



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

May 2021

Re: IRS 990 & Annual Audit FY 2020

Dear Friends,

As **Treasurer** of the Lehigh County Historical Society, I would like to clarify a significant point concerning our recent audit for the year ended March 31, 2020 and associated IRS 990.

My point deals with page 4 of the audit and page 10 of the 990 (Part IX, column A, line 22) referencing a substantial deduction of \$184,609 for Depreciation & Amortization. This is a nonoperation expense charge that does not involve an expenditure of any cash actually spent or transferred. It is an accounting procedure that amortizes the cost of an asset over a given period of years. **In this instance**, the asset is the cost of our museum building erected some fifteen years ago now being amortized and depreciated over a prescribed period of forty years. This deduction for depreciation is also carried on page one of our Form 990 in the expense section. When applied against our revenue for a given year, the deduction for depreciation could give the false impression that our cash expenses exceeded our income. This is not true.

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

Sincerely,

Alan C. France

Alan C. France, CPA
Treasurer

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

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

March 31, 2020

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

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

We have audited the accompanying financial statements of Lehigh County Historical Society (a Not-for-Profit Corporation), which comprise the statement of financial position as of March 31, 2020 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh County Historical Society as of March 31, 2020 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.

Report on Summarized Comparative Information

We have previously audited the Lehigh County Historical Society's 2019 financial statements, and we expressed an unmodified opinion in our report dated February 7, 2020 on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Congbell, Rappold & Yasaita LLP

February 4, 2021

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

- ASSETS -	March 31,	
	2020	2019
Cash and Cash Equivalents	\$ 380,444	\$ 363,370
Accounts Receivable	10,550	24,000
Prepaid Expenses	789	1,660
Inventory (Note 2)	2,261	3,708
Pledges and Grants Receivable (Note 9)	74,951	9,955
Investments (Note 4)	2,161,039	2,393,069
Outside Perpetual Trusts (Note 7)	1,002,615	1,137,383
Land, Building and Equipment, Net (Note 6)	4,496,360	4,672,652
 COLLECTIONS (Note 2 and 5)	 	
 TOTAL ASSETS	 \$ 8,129,009	 \$ 8,605,797
 - LIABILITIES AND NET ASSETS -		
Accounts Payable	\$ 6,453	\$ 10,364
Accrued Payroll and Related Expenses	54,152	52,315
 COMMITMENTS (Note 11)	 	
 TOTAL LIABILITIES	 60,605	 62,679
Net Assets: (Note 10)		
Without Donor Restrictions	6,407,589	6,685,085
With Donor Restrictions	1,660,815	1,858,033
 TOTAL NET ASSETS	 8,068,404	 8,543,118
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,129,009	 \$ 8,605,797

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

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended March 31, 2020
With Comparative Totals for the Year Ended March 31, 2019

<u>OPERATING:</u>	Without Donor Restrictions	With Donor Restrictions	Total Year Ended 03/31/2020	Total Year Ended 03/31/2019
<i><u>Support and Revenue:</u></i>				
Contributions	\$ 109,896	\$ 235,382	\$ 345,278	\$ 335,854
Government Appropriations	96,000	-	96,000	96,000
Admissions and Tour Income	16,261	-	16,261	23,608
Memberships	86,107	-	86,107	87,309
Research Fees	7,272	-	7,272	11,437
Rental Income	6,204	-	6,204	3,550
Gift Shop Sales (Net of Cost of Goods of \$4,538)	3,150	-	3,150	3,982
Investment Income (Net of Fees of \$11,378)	88,393	13,847	102,240	96,649
	<u>413,283</u>	<u>249,229</u>	<u>662,512</u>	<u>658,389</u>
 Net Assets Released from Restrictions	 <u>253,163</u>	 <u>(253,163)</u>	 <u>-</u>	 <u>-</u>
 Total Support and Revenue	 <u>666,446</u>	 <u>(3,934)</u>	 <u>662,512</u>	 <u>658,389</u>
<i><u>Expenses:</u></i>				
Collections and Exhibits	197,656	-	197,656	192,471
Library and Archives	115,167	-	115,167	114,823
Education	156,860	-	156,860	148,256
Management and General	118,798	-	118,798	122,638
Development	27,515	-	27,515	32,207
	<u>615,996</u>	<u>-</u>	<u>615,996</u>	<u>610,395</u>
 Increase (Decrease) in Net Assets from Operating Activities	 <u>50,450</u>	 <u>(3,934)</u>	 <u>46,516</u>	 <u>47,994</u>
<u>NONOPERATING:</u>				
Sale of Donated Items	10,027	-	10,027	-
Contributions to Endowment	-	-	-	3,350
Depreciation Expense	(184,609)	-	(184,609)	(183,830)
Bad Debt Expense	-	-	-	(3,238)
Realized/Unrealized Gain/(Loss) on Investments and Other Assets	(153,364)	(58,516)	(211,880)	26,209
Change in Value of Outside Perpetual Trusts	-	(134,768)	(134,768)	(27,922)
	<u>(327,946)</u>	<u>(193,284)</u>	<u>(521,230)</u>	<u>(185,431)</u>
 Increase (Decrease) in Net Assets from Nonoperating Activities	 <u>(327,946)</u>	 <u>(193,284)</u>	 <u>(521,230)</u>	 <u>(185,431)</u>
 Change in Net Assets	 <u>(277,496)</u>	 <u>(197,218)</u>	 <u>(474,714)</u>	 <u>(137,437)</u>
 Net Assets at Beginning of Year	 <u>6,685,085</u>	 <u>1,858,033</u>	 <u>8,543,118</u>	 <u>8,680,555</u>
 Net Assets at End of Year	 <u>\$ 6,407,589</u>	 <u>\$ 1,660,815</u>	 <u>\$ 8,068,404</u>	 <u>\$ 8,543,118</u>

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

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

	Year Ended March 31,	
	2020	2019
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ (474,714)	\$ (137,437)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	184,609	183,830
Bad Debt Expense	-	3,238
Contributions to Endowment	-	(3,350)
Net Realized and Unrealized (Gain)/Loss on Investments	211,880	(26,209)
Change in Value of Outside Perpetual Trusts	134,768	27,922
(Increase) Decrease in:		
Accounts Receivable	13,450	(16,000)
Prepaid Expenses	871	(171)
Inventory	1,447	89
Pledges and Grants Receivable	(64,996)	45,295
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(2,074)	5,122
 Net Cash Provided by Operating Activities	 5,241	 82,329
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Equipment	(8,317)	(4,212)
Purchase of Investments	(73,437)	(70,799)
Proceeds from Sale of Investments	93,587	22,490
 Net Cash Provided (Used) by Investing Activities	 11,833	 (52,521)
<i><u>Cash Flows from Financing Activities:</u></i>		
Contributions to Endowment	-	3,350
 Net Cash Provided by Financing Activities	 -	 3,350
 Net Increase in Cash and Cash Equivalents	 17,074	 33,158
Cash and Cash Equivalents at Beginning of Year	363,370	330,212
Cash and Cash Equivalents at End of Year	\$ 380,444	\$ 363,370
 <i><u>Non-Cash Financing Activities:</u></i>		
 Donated Stock	 \$ 368	 \$ 729

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

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2020
With Comparative Totals for the Year Ended March 31, 2019**

	Program Services			
	Collections and Exhibits		Library and Archives	
	Heritage Center	Other Properties	Education	Education
Salaries	\$ 41,418	\$ 24,419	\$ 82,042	\$ 122,575
Payroll Taxes	993	1,392	5,589	8,815
Employee Benefits	3,748	70	11,377	10,914
Telephone	2,094	251	921	1,005
Utilities	11,738	1,409	5,165	5,634
Security	1,647	198	725	791
Insurance	13,781	3,675	6,063	6,614
Repairs and Renovations	28,185	19,099	-	-
Supplies	5,226	31	451	16
Cost of Goods Sold	4,538	-	-	-
Marketing and Recruitment	14,911	-	-	-
Professional Fees	600	-	-	-
Subscriptions, Dues and Memberships	412	343	30	-
Travel	412	955	367	129
Printing, Postage, and Copier Expenses	2,522	113	2,216	-
Other Expenses	4,726	244	108	367
Event Expenses, Hospitality	8,043	47	-	-
Exhibit Expenses and Special Projects	4,769	125	86	-
Technology Expenses	-	60	27	-
Total Operating Expenses	<u>149,763</u>	<u>52,431</u>	<u>115,167</u>	<u>156,860</u>
Bad Debt	-	-	-	-
Depreciation and Amortization	73,258	8,791	32,233	35,164
Less: Expenses included with Revenues on the Statement of Activities and Changes in Net Assets				
Cost of Goods Sold	<u>(4,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 218,483</u>	<u>\$ 61,222</u>	<u>\$ 147,400</u>	<u>\$ 192,024</u>

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

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended March 31, 2020
With Comparative Totals for the Year Ended March 31, 2019

Management and General	Development	Total 03/31/2020	Total 03/31/2019
\$ 32,065	\$ 24,020	\$ 326,539	\$ 312,686
7,479	57	24,325	23,148
4,706	532	31,347	40,638
921	84	5,276	4,095
5,165	470	29,581	34,443
725	66	4,152	3,770
6,063	551	36,747	33,698
-	-	47,284	34,939
4,443	-	10,167	9,571
-	-	4,538	5,735
-	535	15,446	19,739
30,657	-	31,257	30,514
1,104	-	1,889	1,969
2,747	349	4,959	4,563
14,606	851	20,308	20,279
4,510	-	9,955	15,980
554	-	8,644	13,084
-	-	4,980	4,353
3,053	-	3,140	2,926
<u>118,798</u>	<u>27,515</u>	<u>620,534</u>	<u>616,130</u>
-	-	-	3,238
32,233	2,930	184,609	183,830
-	-	(4,538)	(5,735)
<u>\$ 151,031</u>	<u>\$ 30,445</u>	<u>\$ 800,605</u>	<u>\$ 797,463</u>

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

1. Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Concentration of Credit Risk

The Society maintains its cash accounts at commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times through the year exceeded the federally insured limit. As of March 31, 2020, the Society had \$101,650 uninsured.

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Society and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the fiscal years 2020 and 2019.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

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

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

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop and carry out the Society's programs and activities. Included in these activities are persons serving as tour guides, curatorial services, and clerical services. No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services, and the services do not meet the criterion for recognition.

Revenue Recognition

Revenues are reported as 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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Functional Allocation of Expenses

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

- Collections and Exhibits
- Library and Archives
- Education
- Management and General
- Development

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable represents various amounts due to the Society. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at March 31, 2020 and 2019.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019**

2. Summary of Significant Accounting Policies (Continued)

Inventory

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

Investments

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

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

Land, Building and Equipment

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

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

Collections

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

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standard

The Financial Accounting Standards Board (FASB) issued two Accounting Standards Updates that affect the Society's revenue recognition, as noted below. The Updates became effective for fiscal years beginning after December 15, 2018. However, with the ongoing COVID-19 global pandemic, FASB deferred the effective date of ASU No. 2014-09 (Topic 606): *Revenue from Contracts with Customers* to fiscal years beginning after December 15, 2019. The Society has elected to defer implementation of ASU 2014-09 until the year ended March 31, 2021. As such, the Society adopted ASU 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the fiscal year ended March 31, 2020 and retrospectively applied the ASU to the fiscal year ended March 31, 2019.

The Society adopted Accounting Standards Update 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Society has determined that the implementation of the Update did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

3. Liquidity and Availability

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

	March 31,	
	2020	2019
Cash and Cash Equivalents	\$ 380,444	\$ 363,370
Accounts Receivable	10,550	24,000
Pledges and Grants Receivable	74,951	9,955
Investments	2,161,039	2,393,069
Net Assets With Donor Restrictions	(658,200)	(720,650)
	\$ 1,968,784	\$ 2,069,744

The Society is supported mainly by contributions, memberships, and government grants. The Society believes that contributions, memberships, and government grants along with the assets held at March 31, 2020, is sufficient to enable the Society to continue to operate for the upcoming year.

**LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019**

4. Investments

Investments are comprised of the following:

	March 31, 2020		March 31, 2019	
	Cost	Market	Cost	Market
Cash Management Funds	\$ 502	\$ 502	\$ 304	\$ 304
Equities	2,015	3,888	2,820	3,874
Equity Funds	1,319,483	1,440,699	1,295,194	1,662,229
Fixed Income Funds	690,556	715,950	723,883	726,662
	<u>\$ 2,012,556</u>	<u>\$ 2,161,039</u>	<u>\$ 2,022,201</u>	<u>\$ 2,393,069</u>

A summary of earnings on investments for the years ended March 31, 2020 and 2019 are as follows:

	Year Ended March 31,	
	2020	2019
Interest and Dividends	\$ 113,618	\$ 107,808
Realized Gains/(Losses)	11,235	(239)
Unrealized Gains	(223,115)	26,448
Investment Fees	(11,378)	(11,159)
Total	<u>\$ (109,640)</u>	<u>\$ 122,858</u>

5. Collections

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

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

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

6. Land, Building and Equipment

Land, building, and equipment consists of the following:

	March 31,	
	2020	2019
Land and Land Improvements	\$ 41,033	\$ 41,033
Building	7,239,815	7,239,815
Permanent Exhibit	493,103	493,103
Equipment and Furniture	350,195	341,878
Vehicles	22,028	22,028
	8,146,174	8,137,857
Less: Accumulated Depreciation	(3,649,814)	(3,465,205)
	\$ 4,496,360	\$ 4,672,652

Depreciation charged to expense was \$184,609 and \$183,830 for the years ending March 31, 2020 and 2019, respectively.

7. Outside Perpetual Trusts

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

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

Trust	% Trust	March 31,	
		2020	2019
		Share of Net Assets	Share of Net Assets
Gruber House	100%	\$ 666,387	\$ 737,302
Reninger House	20%	336,228	400,081
		\$ 1,002,615	\$ 1,137,383

LEHIGH COUNTY HISTORICAL SOCIETY
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

8. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2020 and 2019.

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

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

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8. Fair Value Measurements (Continued)

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

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

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of March 31, 2020 and 2019:

Assets at Fair Value as of March 31, 2020				
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 502	\$ -	\$ -	\$ 502
Equities	3,888	-	-	3,888
Equity Mutual Funds	1,440,699	-	-	1,440,699
Fixed Income Mutual Funds	715,950	-	-	715,950
Outside Perpetual Trusts	-	-	1,002,615	1,002,615
Total Assets at Fair Value	<u>\$ 2,161,039</u>	<u>\$ -</u>	<u>\$ 1,002,615</u>	<u>\$ 3,163,654</u>
Assets at Fair Values as of March 31, 2019				
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 304	\$ -	\$ -	\$ 304
Equities	3,874	-	-	3,874
Equity Mutual Funds	1,662,229	-	-	1,662,229
Fixed Income Mutual Funds	726,662	-	-	726,662
Outside Perpetual Trusts	-	-	1,137,383	1,137,383
Total Assets at Fair Value	<u>\$ 2,393,069</u>	<u>\$ -</u>	<u>\$ 1,137,383</u>	<u>\$ 3,530,452</u>

There were no transfers between Level 1, Level 2, or Level 3 investments during the years ended March 31, 2020 and 2019. All transfers are recognized at the end of the reporting period.

The table below sets forth a summary of changes in fair value of the Society's Level 3 assets for the year ended March 31, 2020:

	Outside Perpetual Trusts
Balance, Beginning of Year	\$ 1,137,383
Change in Value of Outside Perpetual Trusts	(134,768)
Balance, End of Year	<u>\$ 1,002,615</u>

The change in value of beneficial interest in the outside perpetual trusts is included in the non-operating section of the Statement of Activities and Changes in Net Assets and is related to assets held at the Statement of Financial Position date.

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9. Pledges and Grants Receivable

Pledges and grants receivable consist of:

	March 31,	
	2020	2019
Pledges Receivable	\$ -	\$ -
Grants Receivable	74,951	9,955
	74,951	9,955
Less: Allowance for Uncollectible Pledges	-	-
	\$ 74,951	\$ 9,955

10. Net Assets with Donor Restrictions

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

	March 31,	
	2020	2019
Temporary in Nature:		
American Presidency	\$ -	\$ 936
Education	6,980	23,310
Exhibits and Programs	10,000	-
General Operating	7,451	10,047
Heroes of History	7,000	7,000
Jewish History Project	12,061	12,061
Lehigh County Quality of Life	-	1,919
Lehigh County Tourism	-	10,000
Tours and Outreach	1,000	2,000
Archives	5,000	-
Income from Endowment Funds	184,930	229,599
	\$ 234,422	\$ 296,872
Perpetual in Nature:		
Gruber House	\$ 666,387	\$ 737,302
Reninger House	336,228	400,081
Endowment, income is expendable for program purposes	423,778	423,778
	\$ 1,426,393	\$ 1,561,161
Total Net Assets With Donor Restrictions	\$ 1,660,815	\$ 1,858,033

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10. Net Assets with Donor Restrictions (Continued)

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

	Year Ended March 31,	
	2020	2019
American Presidency	\$ 936	\$ 17,564
Education	26,330	3,690
Exhibits and Programs	13,500	-
General Operating	176,933	168,098
IMLS	17,545	7,455
Lehigh County Quality of Life	4,419	4,173
Lehigh County Tourism	10,000	10,000
Tours and Outreach	3,500	1,775
Trial Judge Books	-	2,162
	\$ 253,163	\$ 214,917

11. Operating Leases

The Society leases equipment under several long-term operating lease agreements. The leases have expirations through March 2022. Equipment rental expense was \$5,813 for the years ended March 31, 2020 and 2019.

Minimum lease payments as of March 31, 2020 are as follows:

Year ending March 31,	
2021	\$ 5,034
2022	4,878
	\$ 9,912

12. Retirement Plan

The Society operates a defined contribution retirement plan (the "Plan") in accordance with section 403(b) of the Internal Revenue Code. Employees may defer a portion of their base compensation on a pre-tax basis up to the maximum allowed by law. They are eligible to make these deferrals immediately upon hire. After the employee has reached age 21 and has completed 12 consecutive months of service with the Society, the Society will match the employee's contributions up to a maximum of 1.5% of base compensation. Employer contributions to the Plan were \$3,697 and \$7,362 for the years ended March 31, 2020 and 2019, respectively.

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13. Endowment Funds

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

Interpretation of Relevant Law

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

Endowment Return Objectives, Risk Parameters, and Strategies

The Society has adopted an investment policy which has been approved by the Board of Directors. The investment objective is long-term capital growth generating comparable returns to current market indices. The Society's portfolio should be balanced with asset allocation consisting of a diverse group of equity mutual funds and fixed income mutual funds.

Spending Policy

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

Endowment net asset composition by type of funds as of March 31, 2020 and 2019 are as follows:

	March 31, 2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Donor-Restricted Endowment	\$ -	\$ 184,930	\$ 423,778	\$ 608,708
	March 31, 2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Donor-Restricted Endowment	\$ -	\$ 229,599	\$ 423,778	\$ 653,377

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13. Endowment Funds (Continued)

Changes in endowment net assets as of March 31, 2020 and 2019 are as follows:

	For the Year Ended March 31, 2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Beginning Endowment Net Assets	\$ -	\$ 229,599	\$ 423,778	\$ 653,377
Contributions	-	-	-	-
Investment Return	-	13,847	-	13,847
Net Depreciation	-	(58,516)	-	(58,516)
Appropriation of Net Assets for Expenditure	-	-	-	-
Ending Endowment Net Assets	<u>\$ -</u>	<u>\$ 184,930</u>	<u>\$ 423,778</u>	<u>\$ 608,708</u>
	For the Year Ended March 31, 2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Beginning Endowment Net Assets	\$ -	\$ 209,540	\$ 420,428	\$ 629,968
Contributions	-	-	3,350	3,350
Investment Return	-	12,947	-	12,947
Net Appreciation	-	7,112	-	7,112
Appropriation of Net Assets for Expenditure	-	-	-	-
Ending Endowment Net Assets	<u>\$ -</u>	<u>\$ 229,599</u>	<u>\$ 423,778</u>	<u>\$ 653,377</u>

14. Summarized Totals for Year Ended March 31, 2019

The financial statements include certain prior year summarized comparative information in total, but not by net assets or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended March 31, 2019, from which summarized information was derived.

15. 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 Society 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.

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15. Subsequent Events (Continued)

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 Society received \$73,301 related to this program.

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