

BEVERLY HISTORICAL SOCIETY
Financial Statements
For the Years Ended
September 30, 2022 (Reviewed) and 2021 (Audited)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Beverly Historical Society

We have reviewed the accompanying financial statements of Beverly Historical Society (a nonprofit organization) which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards of Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Beverly Historical Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements for the year ended September 30, 2021, were audited by us and we expressed an unmodified opinion on them in our report dated March 2, 2022, but we have not performed any auditing procedures since that date.

Horvitz & Frisch, P.C.

A handwritten signature in cursive script that reads "Horvitz & Frisch, P.C.".

Gloucester, Massachusetts

February 21, 2023

BEVERLY HISTORICAL SOCIETY
Statements of Financial Position
September 30, 2022 (Reviewed) and 2021 (Audited)

	Reviewed 2022	Audited 2021
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 271,695	\$ 325,794
Interest and Dividends Receivable	6,143	4,229
Unconditional Promise to Give	30,600	-
Prepaid Expenses	6,256	6,256
Inventory	9,375	8,781
Total Current Assets	<u>324,069</u>	<u>345,060</u>
Land, Buildings and Equipment – Net	<u>1,975,924</u>	<u>1,897,972</u>
Other Assets:		
Investments	1,268,333	1,516,848
Uninvested Cash	82,804	268,243
Total Other Assets	<u>1,351,137</u>	<u>1,785,091</u>
Total Assets	<u>\$ 3,651,130</u>	<u>\$ 4,028,123</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 21,552	\$ 20,915
Paycheck Protection Program - Note Payable	-	49,482
Deferred Revenue	30,600	1,750
Total Current Liabilities	<u>52,152</u>	<u>72,147</u>
Net Assets:		
Without Donor Restrictions:		
Operating	89,666	627,018
Net Investment in Land, Buildings and Equipment	<u>1,975,924</u>	<u>1,897,972</u>
Total Without Donor Restrictions	<u>2,065,590</u>	<u>2,524,990</u>
With Donor Restrictions:		
Time or Purpose Restrictions	954,500	878,098
Restrictions that are Perpetual in Nature	578,888	552,888
Total With Donor Restrictions	<u>1,533,388</u>	<u>1,430,986</u>
Total Net Assets	<u>3,598,978</u>	<u>3,955,976</u>
Total Liabilities and Net Assets	<u>\$ 3,651,130</u>	<u>\$ 4,028,123</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Activities
For the Year Ended September 30, 2022 (Reviewed)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Operating:			
Contributions	\$ 168,700	\$ 69,157	\$ 237,857
Municipal Grants	6,229	63,465	69,694
Federal Grants	2,500	-	2,500
Private Grants	5,618	-	5,618
Memberships	45,575	-	45,575
Program Income	7,815	-	7,815
Miscellaneous Income	3,675	-	3,675
Rental Income	2,760	-	2,760
Special Events	20,717	-	20,717
Collections Income	2,257	-	2,257
Gift Shop	11,210	-	11,210
Admissions	783	-	783
Total Revenues and Support - Operating	<u>277,839</u>	<u>132,622</u>	<u>410,461</u>
Other:			
Investment Return, Net	(257,240)	-	(257,240)
Payroll Protection Program Loan Forgiveness	49,482	-	49,482
Total Revenues and Support - Other	<u>(207,758)</u>	<u>-</u>	<u>(207,758)</u>
Net Assets Released from Restrictions	<u>30,220</u>	<u>(30,220)</u>	<u>-</u>
Total Revenues and Support	<u>100,301</u>	<u>102,402</u>	<u>202,703</u>
Expenses:			
Program Services:			
Buildings and Collections	374,226	-	374,226
Gift Shop	7,253	-	7,253
Total Program Services	<u>381,479</u>	<u>-</u>	<u>381,479</u>
Support Services:			
Management and General	117,295	-	117,295
Fundraising	60,927	-	60,927
Total Support Services	<u>178,222</u>	<u>-</u>	<u>178,222</u>
Total Expenses	<u>559,701</u>	<u>-</u>	<u>559,701</u>
Change in Net Assets	\$ <u>(459,400)</u>	\$ <u>102,402</u>	\$ <u>(356,998)</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Activities
For the Year Ended September 30, 2021 (Audited)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Operating:			
Contributions	\$ 78,131	\$ 723,934	\$ 802,065
Municipal Grants	5,800	-	5,800
Federal Grants	2,500	-	2,500
Private Grants	5,567	-	5,567
Memberships	38,434	-	38,434
Program Income	5,263	-	5,263
Miscellaneous Income	911	-	911
Rental Income	9,102	-	9,102
Special Events	4,773	-	4,773
Collections Income	2,262	-	2,262
Gift Shop	8,489	-	8,489
Admissions	1,019	-	1,019
Total Revenues and Support - Operating	<u>162,251</u>	<u>723,934</u>	<u>886,185</u>
Other:			
Investment Return, Net	201,274	-	201,274
Payroll Protection Program Loan Forgiveness	49,482	-	49,482
Total Revenues and Support - Other	<u>250,756</u>	<u>-</u>	<u>250,756</u>
Net Assets Released from Restrictions	<u>5,837</u>	<u>(5,837)</u>	<u>-</u>
Total Revenues and Support	<u>418,844</u>	<u>718,097</u>	<u>1,136,941</u>
Expenses:			
Program Services:			
Buildings and Collections	276,501	-	276,501
Gift Shop	1,961	-	1,961
Total Program Services	<u>278,462</u>	<u>-</u>	<u>278,462</u>
Support Services:			
Management and General	98,865	-	98,865
Fundraising	32,048	-	32,048
Total Support Services	<u>130,913</u>	<u>-</u>	<u>130,913</u>
Total Expenses	<u>409,375</u>	<u>-</u>	<u>409,375</u>
Change in Net Assets	<u>\$ 9,469</u>	<u>\$ 718,097</u>	<u>\$ 727,566</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY

Statement of Functional Expenses

For the Year Ended September 30, 2022 (Reviewed) (With Comparative Totals for 2021-Audited)

	Program	Management and General	Fundraising	2022 Total (Reviewed)	2021 (Audited)
Director Compensation	\$ 24,402	\$ 32,537	\$ 24,402	\$ 81,341	\$ 79,804
Other Salaries and Wages	152,984	4,087	-	157,071	132,316
Employee Benefits	7,277	9,703	7,277	24,257	17,092
Payroll Taxes	13,690	2,827	1,883	18,400	19,979
Total Payroll Related Expenses	198,353	49,154	33,562	281,069	249,191
Occupancy	53,211	3,850	-	57,061	45,970
Accounting	-	7,989	-	7,989	9,724
Legal	-	2,980	-	2,980	770
Bank Service Charges	-	3,034	-	3,034	2,762
Communications	-	9,786	-	9,786	6,273
Conservation and Education	32,857	-	-	32,857	1,279
Professional Fees	500	-	20,000	20,500	10,083
Dues and Subscriptions	8,004	-	-	8,004	6,054
Exhibits	2,212	-	-	2,212	126
Grant Related	38,010	12,000	-	50,010	9,669
Insurance	16,288	5,429	-	21,717	20,800
Program Related	5,637	-	-	5,637	3,003
Marketing	-	4,351	-	4,351	8,996
Miscellaneous	889	-	-	889	62
Newsletter	2,703	-	-	2,703	1,684
Office Related	-	8,936	-	8,936	9,527
Payroll Service Fee	-	1,417	-	1,417	1,329
Postage	-	3,490	-	3,490	3,895
Professional Development	1,272	218	-	1,490	640
Special Events	-	-	7,365	7,365	724
Volunteer Related	308	-	-	308	238
Depreciation	13,982	4,661	-	18,643	14,615
Total Buildings and Collections	374,226	-	-	374,226	276,501
Gift Shop	7,253	-	-	7,253	1,961
Total Support Services	-	117,295	60,927	178,222	130,913
Total Expenses	\$ 381,479	\$ 117,295	\$ 60,927	\$ 559,701	\$ 409,375

BEVERLY HISTORICAL SOCIETY
Statement of Functional Expenses
For the Year Ended September 30, 2021 (Audited)

	Program	Management and General	Fundraising	Total
Director Compensation	\$ 23,941	\$ 31,922	\$ 23,941	\$ 79,804
Other Salaries and Wages	132,316	-	-	132,316
Employee Benefits	5,128	6,836	5,128	17,092
Payroll Taxes	14,717	3,007	2,255	19,979
Total Payroll Related Expenses	176,102	41,765	31,324	249,191
Occupancy	42,294	3,676	-	45,970
Accounting	-	9,724	-	9,724
Legal	-	770	-	770
Bank Service Charges	-	2,762	-	2,762
Communications	-	6,273	-	6,273
Conservation and Education	1,279	-	-	1,279
Professional Fees	10,083	-	-	10,083
Dues and Subscriptions	6,054	-	-	6,054
Exhibits	126	-	-	126
Grant Related	8,452	1,217	-	9,669
Insurance	15,600	5,200	-	20,800
Program Related	3,003	-	-	3,003
Marketing	-	8,996	-	8,996
Miscellaneous	62	-	-	62
Newsletter	1,684	-	-	1,684
Office Related	-	9,527	-	9,527
Payroll Service Fee	-	1,329	-	1,329
Postage	-	3,895	-	3,895
Professional Development	563	77	-	640
Special Events	-	-	724	724
Volunteer Related	238	-	-	238
Depreciation	10,961	3,654	-	14,615
Total Buildings and Collections	276,501	-	-	276,501
Gift Shop	1,961	-	-	1,961
Total Support Services	-	98,865	32,048	130,913
Total Expenses	\$ 278,462	\$ 98,865	\$ 32,048	\$ 409,375

BEVERLY HISTORICAL SOCIETY
Statement of Changes in Net Assets
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, September 30, 2020	\$ 2,515,521	\$ 712,889	\$ 3,228,410
Change in Net Assets	<u>9,469</u>	<u>718,097</u>	<u>727,566</u>
Net Assets, September 30, 2021	2,524,990	1,430,986	3,955,976
Change in Net Assets	<u>(459,400)</u>	<u>102,402</u>	<u>(356,998)</u>
Net Assets, September 30, 2022	\$ <u><u>2,065,590</u></u>	\$ <u><u>1,533,388</u></u>	\$ <u><u>3,598,978</u></u>

BEVERLY HISTORICAL SOCIETY
Statements of Cash Flows
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

	Reviewed 2022	Audited 2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (356,998)	\$ 727,566
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	18,643	14,615
Net Realized and Unrealized (Gains) Losses on Investments	276,733	(189,323)
Contributions Restricted for Long-Term Purposes	(3,500)	(51,000)
Paycheck Protection Loan Program Forgiveness	(49,482)	(49,482)
(Increase) Decrease In:		
Interest and Dividends Receivable	(1,914)	(1,494)
Promises to Give	(30,600)	-
Prepaid Expenses	-	86
Inventory	(594)	(1,785)
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	637	8,811
Deferred Revenue	28,850	1,750
Net Cash Provided (Used) By Operating Activities	<u>(118,225)</u>	<u>459,744</u>
Cash Flows From Investing Activities:		
Purchases of Land, Buildings and Equipment	(96,595)	(22,587)
Proceeds From Sales and Maturities of Investments	925,195	951,768
Purchases of Investments	<u>(851,413)</u>	<u>(1,208,720)</u>
Net Cash (Used) By Investing Activities	<u>(22,813)</u>	<u>(279,539)</u>
Cash Flows From Financing Activities:		
Proceeds of Paycheck Protection Program - Note Payable	-	49,482
Investment In Perpetual Endowment	3,500	51,000
Net Cash Provided By Financing Activities	<u>3,500</u>	<u>100,482</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(137,538)	280,687
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>492,037</u>	<u>211,350</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 354,499</u>	<u>\$ 492,037</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

1. Nature of Activities

Beverly Historical Society (the "Society"), was organized in 1891 in Beverly, Massachusetts. Its mission is to share Beverly's history with everyone through our collections which encompass 3 houses, 5 centuries and thousands of stories.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when the obligation is incurred.

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 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.

Cash, Cash Equivalents and Restricted Cash

Cash, Cash Equivalents and Restricted Cash include all highly liquid investments available for current use with an initial maturity of three months or less, including the Society's money market account which is considered restricted cash.

Cash and cash equivalents accounts at September 30 are as follows:

	2022	2021
Checking - People's United Bank	\$ 13,376	\$ 49,353
Checking - North Shore Bank	2,139	6,200
Checking - Eastern Bank	90	90
Savings - Eastern Bank	256,090	270,151
Total Cash and Cash Equivalents	271,695	325,794
Restricted Cash - Investments	82,804	268,243
Total Cash, Cash Equivalents and Restricted Cash	\$ 354,499	\$ 594,037

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

2. Summary of Significant Accounting Policies - Continued

Investments and Investment Return

The Society records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Investing returns are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in net assets with donor restrictions if the terms of the gift or state law impose restrictions on the current use of the income or net gains; and
- as increases in net assets without donor restrictions, in all other cases.

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as net assets with donor restrictions unless otherwise restricted by the donor.

State law allows the Board of Trustees to appropriate to funds for current operations a percentage of net appreciation on net assets with donor restrictions that is prudent considering the Society's long and short term needs, present and anticipated financial requirements, expected total return on the investments, price level trends, and general economic conditions. The Society's policy allows it to appropriate all investment returns on net assets with donor restrictions to fund current operations while maintaining the original contribution as net assets with donor restrictions.

Inventory

Inventory consists of gift shop items and books and is stated at the lower of cost (first-in, first-out) or net realizable value. When evidence exists that the net realizable value of inventory is less than its cost, the difference is recognized as a loss in the statement of activities in the year in which it occurs.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

2. Summary of Significant Accounting Policies - Continued

Land, Buildings and Equipment

Land and buildings that are considered historic treasures are reported at a value (\$1,338,000) established by a professional appraisal performed on May 30, 1986. No depreciation is taken on these assets. Improvements to the land and buildings, and expenditures for equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The Society capitalizes all expenditures for land, buildings and equipment in excess of \$1,000 .

Revenue Recognition

Contributions are recognized as revenue when the donor makes a promise to give to the Society that is, in substance, unconditional. Unconditional promises to give that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, in net assets with donor restriction are reclassified to in net assets without donor restriction.

Merchandise sales from the Museum store and receipts from admissions are recorded at the time of sale.

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of cash that must be used to acquire land, buildings or equipment are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Society reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. No amounts were recorded for the years ended September 30, 2022 and 2021. However, many individuals volunteer their time and perform a variety of tasks that assist the Society in carrying out its activities, which are not recognized as contributions in the financial statements.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

2. Summary of Significant Accounting Policies - Continued

Promises to Give

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 the benefits received. Promises to give are recorded as net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The amount due, within one year, at September 30, 2022 and 2021 is \$30,600 and \$ -, respectively.

Collections

Collection items acquired through purchases and contributions are not capitalized. Purchases of collection items are recorded as decreases net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from de-accessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. Proceeds from the sale of collections or insurance recoveries are required to be reinvested in other collection items.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include real estate taxes, telephone, cable, internet, heat, light, power, water and depreciation which are allocated on a square footage basis. Salaries and wages, payroll taxes and insurance are allocated based on estimates of time and effort.

Deferred Revenue

Certain income received during the year is deferred and was recognized in the year in which the expenses relate. Deferred Revenue amounted to \$30,060 and \$1,750 at September 30, 2022 and 2021, respectively.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

2. Summary of Significant Accounting Policies – Continued

Financial Statements Presentation

Net assets, support and revenue, expenses, and gains and losses are classified based on the existence or absence of donor- imposed restrictions. Accordingly, net assets of the Society 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. Board designated restrictions are considered without donor restrictions under these reporting standards.

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 with 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.

Income Tax Status

The Society, incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation as defined by section 509(a) of the Internal Revenue Code. Therefore, it is generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements. The Society's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the Organization's prior three tax years remain open for possible examination by the Internal Revenue Service.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

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 balance sheet date, comprise the following:

	2022		2021
Cash and Cash Equivalents	\$ 271,695	\$	325,794
Endowment Appropriations	76,500		65,000
	<u>\$ 348,195</u>	<u>\$</u>	<u>390,794</u>

As part of the Society's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit and money market funds and equities. From time to time, the Board assesses the cash requirements of its operating activities and repositions its investment position accordingly.

4. Conditional Promise to Give

During the year ended September 30, 2021, the Society received a conditional promise to give in the amount of \$200,000 to fund certain improvements at the Cabot House. This grant is contingent on the Society's ability to raise matching funds. As of September 30, 2022, the Society was continuing to work towards this goal.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

5. Fair Value Measurements

The Society follows the guidance of ASC Topic 820, *Not-for-Profit Entities*, related to establishing a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Topic 820 established a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under Topic 820 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level II: Inputs other than quoted prices that are unobservable.

Level III: Inputs that are unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of the input that is significant to the fair value measurement. Valuation techniques used to 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:

Money Market Funds are valued at the net asset value (NAV) of shares held by the Foundation at year end.

Common Stocks and Exchange Traded Funds are valued at the daily closing price as reported on the active market on which they are traded.

Mutual Funds are valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuations 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.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

5. Fair Value Measurements - Continued

The following table summarizes the Society's financial assets measured at fair value on a recurring basis at September 30:

	2022			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 82,804	\$ -	\$ -	\$ 82,804
Exchange Traded Funds - Equities	212,768	-	-	212,768
Mututal Funds - Equities	59,872	-	-	59,872
Exchange Traded Funds - Bonds	49,453	-	-	49,453
Corporate Bonds	410,787	-	-	410,787
Government Bonds	139,239	-	-	139,239
Common Stocks	378,817	-	-	378,817
REITs	17,397	-	-	17,397
Total Investments	<u>\$ 1,351,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,351,137</u>

	2021			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 268,243	\$ -	\$ -	\$ 268,243
Exchange Traded Funds - Equities	444,210	-	-	444,210
Mutual Funds - Equities	113,413	-	-	113,413
Exchange Traded Funds - Bonds	58,396	-	-	58,396
Corporate Bonds	292,293	-	-	292,293
Government Bonds	160,389	-	-	160,389
Common Stocks	432,168	-	-	432,168
REITs	15,979	-	-	15,979
Total Investments	<u>\$ 1,785,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,785,091</u>

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

6. Investments and Investment Return, Net

Investments consist of the following at September 30:

2022			
	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Money Market Funds	\$ 82,804	\$ 82,804	\$ -
Exchange Traded Funds - Equities	217,922	212,768	(5,154)
Mutual Funds - Equities	93,126	59,872	(33,254)
Exchange Traded Funds - Bonds	58,255	49,453	(8,802)
Corporate Bonds	466,902	410,787	(56,115)
Government Bonds	153,980	139,239	(14,741)
Common Stocks	341,260	378,817	37,557
REITs	17,377	17,397	20
	<u>\$ 1,431,626</u>	<u>\$ 1,351,137</u>	<u>\$ (80,489)</u>
2021			
	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Money Market Funds	\$ 268,243	\$ 268,243	\$ -
Exchange Traded Funds - Equities	361,335	444,210	82,875
Mutual Funds - Equities	114,200	113,413	(787)
Exchange Traded Funds - Bonds	58,255	58,396	141
Corporate Bonds	282,755	292,293	9,538
Government Bonds	155,878	160,389	4,511
Common Stocks	312,585	432,168	119,583
REITs	10,525	15,979	5,454
	<u>\$ 1,563,776</u>	<u>\$ 1,785,091</u>	<u>\$ 221,315</u>

All of the Society's investments are measured using Level 1 inputs (Note 5). There were no investments measured using Level 2 and Level 3 inputs. There were no transfers between categories and no changes in valuation methods during the years ended September 30, 2022 and 2021.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

6. Investments and Investment Return, Net - Continued

Investment return, Net consists of the following for the years ended September 30:

	2022	2021
Interest and Dividend Income	\$ 33,210	\$ 23,068
Net Realized and Unrealized Gains(Losses)	(276,733)	189,323
Investment Fees	(13,717)	(11,117)
	<u>\$ (257,240)</u>	<u>\$ 201,274</u>

7. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at September 30:

	2022	2021
Land and Buildings of Historical Significance	\$ 1,338,000	\$ 1,338,000
Building Improvements	846,479	749,884
Equipment	30,999	30,999
	<u>2,215,478</u>	<u>2,118,883</u>
Less Accumulated Depreciation	239,554	220,911
	<u>\$ 1,975,924</u>	<u>\$ 1,897,972</u>

Depreciation expense for the years ended September 30, 2022 and 2021 amounted to \$18,643 and \$14,615, respectively.

8. Paycheck Protection Program – Note Payable

On April 21, 2020, the Organization was granted a loan from a bank in the amount of \$49,482 pursuant to the Paycheck Protection Program (the “PPP”). The PPP, established under the CARES Act, provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, interest on debt obligations incurred before February 15, 2020, and maintains its staffing levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization used the proceeds for purposes consistent with the PPP conditions and as a result, the loan was forgiven in February 2021. The loan proceeds of \$49,482 are included as revenue on the statement of activities for the year ended September 30, 2021.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

8. Paycheck Protection Program – Note Payable - Continued

In February 2021, the Organization was granted a second loan from a bank in the amount of \$49,482 pursuant to the Paycheck Protection Program (the “PPP”). The PPP, established under the CARES Act, provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, interest on debt obligations incurred before February 15, 2020, and maintains its staffing levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization used the proceeds for purposes consistent with the PPP conditions and as a result, the loan was forgiven in November 2021. The loan proceeds of \$49,482 are included as revenue on the statement of activities for the year ended September 30, 2022.

9. Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Society. The Society has grouped its net assets without donor restrictions into the following categories:

- Operating – Amounts which bear no external restrictions and are currently available for operations.
- Net Investment in Land, Buildings and Equipment – Amounts invested in property and equipment that are not available for operations.

With Donor Restrictions

The Society receives contributions which are restricted by donors for specific purposes. Some donor-imposed restrictions are temporary in nature, such as those that will be met with 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.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

9. Net Assets - Continued

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Walker Fund	\$ 1,640	\$ 1,540
Collections and Acquisitions	150	4,620
Seaman's Fund	4,358	2,858
Cabot House	907,563	833,920
Karwowski Fund	1,850	1,850
Currier Fund	420	420
Balch House	13,739	10,680
Collections Grant	418	418
Archives	944	944
Hale House	23,418	20,848
	<u>954,500</u>	<u>878,098</u>
Subject to the Passage of Time:		
Unrestricted Promise to Give	<u>-</u>	<u>-</u>
Subject to the Society's Endowment Spending Policy and Appropriation:		
Hale House Fund	101,838	100,838
Balch House Fund	134,880	109,880
Combined Fund A	11,663	11,663
Massachusetts Historical Commission	11,000	11,000
Beverly Historical Development Fund	6,000	6,000
G.A.R. Fund	6,000	6,000
A.N. Clark Fund	5,000	5,000
Charles Galloupe Fund	5,000	5,000
Charles K. Dodge Fund	47,507	47,507
Loring Bequest	250,000	250,000
	<u>578,888</u>	<u>552,888</u>
Total Net Assets with Donor Restrictions	\$ <u>1,533,388</u>	\$ <u>1,430,986</u>

Interest and dividend income from certain net assets with donor restrictions are restricted to maintenance and preservation of historical buildings, collections and the library. In 2022 and 2021, earned income was classified as without restriction since the restriction was met in the same year the income was received.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

10. Concentration of Investment Risk

The Society's portfolio of investments had a fair market value of \$1,268,333 at September 30, 2022, representing approximately 34.7% of its total assets. The fair market value of these investments is not federally insured and is subject to fluctuation. From October 1, 2022 through December 31, 2022, the Society incurred unrealized gains of approximately 11.3% in its investment portfolio due to market increases.

11. Concentration of Contributions

The Society received approximately 52% and 58% of its total operating revenues and support from five donors during each of the years ended September 30, 2022 and 2021.

12. Employee Benefit Plans

The Society provides a tax-sheltered annuity program for eligible employees under Internal Revenue Code Section 403(b). The Society will match employee contributions up to 5% of the employee's salary. An employee becomes eligible after working an average of at least eighteen hours per week for at least one year. Employer contributions amounted to \$4,083 and \$2,916 for the years ended September 30, 2022 and 2021, respectively.

13. Endowments

The Society follows the guidance of ASC Topic 958, *Not-For-Profit Entities*, related to net asset classification and financial statement disclosures related to donor-restricted endowment funds for a nonprofit Society that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted by the Commonwealth of Massachusetts effective June 30, 2009. As required by ASC 958-10, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

13. Endowments – Continued

The Board of Trustees of the Society interpreted the UPMIFA 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 Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund or as required by law. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Society has adopted investment and spending policies approved by the Board of Trustees. The objective of the Endowment Fund is to generate a long-term return in the form of income and growth which will allow distributions consistent with the Board of

Trustee's spending policy, while preserving over time, the principal value of the Fund's assets as measured in real, inflation adjusted terms. Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Endowment Fund's objective. However, the Board of Trustees will make reasonable efforts to control risk and preserve capital, understanding that losses may occur. The Endowment Fund will be diversified both by asset class and within asset classes for the purpose of achieving the Fund's investment objectives at an acceptable level of risk.

Spending Policy. The Portfolio consists of Beverly Historical Society's long-term investment assets, whether part of an endowment, restricted funds, or discretionary expendable funds. It is the Society's policy to distribute annually 5% of a trailing twelve quarter average of the Endowment Fund's total asset value, with the expectation that this spending rate plus inflation will not normally exceed the Fund's long-term total return.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

13. Endowments - Continued

It is the policy of Beverly Historical Society to establish a general guideline level regarding the distribution and transfer of monies from the Society's Endowment Fund to the general fund to supplement operational expenses when the need arises. This guideline level is 5% of the total value of the Endowment Fund. However, this percentage could be increased to a higher level if circumstances warrant a higher distribution. The higher percentage distribution would be recommended by the Director, approved by the Treasurer, President and the Finance Committee, and then ratified by the majority of the Board of Trustees at the next Trustees meeting. In a year that does not require an infusion of funds from the Endowment Fund to supplement general operating expenses, none will be made.

The Endowment Fund consists of the following at September 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 736,432	\$ 1,052,888	\$ 1,789,320
Endowment Contributions	-	3,500	3,500
Investment Earnings (Loss)	(257,240)	-	(257,240)
Transfers to Operations	(174,800)	-	(174,800)
Endowment Net Assets, End of Year	\$ 304,392	\$ 1,056,388	\$ 1,360,780
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 714,758	\$ 501,888	\$ 1,216,646
Endowment Contributions	-	551,000	551,000
Investment Earnings	201,274	-	201,274
Transfers to Operations	(179,600)	-	(179,600)
Endowment Net Assets, End of Year	\$ 736,432	\$ 1,052,888	\$ 1,789,320

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2022 (Reviewed) and 2021 (Audited)

14. Subsequent Events

The Society did not have any subsequent events through February 21, 2023 which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2022.