



**Lehigh County Historical Society  
Lehigh Valley Heritage Museum**

432 West Walnut Street  
Allentown, PA 18102  
610-435-1074

September 2020

**Re: IRS 990 & Annual Audit FY 2019**

Dear Friends,

**As President** of the Lehigh County Historical Society, I would like to clarify a significant point concerning our recent audit for the year ended March 31, 2019 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 \$183,830 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  
President**

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

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

**March 31, 2019**

**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, 2019 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, 2019 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 2018 financial statements, and in our report dated February 8, 2019 we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Corybell, Rappold & Yucasita LLP*

February 7, 2020

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

<b>- ASSETS -</b>	March 31,	
	2019	2018
Cash and Cash Equivalents	\$ 363,370	\$ 330,212
Accounts Receivable	24,000	8,000
Prepaid Expenses	1,660	1,489
Inventory (Note 2)	3,708	3,797
Pledges and Grants Receivable (Note 9)	9,955	58,488
Investments (Note 4)	2,393,069	2,318,551
Outside Perpetual Trusts (Note 7)	1,137,383	1,165,305
Land, Building and Equipment, Net (Note 6)	4,672,652	4,852,270
COLLECTIONS (Note 2 and 5)		
<b>TOTAL ASSETS</b>	<b>\$ 8,605,797</b>	<b>\$ 8,738,112</b>
<b>- LIABILITIES AND NET ASSETS -</b>		
Accounts Payable	\$ 10,364	\$ 6,885
Accrued Payroll and Related Expenses	52,315	50,672
COMMITMENTS (Note 12)		
<b>TOTAL LIABILITIES</b>	<b>62,679</b>	<b>57,557</b>
Net Assets: (Note 11)		
Without Donor Restrictions	6,685,085	6,826,706
With Donor Restrictions	1,858,033	1,853,849
<b>TOTAL NET ASSETS</b>	<b>8,543,118</b>	<b>8,680,555</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,605,797</b>	<b>\$ 8,738,112</b>

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, 2019**  
**With Comparative Totals for the Year Ended March 31, 2018**

<b><u>OPERATING:</u></b>	Without Donor Restrictions	With Donor Restrictions	Total Year Ended 3/31/2019	Total Year Ended 3/31/2018
<b><u>Support and Revenue:</u></b>				
Contributions	\$ 112,240	\$ 223,614	\$ 335,854	\$ 281,372
Government Appropriations	96,000	-	96,000	96,000
Admissions and Tour Income	23,608	-	23,608	24,978
Memberships	87,309	-	87,309	86,506
Research Fees	11,437	-	11,437	17,604
Rental Income	3,550	-	3,550	5,040
Gift Shop Sales (Net of Cost of Goods of \$5,735)	3,982	-	3,982	4,046
Investment Income (Net of Fees of \$11,159)	83,702	12,947	96,649	93,219
	<u>421,828</u>	<u>236,561</u>	<u>658,389</u>	<u>608,765</u>
Net Assets Released from Restrictions	<u>214,917</u>	<u>(214,917)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>636,745</u>	<u>21,644</u>	<u>658,389</u>	<u>608,765</u>
<b><u>Expenses:</u></b>				
Collections and Exhibits	192,471	-	192,471	185,633
Library and Archives	114,823	-	114,823	104,973
Education	148,256	-	148,256	143,891
Management and General	122,638	-	122,638	123,575
Development	32,207	-	32,207	33,717
Total Expenses	<u>610,395</u>	<u>-</u>	<u>610,395</u>	<u>591,789</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>26,350</u>	<u>21,644</u>	<u>47,994</u>	<u>16,976</u>
<b><u>NONOPERATING:</u></b>				
Sale of Donated Items	-	-	-	16,045
Contributions to Endowment	-	3,350	3,350	-
Depreciation Expense	(183,830)	-	(183,830)	(183,229)
Bad Debt Expense	(3,238)	-	(3,238)	-
Realized/Unrealized Gains on Investments and Other Assets	19,097	7,112	26,209	193,109
Change in Value of Outside Perpetual Trusts	<u>-</u>	<u>(27,922)</u>	<u>(27,922)</u>	<u>38,091</u>
Increase (Decrease) in Net Assets from Nonoperating Activities	<u>(167,971)</u>	<u>(17,460)</u>	<u>(185,431)</u>	<u>64,016</u>
Change in Net Assets	(141,621)	4,184	(137,437)	80,992
Net Assets at Beginning of Year	<u>6,826,706</u>	<u>1,853,849</u>	<u>8,680,555</u>	<u>8,599,563</u>
Net Assets at End of Year	<u>\$ 6,685,085</u>	<u>\$ 1,858,033</u>	<u>\$ 8,543,118</u>	<u>\$ 8,680,555</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,	
	2019	2018
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ (137,437)	\$ 80,992
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	183,830	183,229
Bad Debt Expense	3,238	-
Contributions to Endowment	(3,350)	-
Net Realized and Unrealized Gains on Investments	(26,209)	(193,109)
Change in Value of Outside Perpetual Trusts	27,922	(38,091)
(Increase) Decrease in:		
Accounts Receivable	(16,000)	6,950
Prepaid Expenses	(171)	2,127
Inventory	89	4,392
Pledges and Grants Receivable	45,295	(250)
Increase in:		
Accounts Payable and Accrued Expenses	5,122	3,982
	82,329	50,222
Net Cash Provided by Operating Activities		
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Equipment	(4,212)	(1,959)
Purchase of Investments	(70,799)	(64,738)
Proceeds from Sale of Investments	22,490	64,660
	(52,521)	(2,037)
Net Cash Used by Investing Activities		
<i><u>Cash Flows from Financing Activities:</u></i>		
Contributions to Endowment	3,350	-
	3,350	-
Net Cash Provided by Financing Activities		
Net Increase in Cash and Cash Equivalents	33,158	48,185
Cash and Cash Equivalents at Beginning of Year	330,212	282,027
Cash and Cash Equivalents at End of Year	\$ 363,370	\$ 330,212
<i><u>Non-Cash Financing Activities:</u></i>		
Donated Stock	\$ 729	\$ 1,118

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, 2019**  
**With Comparative Totals for the Year Ended March 31, 2018**

	Program Services			
	Collections and Exhibits		Library and Archives	
	Heritage Center	Other Properties	Education	Education
Salaries	\$ 40,704	\$ 20,239	\$ 73,959	\$ 115,037
Payroll Taxes	943	1,253	4,904	8,481
Employee Benefits	6,321	428	15,184	10,777
Telephone	1,964	735	407	-
Utilities	13,725	1,500	6,040	6,589
Security	1,571	-	691	754
Insurance	12,637	3,370	5,560	6,066
Repairs and Renovations	26,496	8,072	-	-
Supplies	3,601	375	36	-
Marketing and Recruitment	13,367	-	275	-
Professional Fees	2,176	-	-	-
Subscriptions, Dues and Memberships	604	-	202	-
Travel	3,390	575	-	185
Printing, Postage, and Copier Expenses	2,479	-	1,960	-
Other Expenses	8,013	612	5,421	367
Event Expenses, Hospitality	12,486	-	-	-
Exhibit Expenses and Special Projects	4,044	125	184	-
Technology Expenses	606	60	-	-
Total Operating Expenses	<u>155,127</u>	<u>37,344</u>	<u>114,823</u>	<u>148,256</u>
Bad Debt	-	-	-	-
Depreciation and Amortization	<u>76,596</u>	<u>-</u>	<u>33,702</u>	<u>36,766</u>
	<u>\$ 231,723</u>	<u>\$ 37,344</u>	<u>\$ 148,525</u>	<u>\$ 185,022</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, 2019**  
**With Comparative Totals for the Year Ended March 31, 2018**

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Management and General	Development	Total 3/31/2019	Total 3/31/2018
\$ 38,768	\$ 23,979	\$ 312,686	\$ 309,436
7,513	54	23,148	22,889
5,611	2,317	40,638	34,597
989	-	4,095	4,062
6,040	549	34,443	36,149
691	63	3,770	3,423
5,560	505	33,698	32,515
371	-	34,939	26,275
5,431	128	9,571	9,072
2,596	3,501	19,739	17,342
28,338	-	30,514	26,896
1,163	-	1,969	6,116
413	-	4,563	5,540
14,729	1,111	20,279	18,695
1,567	-	15,980	13,904
598	-	13,084	12,183
-	-	4,353	10,062
2,260	-	2,926	2,633
<u>122,638</u>	<u>32,207</u>	<u>610,395</u>	<u>591,789</u>
3,238	-	3,238	-
<u>33,702</u>	<u>3,064</u>	<u>183,830</u>	<u>183,229</u>
<u><u>\$ 159,578</u></u>	<u><u>\$ 35,271</u></u>	<u><u>\$ 797,463</u></u>	<u><u>\$ 775,018</u></u>

**LEHIGH COUNTY HISTORICAL SOCIETY**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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**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, 2019, the Society had \$107,427 uninsured.

**LEHIGH COUNTY HISTORICAL SOCIETY**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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**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 2019 and 2018.

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, 2019 and 2018**

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**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, 2019 and 2018.

**LEHIGH COUNTY HISTORICAL SOCIETY**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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**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, 2019 and 2018**

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**2. Summary of Significant Accounting Policies (Continued)**

*Adoption of New Accounting Standards*

The Society has adopted the provisions of ASU No. 2016-14 *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* effective fiscal year ended March 31, 2019. In August 2016, FASB issued the above standard, with the stated purpose of improving financial reporting by not-for-profit entities (NFP). Among other provisions, ASU 2016-14 reduces the number of net asset classes from three to two, requires the presentation of expenses in both natural and functional classifications, enhances disclosures on liquidity, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. It also revises the definitions of certain terms. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Society elected to adopt ASU 2016-14 for the year ending March 31, 2019 and it was applied retrospectively to the year ending March 31, 2018.

**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,	
	2019	2018
Cash and Cash Equivalents	\$ 363,370	\$ 330,212
Accounts Receivable	24,000	8,000
Pledges and Grants Receivable	9,955	58,488
Investments	2,393,069	2,318,551
Net Assets With Donor Restrictions	(720,650)	(688,544)
	\$ 2,069,744	\$ 2,026,707

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, 2019, 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, 2019 and 2018**

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**4. Investments**

Investments are comprised of the following:

	March 31, 2019		March 31, 2018	
	Cost	Market	Cost	Market
Cash Management Funds	\$ 304	\$ 304	\$ 152	\$ 152
Equities	2,820	3,874	2,091	3,226
Equity Funds	1,295,194	1,662,229	1,257,863	1,607,888
Fixed Income Funds	723,883	726,662	714,025	707,285
	<u>\$ 2,022,201</u>	<u>\$ 2,393,069</u>	<u>\$ 1,974,131</u>	<u>\$ 2,318,551</u>

A summary of earnings on investments for the years ended March 31, 2019 and 2018 are as follows:

	Year Ended March 31,	
	2019	2018
Interest and Dividends	\$ 107,808	\$ 104,299
Realized Gains/(Losses)	(239)	38,859
Unrealized Gains	26,448	154,250
Investment Fees	(11,159)	(11,080)
Total	<u>\$ 122,858</u>	<u>\$ 286,328</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, 2019 and 2018**

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**6. Land, Building and Equipment**

Land, building, and equipment consists of the following:

	March 31,	
	2019	2018
Land and Land Improvements	\$ 41,033	\$ 41,033
Building	7,239,815	7,239,815
Permanent Exhibit	493,103	493,103
Equipment and Furniture	341,878	337,666
Vehicles	22,028	22,028
	8,137,857	8,133,645
Less: Accumulated Depreciation	(3,465,205)	(3,281,375)
	\$ 4,672,652	\$ 4,852,270

Depreciation charged to expense was \$183,830 and \$183,229 for the years ending March 31, 2019 and 2018, 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,	
		2019	2018
		Share of Net Assets	Share of Net Assets
Gruber House	100%	\$ 737,302	\$ 761,932
Reninger House	20%	400,081	403,373
		\$ 1,137,383	\$ 1,165,305

**LEHIGH COUNTY HISTORICAL SOCIETY**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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**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, 2019 and 2018.

*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, 2019 and 2018:

Assets at Fair Value 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
<b>Total Assets at Fair Value</b>	<b>\$ 2,393,069</b>	<b>\$ -</b>	<b>\$ 1,137,383</b>	<b>\$ 3,530,452</b>

  

Assets at Fair Value as of March 31, 2018				
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 152	\$ -	\$ -	\$ 152
Equities	3,226	-	-	3,226
Equity Mutual Funds	1,607,888	-	-	1,607,888
Fixed Income Mutual Funds	707,285	-	-	707,285
Outside Perpetual Trusts	-	-	1,165,305	1,165,305
<b>Total Assets at Fair Value</b>	<b>\$ 2,318,551</b>	<b>\$ -</b>	<b>\$ 1,165,305</b>	<b>\$ 3,483,856</b>

There were no transfers between Level 1, Level 2, or Level 3 investments during the years ended March 31, 2019 and 2018. 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, 2019:

	<u>Outside Perpetual Trusts</u>
Balance, Beginning of Year	\$ 1,165,305
Change in Value of Outside Perpetual Trusts	<u>(27,922)</u>
Balance, End of Year	<u>\$ 1,137,383</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,	
	2019	2018
Pledges Receivable	\$ -	\$ 3,238
Grants Receivable	9,955	55,250
	9,955	58,488
Less: Allowance for Uncollectible Pledges	-	-
	\$ 9,955	\$ 58,488

**10. Line of Credit**

The Society had a revolving line of credit for \$300,000 with a bank secured by real property in Lehigh County, Pennsylvania. The Society did not draw on this line of credit during the years ended March 31, 2019 and 2018. The line of credit agreement expired during the 2019 fiscal year and was not renewed.

**11. Net Assets with Donor Restrictions**

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

	March 31,	
	2019	2018
Temporary in Nature:		
American Presidency	\$ 936	\$ -
Education	23,310	12,000
General Operating	10,047	9,986
Heroes of History	7,000	7,000
Jewish History Project	12,061	12,061
Lehigh County Quality of Life	1,919	3,592
Lehigh County Tourism	10,000	10,000
Tours and Outreach	2,000	1,775
Trial Judge Books	-	2,162
Income from Endowment Funds	229,599	209,540
	\$ 296,872	\$ 268,116

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**11. Net Assets with Donor Restrictions (Continued)**

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

	March 31,	
	2019	2018
Perpetual in Nature:		
Gruber House	\$ 737,302	\$ 761,932
Reninger House	400,081	403,373
Endowment, income is expendable for program purposes	<u>423,778</u>	<u>420,428</u>
	<u>\$ 1,561,161</u>	<u>\$ 1,585,733</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 1,858,033</u>	 <u>\$ 1,853,849</u>

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

	Year Ended March 31,	
	2019	2018
American Presidency	\$ 17,564	\$ 2,010
Education	3,690	8,000
Exhibits and Programs	-	17,000
General Operating	168,098	163,635
IMLS	7,455	-
Lehigh County Quality of Life	4,173	5,202
Lehigh County Tourism	10,000	10,000
Tours and Outreach	1,775	2,225
Trexler Catalogue Project	-	16,274
Trial Judge Books	<u>2,162</u>	<u>7,838</u>
	<u>\$ 214,917</u>	<u>\$ 232,184</u>

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**12. 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 and \$5,531 for the years ended March 31, 2019 and 2018, respectively.

Minimum lease payments as of March 31, 2019 are as follows:

Year ending March 31,		
2020	\$	5,501
2021		5,034
2022		4,878
	<u>\$</u>	<u>15,413</u>

**13. 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 \$7,362 and \$3,366 for the years ended March 31, 2019 and 2018, respectively.

**14. 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.

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**14. Endowment Funds (Continued)**

*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, 2019 and 2018 are as follows:

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

  

March 31, 2018				
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Donor-Restricted Endowment	\$ -	\$ 209,540	\$ 420,428	\$ 629,968

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

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	\$ -	\$ 229,599	\$ 423,778	\$ 653,377

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**14. Endowment Funds (Continued)**

Changes in endowment net assets as of March 31, 2018 are as follows:

	For the Year Ended March 31, 2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetuity	
Beginning Endowment Net Assets	\$ -	\$ 146,319	\$ 420,428	\$ 566,747
Contributions	-	-	-	-
Investment Return	-	11,151	-	11,151
Net Appreciation	-	52,070	-	52,070
Appropriation of Net Assets for Expenditure	-	-	-	-
Ending Endowment Net Assets	\$ -	\$ 209,540	\$ 420,428	\$ 629,968

**15. Summarized Totals for Year Ended March 31, 2018**

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, 2018, from which summarized information was derived.

**16. Subsequent Events**

Management has evaluated subsequent events through February 7, 2020, the date on which the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.