

BEVERLY HISTORICAL SOCIETY

FINANCIAL STATEMENTS
FOR THE YEARS ENDING
SEPTEMBER 30, 2024 AND 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to the Financial Statements	9-21

INDEPENDENT AUDITOR'S REPORT

January 20, 2025

To the Board of Directors
Beverly Historical Society
117 Cabot Street
Beverly, Massachusetts 01915

Opinion

We have audited the accompanying financial statements of Beverly Historical Society (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beverly Historical Society as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Beverly Historical Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beverly Historical Society's ability to continue as a going concern for a reasonable period of time.

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

Yours truly,

Gloucester, Massachusetts

BEVERLY HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

--ASSETS--		<u>2024</u>	<u>2023</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$	157,272	\$ 115,727
Interest and dividends receivable		2,863	4,934
Prepaid expenses		3,784	5,958
Inventory		<u>6,568</u>	<u>10,651</u>
Total current assets		<u>170,487</u>	<u>137,270</u>
LAND, BUILDINGS, AND EQUIPMENT - NET		<u>3,330,128</u>	<u>2,911,127</u>
OTHER ASSETS:			
Investments		840,589	945,123
Uninvested cash		<u>10,242</u>	<u>79,572</u>
Total other assets		<u>850,831</u>	<u>1,024,695</u>
TOTAL	\$	<u><u>4,351,446</u></u>	\$ <u><u>4,073,092</u></u>
--LIABILITIES AND NET ASSETS--			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$	<u>31,030</u>	\$ <u>229,865</u>
Total liabilities		<u>31,030</u>	<u>229,865</u>
NET ASSETS:			
Without donor restrictions:			
Unrestricted		(28,529)	40,982
Net investment in land, buildings, and equipment		3,293,311	1,954,095
With donor restrictions			
Time or purpose restrictions		475,746	1,268,262
Restrictions that are perpetual in nature		<u>579,888</u>	<u>579,888</u>
Total net assets		<u>4,320,416</u>	<u>3,843,227</u>
TOTAL	\$	<u><u>4,351,446</u></u>	\$ <u><u>4,073,092</u></u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	<u>TOTAL</u>
Revenues:			
Contributions	\$ 368,986	\$ 333,590	\$ 702,576
Municipal grants	9,474	-	9,474
Federal grants	1,250	-	1,250
Private grants	13,326	75,000	88,326
Memberships	45,336	-	45,336
Program income	8,065	-	8,065
Rental income	1,800	-	1,800
Special events	11,757	-	11,757
Collections income	7,095	-	7,095
Gift shop	5,242	-	5,242
Admissions	962	-	962
Investment return, net	186,110	-	186,110
Net assets released from restrictions	<u>1,201,106</u>	<u>(1,201,106)</u>	<u>-</u>
Total revenue and support	<u>1,860,509</u>	<u>(792,516)</u>	<u>1,067,993</u>
Expenses:			
Programs	402,766	-	402,766
Management and general	142,119	-	142,119
Fundraising	<u>45,919</u>	<u>-</u>	<u>45,919</u>
Total expenses	<u>590,804</u>	<u>-</u>	<u>590,804</u>
CHANGE IN NET ASSETS	1,269,705	(792,516)	477,189
NET ASSETS - BEGINNING	<u>1,995,077</u>	<u>1,848,150</u>	<u>3,843,227</u>
NET ASSETS - ENDING	<u>\$ 3,264,782</u>	<u>\$ 1,055,634</u>	<u>\$ 4,320,416</u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	TOTAL
Revenues:			
Contributions	\$ 114,525	\$ 223,987	\$ 338,512
Municipal grants	31,923	24,500	56,423
Federal grants	1,250	-	1,250
Private grants	9,168	75,000	84,168
Memberships	43,597	-	43,597
Program income	7,314	-	7,314
Rental income	366	-	366
Special events	33,011	-	33,011
Collections income	1,400	125	1,525
Gift shop	6,665	-	6,665
Admissions	278	-	278
Investment return, net	154,319	-	154,319
Net assets released from restrictions	<u>8,850</u>	<u>(8,850)</u>	<u>-</u>
Total revenue and support	<u>412,666</u>	<u>314,762</u>	<u>727,428</u>
Expenses:			
Programs	317,598	-	317,598
Management and general	112,744	-	112,744
Fundraising	<u>52,837</u>	<u>-</u>	<u>52,837</u>
Total expenses	<u>483,179</u>	<u>-</u>	<u>483,179</u>
CHANGE IN NET ASSETS	(70,513)	314,762	244,249
NET ASSETS - BEGINNING	<u>2,065,590</u>	<u>1,533,388</u>	<u>3,598,978</u>
NET ASSETS - ENDING	<u>\$ 1,995,077</u>	<u>\$ 1,848,150</u>	<u>\$ 3,843,227</u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Director compensation	\$ 28,558	\$ 38,077	\$ 28,558	\$ 95,193
Other salaries and wages	170,324	3,095	-	173,419
Employee benefits	5,617	7,489	5,617	18,723
Payroll taxes	<u>19,070</u>	<u>3,948</u>	<u>2,739</u>	<u>25,757</u>
Total payroll and related expenses	223,569	52,609	36,914	313,092
Occupancy	45,076	6,268	-	51,344
Accounting	-	23,000	-	23,000
Insurance	11,799	3,933	-	15,732
Program related	16,309	-	-	16,309
Grant related	11,229	3,743	-	14,972
Office related	-	11,832	-	11,832
Communications	-	11,211	-	11,211
Exhibits	11,121	-	-	11,121
Conservation and education	10,493	245	-	10,738
Dues and subscriptions	5,967	-	-	5,967
Professional fees	1,200	-	4,737	5,937
Gift shop	5,225	-	-	5,225
Postage	-	5,018	-	5,018
Special events	-	-	4,268	4,268
Bank service charges	-	3,882	-	3,882
Newsletter	3,585	-	-	3,585
Professional development	2,568	-	-	2,568
Miscellaneous	2,349	-	-	2,349
Marketing	-	1,780	-	1,780
Payroll service fee	-	1,213	-	1,213
Volunteer related	<u>119</u>	<u>-</u>	<u>-</u>	<u>119</u>
Total expenses before depreciation	350,609	124,734	45,919	521,262
Depreciation	<u>52,157</u>	<u>17,385</u>	<u>-</u>	<u>69,542</u>
Total expenses	<u>\$ 402,766</u>	<u>\$ 142,119</u>	<u>\$ 45,919</u>	<u>\$ 590,804</u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Director compensation	\$ 26,901	\$ 35,868	\$ 26,901	\$ 89,670
Other salaries and wages	166,872	3,184	-	170,056
Employee benefits	8,135	8,484	6,337	22,956
Payroll taxes	<u>14,327</u>	<u>2,887</u>	<u>1,989</u>	<u>19,203</u>
Total payroll and related expenses	216,235	50,423	35,227	301,885
Occupancy	30,224	4,149	-	34,373
Accounting	-	5,567	-	5,567
Insurance	17,468	5,823	-	23,291
Program related	8,778	-	-	8,778
Grant related	1,858	620	-	2,478
Office related	-	9,864	-	9,864
Communications	-	14,380	-	14,380
Exhibits	1,538	-	-	1,538
Conservation and education	4,525	45	-	4,570
Dues and subscriptions	7,656	-	-	7,656
Professional fees	990	244	10,000	11,234
Gift shop	2,979	-	-	2,979
Postage	-	3,904	-	3,904
Special events	-	-	7,610	7,610
Bank service charges	-	3,453	-	3,453
Newsletter	3,228	-	-	3,228
Professional development	4,210	-	-	4,210
Miscellaneous	681	600	-	1,281
Marketing	-	6,859	-	6,859
Payroll service fee	-	1,356	-	1,356
Volunteer related	<u>856</u>	<u>-</u>	<u>-</u>	<u>856</u>
Total expenses before depreciation	301,226	107,287	52,837	461,350
Depreciation	<u>16,372</u>	<u>5,457</u>	<u>-</u>	<u>21,829</u>
Total expenses	<u>\$ 317,598</u>	<u>\$ 112,744</u>	<u>\$ 52,837</u>	<u>\$ 483,179</u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES:		
Increase in net assets	\$ 477,189	\$ 244,249
Adjustments:		
Depreciation	69,542	21,829
Net realized and unrealized gains on investments	(164,607)	(132,401)
Contributions received for long-term purposes	(212,845)	(4,505)
(Increase) decrease in operating assets:		
Interest and dividends receivable	2,071	1,209
Unconditional promises to give	-	30,600
Prepaid expenses	2,174	298
Inventory	4,083	(1,276)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(198,835)	208,313
Deferred revenue	-	(30,600)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(21,228)</u>	<u>337,716</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(488,543)	(957,032)
Purchase of investments	(432,468)	(1,129,662)
Proceeds from sales and maturities of investments	<u>701,609</u>	<u>1,585,273</u>
CASH USED BY INVESTING ACTIVITIES	<u>(219,402)</u>	<u>(501,421)</u>
FINANCING ACTIVITIES:		
Contribution to endowment	<u>212,845</u>	<u>4,505</u>
CASH PROVIDED BY FINANCING ACTIVITIES	<u>212,845</u>	<u>4,505</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,785)	(159,200)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>195,299</u>	<u>354,499</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 167,514</u>	<u>\$ 195,299</u>

The accompanying notes are an integral part of these financial statements.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

A. 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.

B. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used for, but not limited to, inventory allowances, allocations of expenses to functional categories, depreciation, accrued liabilities, and other reserves.

C. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Cash and cash equivalents at September 30 are as follows:

	<u>2024</u>	<u>2023</u>
Total cash and cash equivalents	\$ 157,272	\$ 115,727
Uninvested cash	<u>10,242</u>	<u>79,572</u>
Total cash and cash equivalents shown in the statement of cash flows	<u>\$ 167,514</u>	<u>\$ 195,299</u>

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. 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.

Investment 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 without donor restrictions unless otherwise restricted by the donor.

State law allows the Board of Trustees to appropriate to fund 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.

E. 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
SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. 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.

G. Revenue recognition

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions until the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of long-lived assets and cash restricted for the acquisition of long-lived assets are recognized as contributions with donor restrictions when received or acquired and the restriction is released when the assets are placed in service.

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

Contributions of non-financial assets are reflected 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.

H. Donated services

Donated services are recognized as contributions of non-financial assets, 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, 2024 and 2023. 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
SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. 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 at 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. There were no promises to give at September 30, 2024 and 2023.

J. 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.

K. 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.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

L. Financial statement 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 reported as increases in net assets without donor restrictions.

Net assets with donor restrictions – net assets subject to donor (or certain grantor) imposed restrictions. Some donor or grantor 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 permanent in nature, where the donor stipulates that resources be maintained in perpetuity.

M. 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.

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 157,272	\$ 115,727
Endowment appropriations	<u>45,000</u>	<u>66,080</u>
Total	<u>\$ 202,272</u>	<u>\$ 181,807</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.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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. During the year ended September 30, 2023, the Society completed this goal.

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.

Further, U.S. generally accepted accounting principles require the Society to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose the form of an outlined hierarchy of the details of such fair value measurements.

Following is a description of the valuation methodologies used for assets measured at fair value:

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.

As of September 30, 2024 and 2023, all investments were considered level 1 investments.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

6. INVESTMENTS AND INVESTMENT RETURN, NET

Investments consist of the following at September 30:

	<u>2024 (Level 1)</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Cumulative unrealized gains/(losses)</u>
Exchange traded funds - equities	\$ 212,378	\$ 297,369	\$ 84,991
Mutual funds - equities	90,625	108,949	18,324
Exchange traded funds - bonds	49,085	53,036	3,951
Corporate bonds	180,310	169,263	(11,047)
Government bonds	72,901	70,024	(2,877)
Common stocks	19,921	100,783	80,862
Hedge funds	23,151	24,896	1,745
REITs	<u>11,402</u>	<u>16,269</u>	<u>4,867</u>
Total	<u>\$ 659,773</u>	<u>\$ 840,589</u>	<u>\$ 180,816</u>

	<u>2023 (Level 1)</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Cumulative unrealized gains/(losses)</u>
Exchange traded funds - equities	\$ 302,023	\$ 320,042	\$ 18,019
Mutual funds - equities	93,688	93,668	(20)
Exchange traded funds - bonds	58,347	57,957	(390)
Corporate bonds	232,653	203,771	(28,882)
Government bonds	73,754	67,354	(6,400)
Common stocks	76,944	157,250	80,306
Hedge funds	27,846	28,663	817
REITs	<u>17,227</u>	<u>16,418</u>	<u>(809)</u>
Total	<u>\$ 882,482</u>	<u>\$ 945,123</u>	<u>\$ 62,641</u>

There were no transfers between categories and no changes in valuation methods. There were no investments measured using Level 2 or Level 3 inputs.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

6. INVESTMENTS AND INVESTMENT RETURN, NET (CONT.)

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

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 29,691	\$ 33,497
Net realized and unrealized gains	164,607	132,401
Investment fees	<u>(8,188)</u>	<u>(11,579)</u>
Total	<u>\$ 186,110</u>	<u>\$ 154,319</u>

7. LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land and buildings of historical significance	\$ 1,338,000	\$ 1,338,000
Building improvements	2,255,236	846,479
Building improvements in progress	36,817	957,032
Equipment	<u>30,999</u>	<u>30,999</u>
Total	3,661,052	3,172,510
Less: Accumulated depreciation and amortization	<u>(330,924)</u>	<u>(261,383)</u>
Total land, buildings, and equipment	<u>\$ 3,330,128</u>	<u>\$ 2,911,127</u>

Depreciation expense for the years ended September 30, 2024 and 2023 amounted to \$69,542 and \$21,829, respectively.

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

8. NET ASSETS

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

Subject to expenditure for specified purposes:

	<u>2024</u>	<u>2023</u>
Walker fund	\$ 1,640	\$ 1,640
Collections and acquisitions	150	150
Seaman's fund	-	-
Cabot House	330,115	1,124,618
Karwowski fund	1,850	1,850
Currier fund	420	420
Balch House	14,653	14,179
Collections grant	-	543
Archives	-	944
Set at Liberty	75,000	75,000
Hale house	<u>51,918</u>	<u>48,918</u>
Total	<u>475,746</u>	<u>1,268,262</u>

Subject to the society's endowment spending policy and appropriation:

	<u>2024</u>	<u>2023</u>
Hale House fund	102,838	102,838
Balch House fund	134,880	134,880
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	<u>250,000</u>	<u>250,000</u>
Total	<u>579,888</u>	<u>579,888</u>
Total net assets with donor restrictions	<u>\$ 1,055,634</u>	<u>\$ 1,848,150</u>

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

8. NET ASSETS (CONT.)

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 2024 and 2023, earned income was classified as without restriction since the restriction was met in the same year the income was received.

9. CONCENTRATION OF INVESTMENT RISK

The Society's portfolio of investments had a fair market value of \$840,589 and \$945,123 at September 30, 2024 and 2023, respectively, representing approximately 19% and 23%, respectively, of its total assets. The fair market value of these investments is not federally insured and is subject to fluctuation.

10. CONCENTRATION OF CONTRIBUTIONS

The Society received approximately 50% of its total operating revenues and support from four donors during the year ended September 30, 2024. The Society received approximately 60% of its total operating revenues and support from five donors during the year ended September 30, 2023.

11. 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 \$5,074 and \$4,764 for the years ended September 30, 2024 and 2023, respectively.

12. 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
SEPTEMBER 30, 2024 AND 2023

12. ENDOWMENTS (CONT.)

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
SEPTEMBER 30, 2024 AND 2023

12. ENDOWMENTS (CONT.)

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:

	<u>2024</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 449,741	\$ 579,888	\$ 1,029,629
Endowment contributions	212,845	-	212,845
Investment earnings	186,110	-	186,110
Transfers to operations	<u>(574,890)</u>	<u>-</u>	<u>(574,890)</u>
Endowment net assets, end of year	<u>\$ 273,806</u>	<u>\$ 579,888</u>	<u>\$ 853,694</u>
	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 781,892	\$ 578,888	\$ 1,360,780
Endowment contributions	3,505	1,000	4,505
Investment earnings	154,319	-	154,319
Transfers to operations	<u>(489,975)</u>	<u>-</u>	<u>(489,975)</u>
Endowment net assets, end of year	<u>\$ 449,741</u>	<u>\$ 579,888</u>	<u>\$ 1,029,629</u>

BEVERLY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

13. SUBSEQUENT EVENTS

The Society did not have any subsequent events through January 20, 2025, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the years ended September 30, 2024 and 2023.