,938
	Program Operations	61,315	31,552
	Property	-	44,085
		<u>63,648</u>	<u>89,575</u>
KMDA	Spending Policy for Program Operations	117,496	94,156
	Program Operations	32,263	41,545
	Property	-	5,370
		<u>149,759</u>	<u>141,071</u>
	Total Releases	<u>\$ 425,072</u>	<u>\$ 585,185</u>
	<u>Summary of Total Releases</u>		
	Spending Policy	\$ 191,590	\$ 150,086
	Property	111,017	99,822
	Program Operations	122,465	354,854
	Seeking Excellence Capital Campaign	-	(19,577)
	Total Releases	<u>\$ 425,072</u>	<u>\$ 585,185</u>

11. Endowment

The endowment funds of the Organizations consist of funds designated by donors for various purposes as well as funds designated by the Boards of Directors for endowment. 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.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

11. Endowment (Continued)

Interpretation of Relevant Law (Continued)

The Organizations have interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as net assets with donor restrictions in perpetuity 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 that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for a purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the laws of the Commonwealth of Pennsylvania. In accordance with the laws of the Commonwealth of Pennsylvania, the Organizations consider the following factors on making a determination or appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organizations and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investment
- f. Other resources of the Organizations
- g. The investment policies of the Organizations

Investment Return Objectives, Risk Parameters, and Strategies

The Organizations have adopted an endowment fund and investment policy, set forth by the Investment Committee, for endowments and donor-restricted funds that are not intended to be used for the daily operation of the Organizations. The endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. A spending policy is determined annually by the Investment Committee. The funds are managed in a manner consistent with the purpose of the donors.

Endowment assets are invested in a well-diversified asset mix, among suitable asset classes, that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

11. Endowment (Continued)

As of February 28, 2021 and February 29, 2020, total endowment composition by net asset fund was:

	February 28, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	\$ 529,754	\$ -	\$ 529,754
Donor Restricted Endowment	-	3,545,394	3,545,394
	<u>\$ 529,754</u>	<u>\$ 3,545,394</u>	<u>\$ 4,075,148</u>

	February 29, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	\$ 450,790	\$ -	\$ 450,790
Donor Restricted Endowment	-	3,052,083	3,052,083
	<u>\$ 450,790</u>	<u>\$ 3,052,083</u>	<u>\$ 3,502,873</u>

Changes in endowment net assets as of February 28, 2021 and February 29, 2020 are as follows:

	Year Ended February 28, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 450,790	\$ 3,052,083	\$ 3,502,873
Contributions	-	119,938	119,938
Investment Income (Net of Fees)	9,805	58,027	67,832
Transfers	-	-	-
Net Appreciation	77,134	506,936	584,070
Net Appropriated for Expenditure	(7,975)	(191,590)	(199,565)
Endowment Net Assets, End of Year	<u>\$ 529,754</u>	<u>\$ 3,545,394</u>	<u>\$ 4,075,148</u>

	Year Ended February 29, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 442,419	2,931,605	\$ 3,374,024
Contributions	-	115,677	115,677
Investment Income (Net of Fees)	11,119	64,022	75,141
Transfers	-	-	-
Net Appreciation	13,045	90,865	103,910
Net Appropriated for Expenditure	(15,793)	(150,086)	(165,879)
Endowment Net Assets, End of Year	<u>\$ 450,790</u>	<u>\$ 3,052,083</u>	<u>\$ 3,502,873</u>

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

11. Endowment (Continued)

Underwater Endowment

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donors or state law requires the Organizations to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as net assets with donor restrictions for a specific purpose. There were no deficiencies as of February 28, 2021. At February 29, 2020, funds with deficiencies were comprised of original gift values of \$48,126, fair values of \$46,169, and deficiencies of \$1,957. These deficiencies resulted from unfavorable market fluctuations that occurred after the original investment of the donor-restricted gifts.

12. In-Kind Services

A substantial number of volunteers have donated significant amounts of time to the Organizations in various capacities. Certain services have been recognized, inasmuch as such services require specialized skills and would typically be purchased had they not been provided by donation. Recognized in-kind contributed services and supplies were as follows:

	Year Ended 2/28/2021	Year Ended 2/29/2020
Special Events	\$ 450	\$ -
Advertising and Publicity	-	4,410
Public Relations	-	5,342
Supplies	1,394	3,540
Repairs and Maintenance	1,300	2,490
Occupancy	51,115	51,115
Total	\$ 54,259	\$ 66,897

13. Leases

The Organization leases office equipment under operating leases.

Minimum lease payments under these leases are as follows:

Year Ending February,	
2022	\$ 5,640
2023	1,410

Burnside Plantation has a lease with Lehigh County for one dollar per year plus all operating costs. The lease expires in May 2024 with renewals for additional periods totaling 20 years. Historic Bethlehem, Inc. has a 99-year lease for various historic properties with the City of Bethlehem expiring in 2066 with a renewal option for an additional 99 years and all operating costs are borne by the lessee.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2021 and February 29, 2020

13. Leases (Continued)

Moravian Museum has one lease for various historic properties with the Bethlehem Area Moravians, Inc., expiring in January 2025. All operating costs are borne by the lessee. No in-kind facility donation has been recorded based on the operating and property improvement costs borne by the Burnside Plantation, Moravian Museum, and Historic Bethlehem entities.

Rental expense related to the operating leases was \$5,640 during each of the years ended February 28, 2021 and February 29, 2020.

14. Pension Benefits

The Organization has a defined contribution retirement plan for all eligible employees. Employer contributions were 5% of eligible employee annual salaries for the years ended February 28, 2021 and February 29, 2020, respectively. Pension expense was \$26,827 and \$13,734 for the years ended February 28, 2021 and February 29, 2020, respectively.

15. Concentrations of Risk

Financial instruments, which potentially subject the Organizations to concentrations of credit risk, consist of cash exceeding FDIC insured limits, marketable securities and promises to give. The Organizations place its cash and investments with high quality financial institutions. Marketable securities, consisting of both debt and equity instruments, are generally placed in accounts administered by investment managers. Though the market value of the investments is subject to fluctuations, the Organizations believes that the investment policy is prudent for the long-term welfare of the Organizations.

A significant amount of the Organizations' revenue and support was provided by contributions from the general public. It is always considered possible that benefactors, grantors, or contributors may be lost in the near term.

16. Summarized Totals for Year Ended February 29, 2020

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended February 29, 2020, from which summarized information was derived.

SUPPLEMENTARY INFORMATION

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HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF FINANCIAL POSITION BY AFFILIATES
February 28, 2021

	February 28, 2021					
	HBP	HBI	BPI	MM	KMDA	Total
<u>Assets (Without Donor Restrictions)</u>						
Cash	\$ 550,289	\$ 895	\$ 3,168	\$ 425	\$ 173	\$ 554,950
Accounts/Grants Receivable	6,733	750	-	-	-	7,483
Promises to Give	-	-	-	-	-	-
Prepaid Expenses	3,941	17,303	55	205	259	21,763
Investments	11,007	1,368	59,478	464,939	-	536,792
Inventory	44,345	-	-	-	-	44,345
Property and Equipment, Net	20,525	2,586,681	1,232,364	501,525	2,851,127	7,192,222
Total Assets Without Donor Restrictions	636,840	2,606,997	1,295,065	967,094	2,851,559	8,357,555
<u>Assets (Restricted With a Purpose)</u>						
Cash	916,949	4,268	64,650	-	3,943	989,810
Grants Receivable	-	-	-	-	-	-
Due from Affiliate	(454,377)	64,651	195,788	(11,965)	(50,144)	(256,047)
Promises to Give	348,376	-	-	-	-	348,376
Investments	98,601	107,730	43,879	627,093	901,410	1,778,713
Total Assets Restricted With a Purpose	909,549	176,649	304,317	615,128	855,209	2,860,852
<u>Assets (Restricted in Perpetuity)</u>						
Due from (to) Affiliate	-	6,000	-	-	-	6,000
Investments	296,819	228,570	304,467	138,508	1,403,856	2,372,220
Beneficial Interest in Perpetual Trusts	-	-	43,829	288,375	-	332,204
Total Assets Restricted in Perpetuity	296,819	234,570	348,296	426,883	1,403,856	2,710,424
TOTAL ASSETS	\$ 1,843,208	\$ 3,018,216	\$ 1,947,678	\$ 2,009,105	\$ 5,110,624	\$ 13,928,831
<u>Liabilities (Without Donor Restrictions)</u>						
Accounts Payable - Operating	\$ 94,774	\$ 870	\$ 390	\$ 5,516	\$ 3,265	\$ 104,815
Accrued Wages and Compensated Absences	51,953	-	-	-	-	51,953
Deferred Revenue	14,677	5,750	6,500	-	600	27,527
Security Deposits	-	-	3,750	500	-	4,250
Mortgages and Loans Payable	314,500	142,817	-	-	-	457,317
Other Liabilities	90,310	-	-	-	-	90,310
Due to (from) Affiliate	372,860	(21,135)	(124,003)	(301,660)	(176,109)	(250,047)
Total Liabilities Without Donor Restrictions	939,074	128,302	(113,363)	(295,644)	(172,244)	486,125
<u>Liabilities (Restricted With a Purpose)</u>						
Accounts Payable - Construction	-	-	-	-	-	-
Mortgages and Loans Payable	-	-	-	-	-	-
Total Liabilities Restricted With a Purpose	-	-	-	-	-	-
TOTAL LIABILITIES	939,074	128,302	(113,363)	(295,644)	(172,244)	486,125
<u>Net Assets (Without Donor Restrictions)</u>						
Undesignated	(412,851)	33,463	113,624	296,274	171,669	202,179
Board Designated	90,092	1,368	62,440	464,939	1,007	619,846
Net Investment in Property and Equipment	20,525	2,443,864	1,232,364	501,525	2,851,127	7,049,405
Total Net Assets Without Donor Restrictions	(302,234)	2,478,695	1,408,428	1,262,738	3,023,803	7,871,430
Net Assets Restricted for a Purpose	909,549	176,649	304,317	615,128	855,209	2,860,852
Net Assets Restricted in Perpetuity	296,819	234,570	348,296	426,883	1,403,856	2,710,424
TOTAL NET ASSETS	904,134	2,889,914	2,061,041	2,304,749	5,282,868	13,442,706
TOTAL LIABILITIES AND NET ASSETS	\$ 1,843,208	\$ 3,018,216	\$ 1,947,678	\$ 2,009,105	\$ 5,110,624	\$ 13,928,831

See independent auditor's report on supplementary information.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF FINANCIAL POSITION BY AFFILIATES
February 29, 2020

	February 29, 2020					
	HBP	HBI	BPI	MM	KMDA	Total
<u>Assets (Without Donor Restrictions)</u>						
Cash	\$ 272,247	\$ 893	\$ 14,554	\$ 425	\$ 174	\$ 288,293
Accounts/Grants Receivable	11,873	750	-	-	-	12,623
Promises to Give	-	-	-	-	-	-
Prepaid Expenses	5,608	11,199	249	357	1,867	19,280
Investments	9,269	1,143	49,892	395,786	-	456,090
Inventory	35,809	-	-	-	-	35,809
Property and Equipment, Net	22,080	2,543,747	1,255,368	529,400	2,951,762	7,302,357
Total Assets Without Donor Restrictions	356,886	2,557,732	1,320,063	925,968	2,953,803	8,114,452
<u>Assets (Restricted With a Purpose)</u>						
Cash	777,086	4,268	11,850	-	3,944	797,148
Grants Receivable	-	-	-	-	-	-
Due from Affiliate	(415,017)	25,847	205,974	(3,911)	(31,662)	(218,769)
Promises to Give	235,371	-	-	-	-	235,371
Investments	67,441	72,591	5,648	559,266	650,036	1,354,982
Total Assets Restricted With a Purpose	664,881	102,706	223,472	555,355	622,318	2,168,732
<u>Assets (Restricted in Perpetuity)</u>						
Due from (to) Affiliate	-	6,000	-	-	-	6,000
Investments	295,719	221,182	193,017	138,508	1,403,856	2,252,282
Beneficial Interest in Perpetual Trusts	-	-	39,322	258,722	-	298,044
Total Assets Restricted in Perpetuity	295,719	227,182	232,339	397,230	1,403,856	2,556,326
TOTAL ASSETS	\$ 1,317,486	\$ 2,887,620	\$ 1,775,874	\$ 1,878,553	\$ 4,979,977	\$ 12,839,510
<u>Liabilities (Without Donor Restrictions)</u>						
Accounts Payable	\$ 89,500	\$ 1,105	\$ 115	\$ 6,408	\$ 720	\$ 97,848
Accrued Wages and Compensated Absences	15,640	-	-	-	-	15,640
Deferred Revenue	9,738	4,540	-	-	-	14,278
Security Deposits	-	-	4,250	500	-	4,750
Mortgages and Loans Payable	-	153,056	-	-	-	153,056
Other Liabilities	81,945	-	-	-	-	81,945
Due to (from) Affiliate	345,349	(132,364)	(101,102)	(244,285)	(80,367)	(212,769)
Total Liabilities Without Donor Restrictions	542,172	26,337	(96,737)	(237,377)	(79,647)	154,748
<u>Liabilities (Restricted With a Purpose)</u>						
Accounts Payable	-	-	-	-	-	-
Mortgages and Loans Payable	-	-	-	-	-	-
Total Liabilities Restricted With a Purpose	-	-	-	-	-	-
TOTAL LIABILITIES	542,172	26,337	(96,737)	(237,377)	(79,647)	154,748
<u>Net Assets (Without Donor Restrictions)</u>						
Undesignated	(315,068)	139,561	108,578	238,159	80,681	251,911
Board Designated	107,702	1,143	52,854	395,786	1,007	558,492
Net Investment in Property and Equipment	22,080	2,390,691	1,255,368	529,400	2,951,762	7,149,301
Total Net Assets Without Donor Restrictions	(185,286)	2,531,395	1,416,800	1,163,345	3,033,450	7,959,704
Net Assets Restricted for a Purpose	664,881	102,706	223,472	555,355	622,318	2,168,732
Net Assets Restricted in Perpetuity	295,719	227,182	232,339	397,230	1,403,856	2,556,326
TOTAL NET ASSETS	775,314	2,861,283	1,872,611	2,115,930	5,059,624	12,684,762
TOTAL LIABILITIES AND NET ASSETS	\$ 1,317,486	\$ 2,887,620	\$ 1,775,874	\$ 1,878,553	\$ 4,979,977	\$ 12,839,510

See independent auditor's report on supplementary information.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF ACTIVITIES BY AFFILIATES
Year Ended February 28, 2021

	Year Ended February 28, 2021					
	HBP	HBI	BPI	MM	KMDA	Total
Net Assets Without Donor Restrictions						
Operating Activities						
Revenue						
Contributions	\$ 253,433	\$ -	\$ 2,715	\$ 13,766	\$ 517	\$ 270,431
In-Kind Contributions	11,170	11,026	10,223	10,423	11,417	54,259
Grants	185,805	-	9,300	-	-	195,105
Tourism	65,457	-	-	-	12	65,469
Admission/Programs	53,636	-	3,521	221	60	57,438
Rental Income	72,712	3,970	(5,787)	-	750	71,645
Sales to Public	106,862	-	-	-	-	106,862
Special Events	286,452	-	-	-	-	286,452
Less: Direct Costs of Special Events	(98,380)	-	-	-	-	(98,380)
Miscellaneous	72,845	1,239	-	-	63	74,147
Release of Spending Policy						
Investment Return	35,856	21,593	14,312	2,333	117,496	191,590
Release of Donor Restricted Funds for Seeking Excellence Capital Campaign	-	-	-	-	-	-
Release of Donor Restricted Funds for Operating Expenses	856	19,354	8,677	61,315	32,263	122,465
Total Operating Revenue	1,046,704	57,182	42,961	88,058	162,578	1,397,483
Expenses:						
Salaries	659,958	-	-	-	-	659,958
Employee Benefits	72,873	-	-	-	-	72,873
Payroll Taxes	56,727	-	-	-	-	56,727
Tourism	46,430	300	-	-	70	46,800
Education/Publicity/Advertising	8,353	-	8,948	-	-	17,301
Collections	-	-	-	-	-	-
Occupancy	28,115	35,868	21,340	17,409	30,887	133,619
Printing	7,086	-	-	-	-	7,086
Interest	-	5,795	-	673	618	7,086
Miscellaneous	4,984	5,138	-	25	25	10,172
Postage	4,009	53	-	-	-	4,062
Professional Fees	99,081	984	887	-	-	100,952
Building Repairs and Maintenance	3,820	87,991	5,044	5,764	38,148	140,767
Supplies and Bank Fees	23,241	-	1,440	-	-	24,681
Telephone	5,274	2,761	256	1,274	1,827	11,392
Fundraising Expense	14,000	-	-	-	15	14,015
Dues and Subscriptions	5,824	-	-	-	-	5,824
Public Relations/Volunteers	12,378	-	-	-	-	12,378
Insurance	39,185	16,634	-	-	-	55,819
Equipment Rental and Maintenance	6,112	-	-	-	-	6,112
Store Purchases	58,424	-	-	-	-	58,424
Travel	440	-	-	-	-	440
Affiliate Transfers	(60,605)	(98,342)	5,046	62,913	90,988	-
Total Expenses	1,095,709	57,182	42,961	88,058	162,578	1,446,488
Changes in Operating Net Assets Without Donor Restrictions	\$ (49,005)	\$ -	\$ -	\$ -	\$ -	\$ (49,005)

See independent auditor's report on supplementary information.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF ACTIVITIES BY AFFILIATES (CONTINUED)
Year Ended February 28, 2021

	Year Ended February 28, 2021					Total
	HBP	HBI	BPI	MM	KMDA	
NONOPERATING ACTIVITIES						
Contributions/Grants	\$ -	\$ 34,295	\$ -	\$ -	\$ -	\$ 34,295
Gain on Disposal of Assets	-	-	-	-	-	-
Depreciation	(9,152)	(99,895)	(23,004)	(40,648)	(100,635)	(273,334)
Investment Return (Net of Expenses of \$2,359)	1,814	225	9,586	77,128	-	88,753
Affiliate Transfers	(60,605)	(98,342)	5,046	62,913	90,988	-
Restricted Releases for Nonoperational Items	-	111,017	-	-	-	111,017
Changes in Nonoperating Activities	<u>(67,943)</u>	<u>(52,700)</u>	<u>(8,372)</u>	<u>99,393</u>	<u>(9,647)</u>	<u>(39,269)</u>
Changes in Net Assets Without Donor Restrictions	<u>(116,948)</u>	<u>(52,700)</u>	<u>(8,372)</u>	<u>99,393</u>	<u>(9,647)</u>	<u>(88,274)</u>
Net Assets With Purpose Restrictions						
Contributions/Grants	338,312	45,000	51,291	5,000	-	439,603
Capital Campaign Contributions		-	-	-	-	-
Investment Return (Net of Expenses of \$18,894)	67,243	56,732	52,543	118,421	382,650	677,589
Affiliate Transfer	(124,175)	124,175	-	-	-	-
Net Assets Released to Net Assets Without Donor Restrictions	<u>(36,712)</u>	<u>(151,964)</u>	<u>(22,989)</u>	<u>(63,648)</u>	<u>(149,759)</u>	<u>(425,072)</u>
Changes in Net Assets With Purpose Restrictions	<u>244,668</u>	<u>73,943</u>	<u>80,845</u>	<u>59,773</u>	<u>232,891</u>	<u>692,120</u>
Net Assets With Perpetuity Restrictions						
Contributions/Grants	1,100	7,388	111,450	-	-	119,938
Change in Value of Outside Perpetual Trusts	-	-	4,507	29,653	-	34,160
Changes in Net Assets With Perpetuity Restrictions	<u>1,100</u>	<u>7,388</u>	<u>115,957</u>	<u>29,653</u>	<u>-</u>	<u>154,098</u>
Changes in Net Assets	<u>128,820</u>	<u>28,631</u>	<u>188,430</u>	<u>188,819</u>	<u>223,244</u>	<u>757,944</u>
Net Assets, March 1, 2020	<u>775,314</u>	<u>2,861,283</u>	<u>1,872,611</u>	<u>2,115,930</u>	<u>5,059,624</u>	<u>12,684,762</u>
Net Assets, February 28, 2021	<u>\$ 904,134</u>	<u>\$ 2,889,914</u>	<u>\$ 2,061,041</u>	<u>\$ 2,304,749</u>	<u>\$ 5,282,868</u>	<u>\$ 13,442,706</u>

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF ACTIVITIES BY AFFILIATES
Year Ended February 29, 2020

	Year Ended February 29, 2020					
	HBP	HBI	BPI	MM	KMDA	Total
Net Assets Without Donor Restrictions						
Operating Activities						
Revenue						
Contributions	\$ 246,288	\$ 2,359	\$ 8,100	\$ 15,840	\$ 4,010	\$ 276,597
In-Kind Contributions	16,351	10,418	10,224	10,224	19,680	66,897
Grants	55,247	10	14,300	-	-	69,557
Tourism	137,589	728	-	42	9,971	148,330
Admission/Programs	103,960	1,543	1,097	12,633	10,593	129,826
Rental Income	56,178	91,743	26,935	2,475	2,222	179,553
Sales to Public	67,535	87,862	-	-	-	155,397
Special Events	471,313	-	-	-	-	471,313
Less: Direct Costs of Special Events	(240,309)	-	-	-	-	(240,309)
Miscellaneous	8,729	-	-	2,239	9,451	20,419
Release of Spending Policy						
Investment Return	19,843	14,463	7,686	13,938	94,156	150,086
Release of Donor Restricted Funds for Seeking Excellence Capital Campaign	(19,577)	-	-	-	-	(19,577)
Release of Donor Restricted Funds for Operating Expenses	236,502	27,408	17,847	31,552	41,545	354,854
Total Operating Revenue	1,159,649	236,534	86,189	88,943	191,628	1,762,943
Expenses:						
Salaries	690,804	-	-	-	-	690,804
Employee Benefits	104,188	-	-	-	-	104,188
Payroll Taxes	61,679	-	-	-	-	61,679
Tourism	37,422	461	-	-	5,511	43,394
Education/Publicity/Advertising	458	-	-	-	27,797	28,255
Collections	25	-	-	-	-	25
Occupancy	35,253	37,290	54,674	18,631	33,990	179,838
Printing	10,083	-	-	-	173	10,256
Interest	-	7,141	-	-	-	7,141
Miscellaneous	12,037	-	-	25	779	12,841
Postage	4,797	-	-	-	385	5,182
Professional Fees	129,707	830	-	260	2,047	132,844
Building Repairs and Maintenance	37,116	52,581	-	12,113	40,075	141,885
Supplies and Bank Fees	30,573	-	171	2,741	8,942	42,427
Telephone	2,916	3,391	236	1,390	1,978	9,911
Fundraising Expense	29,438	-	25	418	230	30,111
Dues and Subscriptions	4,962	44	-	-	-	5,006
Public Relations/Volunteers	75,274	90	-	-	-	75,364
Insurance	37,209	10,196	-	-	-	47,405
Equipment Rental and Maintenance	6,312	-	-	-	-	6,312
Store Purchases	77,098	36,860	-	-	-	113,958
Travel	4,468	-	98	-	156	4,722
Affiliate Transfers	(241,565)	87,650	30,985	53,365	69,565	-
Total Expenses	1,150,254	236,534	86,189	88,943	191,628	1,753,548
Changes in Operating Net Assets Without Donor Restrictions	\$ 9,395	\$ -	\$ -	\$ -	\$ -	\$ 9,395

See independent auditor's report on supplementary information.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
STATEMENTS OF ACTIVITIES BY AFFILIATES (CONTINUED)
Year Ended February 29, 2020

	Year Ended February 29, 2020					Total
	HBP	HBI	BPI	MM	KMDA	
NONOPERATING ACTIVITIES						
Contributions/Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Assets	-	-	800	-	-	800
Depreciation	(11,157)	(99,565)	(21,316)	(41,175)	(98,345)	(271,558)
Investment Return (Net of Expenses of \$2,210)	632	55	3,017	21,092	-	24,796
Affiliate Transfers	(241,565)	87,650	30,985	53,365	69,565	-
Restricted Releases for Nonoperational Items	-	16,756	33,611	44,085	5,370	99,822
Changes in Nonoperating Activities	<u>(252,090)</u>	<u>4,896</u>	<u>47,097</u>	<u>77,367</u>	<u>(23,410)</u>	<u>(146,140)</u>
Changes in Net Assets Without Donor Restrictions	<u>(301,095)</u>	<u>4,896</u>	<u>47,097</u>	<u>77,367</u>	<u>(23,410)</u>	<u>(195,145)</u>
Net Assets With Purpose Restrictions						
Contributions/Grants	451,426	66,000	208,100	50,050	-	775,576
Capital Campaign Contributions	(19,577)	-	-	-	-	(19,577)
Investment Return (Net of Expenses of \$17,525)	24,802	14,488	7,045	40,441	115,650	202,426
Affiliate Transfer	-	-	-	-	-	-
Net Assets Released to Net Assets Without Donor Restrictions	(236,768)	(58,627)	(59,144)	(89,575)	(141,071)	(585,185)
Changes in Net Assets With Purpose Restrictions	<u>219,883</u>	<u>21,861</u>	<u>156,001</u>	<u>916</u>	<u>(25,421)</u>	<u>373,240</u>
Net Assets With Perpetuity Restrictions						
Contributions/Grants	1,500	16,104	91,250	-	6,823	115,677
Change in Value of Outside Perpetual Trusts	-	-	(1,838)	604	-	(1,234)
Changes in Net Assets With Perpetuity Restrictions	<u>1,500</u>	<u>16,104</u>	<u>89,412</u>	<u>604</u>	<u>6,823</u>	<u>114,443</u>
Changes in Net Assets	<u>(79,712)</u>	<u>42,861</u>	<u>292,510</u>	<u>78,887</u>	<u>(42,008)</u>	<u>292,538</u>
Net Assets, March 1, 2019	<u>796,626</u>	<u>2,818,422</u>	<u>1,580,101</u>	<u>2,037,043</u>	<u>5,101,632</u>	<u>12,333,824</u>
Net Assets, February 29, 2020	<u>\$ 716,914</u>	<u>\$ 2,861,283</u>	<u>\$ 1,872,611</u>	<u>\$ 2,115,930</u>	<u>\$ 5,059,624</u>	<u>\$ 12,626,362</u>

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended February 28, 2021

	Year Ended February 28, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 304,726	\$ 559,541	\$ 864,267
Capital Campaign Contributions	-	-	-
In-Kind Contributions	54,259	-	54,259
Grants	195,105	-	195,105
Tourism	65,469	-	65,469
Admission/Programs	57,438	-	57,438
Investment Return	88,753	677,589	766,342
Change in Value of Outside Perpetual Trusts	-	34,160	34,160
Rental Income	71,645	-	71,645
Special Events	286,452	-	286,452
Less: Direct Costs of Special Events	(98,380)	-	(98,380)
Sales to the Public	106,862	-	106,862
Less: Costs of Store Purchases	(58,424)	-	(58,424)
Gain on Disposal of Assets	-	-	-
Miscellaneous	74,147	-	74,147
Affiliate Transfer	-	-	-
Release of Spending Policy Investment Return	191,590	(191,590)	-
Release of Restrictions for Seeking Excellence Capital Campaign	-	-	-
Release of Restrictions for Operating Expenses	122,465	(122,465)	-
Total Revenue	<u>1,462,107</u>	<u>957,235</u>	<u>2,419,342</u>
Expenses:			
Salaries	659,958	-	659,958
Employee Benefits	72,873	-	72,873
Payroll Taxes	56,727	-	56,727
Tourism	46,800	-	46,800
Education/Programs	17,301	-	17,301
Collections	-	-	-
Occupancy	133,619	-	133,619
Printing	7,086	-	7,086
Interest Expense	7,086	-	7,086
Miscellaneous	10,172	-	10,172
Postage	4,062	-	4,062
Professional Fees	100,952	-	100,952
Building Repairs and Maintenance	140,767	-	140,767
Supplies and Bank Fees	24,681	-	24,681
Telephone	11,392	-	11,392
Fundraising Expense	14,015	-	14,015
Dues and Subscriptions	5,824	-	5,824
Public Relations/Volunteers	12,378	-	12,378
Insurance	55,819	-	55,819
Equipment Rental and Maintenance	6,112	-	6,112
Travel	440	-	440
Depreciation	273,334	-	273,334
Total Expense	<u>1,661,398</u>	<u>-</u>	<u>1,661,398</u>
Changes in Net Assets Before Asset/Debt Release	<u>(199,291)</u>	<u>957,235</u>	<u>757,944</u>
Release of Restricted Funds for Nonoperational Items	<u>111,017</u>	<u>(111,017)</u>	<u>-</u>
Change in Net Assets	(88,274)	846,218	757,944
Net Assets, March 1, 2020	<u>7,959,704</u>	<u>4,725,058</u>	<u>12,684,762</u>
Net Assets, February 28, 2021	<u>\$ 7,871,430</u>	<u>\$ 5,571,276</u>	<u>\$ 13,442,706</u>

See independent auditor's report on supplementary information.

HISTORIC BETHLEHEM PARTNERSHIP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended February 29, 2020

	Year Ended February 29, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 276,597	\$ 891,253	\$ 1,167,850
Capital Campaign Contributions	-	(19,577)	(19,577)
In-Kind Contributions	66,897	-	66,897
Grants	69,557	-	69,557
Tourism	148,330	-	148,330
Admission/Programs	129,826	-	129,826
Investment Return	24,796	202,426	227,222
Change in Value of Outside Perpetual Trusts	-	(1,234)	(1,234)
Rental Income	179,553	-	179,553
Special Events	471,313	-	471,313
Less: Direct Costs of Special Events	(240,309)	-	(240,309)
Sales to the Public	155,397	-	155,397
Less: Costs of Store Purchases	(113,958)	-	(113,958)
Gain on Disposal of Assets	800	-	800
Miscellaneous	20,419	-	20,419
Affiliate Transfer	-	-	-
Release of Spending Policy Investment Return	150,086	(150,086)	-
Release of Restrictions for Seeking Excellence			
Capital Campaign	(19,577)	19,577	-
Release of Restrictions for Operating Expenses	354,854	(354,854)	-
Total Revenue	<u>1,674,581</u>	<u>587,505</u>	<u>2,262,086</u>
Expenses:			
Salaries	690,804	-	690,804
Employee Benefits	104,188	-	104,188
Payroll Taxes	61,679	-	61,679
Tourism	43,394	-	43,394
Education/Programs	28,255	-	28,255
Collections	25	-	25
Occupancy	179,838	-	179,838
Printing	10,256	-	10,256
Interest Expense	7,141	-	7,141
Miscellaneous	12,841	-	12,841
Postage	5,182	-	5,182
Professional Fees	132,844	-	132,844
Building Repairs and Maintenance	141,885	-	141,885
Supplies and Bank Fees	42,427	-	42,427
Telephone	9,911	-	9,911
Fundraising Expense	30,111	-	30,111
Dues and Subscriptions	5,006	-	5,006
Public Relations/Volunteers	75,364	-	75,364
Insurance	47,405	-	47,405
Equipment Rental and Maintenance	6,312	-	6,312
Travel	4,722	-	4,722
Depreciation	271,558	-	271,558
Total Expense	<u>1,911,148</u>	<u>-</u>	<u>1,911,148</u>
Changes in Net Assets			
Before Asset/Debt Release	<u>(236,567)</u>	<u>587,505</u>	<u>350,938</u>
Release of Restricted Funds for			
Nonoperational Items	<u>99,822</u>	<u>(99,822)</u>	<u>-</u>
Change in Net Assets	(136,745)	487,683	350,938
Net Assets, March 1, 2019	<u>8,096,449</u>	<u>4,237,375</u>	<u>12,333,824</u>
Net Assets, February 29, 2020	<u>\$ 7,959,704</u>	<u>\$ 4,725,058</u>	<u>\$ 12,684,762</u>

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 4, 2021

To the Board of Directors and Management
Historic Bethlehem Partnership, Inc. and Affiliates
74 West Broad Street; Suite 310
Bethlehem, PA 18018

We have audited the consolidated financial statements of Historic Bethlehem Partnership, Inc. and Affiliates for the year ended February 28, 2021, and we will issue our report thereon dated October 4, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Historic Bethlehem Partnership, Inc. and Affiliates are described in Note 1 to the consolidated financial statements. As described in Note 1, the Organizations adopted ASU No. 2018-13, *Fair Value Measurements*, (Topic 820), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements, including changes in unrealized gains and losses, the range and weighted average of significant observable inputs used to develop level 3 fair value measurements, and the narrative description of measurement uncertainty. Additionally, the Organizations adopted ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which provides for changes to classifying works of art, historical treasures, or similar assets as collection items. We noted no transactions entered into by the Organizations during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

- Management's estimate of the **depreciation expense** is based on the expected useful lives of the related property and equipment. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of **pledges receivable** is based on the estimated cash flows expected to be received by the Organizations under each specific promise to give. We evaluated the key factors and assumptions used to develop pledges receivable, the present value discount, and the allowance for doubtful collections in determining that it is reasonable in relation to the consolidated financial statements taken as whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the following material misstatements were detected as a result of audit procedures and corrected by management:

- Recorded depreciation expense in the amount of \$273,334.
- Reduced repairs and maintenance expenses and increased property and equipment in the amount of \$163,199 for fixed asset acquisitions identified.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a consolidated financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 4, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organizations' consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organizations' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of management and the Boards of Directors of Historic Bethlehem Partnership, Inc. and Affiliates and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Campbell, Rappold & Yurawitz LLP

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

October 4, 2021

To the Board of Directors and Management
Historic Bethlehem Partnership, Inc. and Affiliates
74 west Broad Street; Suite 310
Bethlehem, PA 18018

In planning and performing our audit of the consolidated financial statements of Historic Bethlehem Partnership, Inc. and Affiliates as of and for the year ended February 28, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Historic Bethlehem Partnership, Inc. and Affiliate's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organizations' consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Historic Bethlehem Partnership, Inc. and Affiliate's internal control to be significant deficiencies:

Preparation of Annual Financial Statements and Footnote Disclosures

The Organizations currently need assistance from the auditors to prepare complete, year-end consolidated financial statements which include the required disclosures under accounting principles generally accepted in the United States of America. By omitting these disclosures in the internally prepared consolidated financial statements reviewed by the Boards of Directors, pertinent information regarding the Organizations' operations may be missed. By definition, this condition is, in almost all cases, a control deficiency that we are required to report to the Organizations' management and governance. We do not consider this a material weakness.

Inadequate Segregation of Duties

The size of the Organizations' accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The segregation of accounting functions among personnel is an important part of internal accounting controls to help reduce the risk of fraud. Management should determine if the hiring of additional staff solely for the purpose of segregation of duties would be cost effective for the Organizations. Therefore, we recommend that management and the Board of Directors remain actively involved in the financial affairs of the Organizations to provide additional oversight controls and prevent misappropriation of assets.

This communication is intended solely for the information and use of management, the boards of Directors, and others within the Organizations, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Campbell, Rappold & Yusaite LLP