

*G*EOORGIA HISTORICAL SOCIETY



FINANCIAL REPORT

JUNE 30, 2020

GEORGIA HISTORICAL SOCIETY

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INDEPENDENT AUDITOR'S REPORT

**Board of Curators
Georgia Historical Society, Inc.
Savannah, Georgia**

We have audited the accompanying financial statements of the **Georgia Historical Society, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 the Georgia Historical Society, Inc. as of June 30, 2020 and 2019, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 14, 2021

GEORGIA HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,980,913	\$ 3,235,513
Unconditional promises to give, net	2,828,204	2,660,893
Accounts receivable	121,000	112,260
Prepaid expenses	69,036	60,990
Inventory	15,370	15,382
Total current assets	6,014,523	6,085,038
OTHER ASSETS		
Investments - endowment & endowment trust fund	11,874,267	12,214,233
Unconditional promises to give, net	873,389	1,234,034
Total other assets	12,747,656	13,448,267
PERMANENT COLLECTIONS, See Note 1	-	-
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	4,011,959	4,099,970
CONSTRUCTION IN PROGRESS	3,283,306	519,992
TOTAL ASSETS	\$ 26,057,444	\$ 24,153,267
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 125,794	\$ 96,388
Construction payable	149,993	77,390
Line of credit	500,000	-
Accrued expenses	57,662	111,092
Deferred revenues	911,539	1,014,315
Total current liabilities	1,744,988	1,299,185
LONG-TERM LIABILITIES		
Note payable	241,175	-
Total long-term liabilities	241,175	-
Total liabilities	1,986,163	1,299,185
NET ASSETS		
Without donor restrictions:		
Endowment Trust fund	9,278,530	9,497,495
Undesignated	8,878,396	6,094,389
Total without donor restrictions	18,156,926	15,591,884
With donor restrictions:		
Purpose restrictions and time-restricted for future periods	2,680,342	4,044,285
Perpetual in nature	3,234,013	3,217,913
Total with donor restrictions	5,914,355	7,262,198
Total net assets	24,071,281	22,854,082
TOTAL LIABILITIES AND NET ASSETS	\$ 26,057,444	\$ 24,153,267

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2020 AND 2019

	2020			
	With donor restrictions			Total
	Without donor restrictions	Purpose restrictions and time-restricted for future periods	Perpetual in nature	
OPERATING ACTIVITIES				
Revenues and other support:				
Contributions and grants	\$ 2,163,285	\$ 1,518,036	\$ 16,100	\$ 3,697,421
Membership dues	287,188	-	-	287,188
Merchandise sales and usage fees	35,407	-	-	35,407
Record storage income	12,906	-	-	12,906
Registration	78,225	-	-	78,225
Total revenues	<u>2,577,011</u>	<u>1,518,036</u>	<u>16,100</u>	<u>4,111,147</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>2,847,883</u>	<u>(2,847,883)</u>	-	-
Total revenues and other support	<u>5,424,894</u>	<u>(1,329,847)</u>	<u>16,100</u>	<u>4,111,147</u>
Expenses				
Program services:				
Membership	206,109	-	-	206,109
Publication	213,413	-	-	213,413
Education and Outreach	1,338,022	-	-	1,338,022
Research Center	614,629	-	-	614,629
Total program services	<u>2,372,173</u>	<u>-</u>	<u>-</u>	<u>2,372,173</u>
Supporting services:				
Management and general	285,188	-	-	285,188
Development	100,079	-	-	100,079
Total supporting services	<u>385,267</u>	<u>-</u>	<u>-</u>	<u>385,267</u>
Total expenses	<u>2,757,440</u>	<u>-</u>	<u>-</u>	<u>2,757,440</u>
Total operating activities	<u>2,667,454</u>	<u>(1,329,847)</u>	<u>16,100</u>	<u>1,353,707</u>
NON-OPERATING ACTIVITIES				
Investment income	36,662	-	-	36,662
Investment income from the endowment, net	(128,682)	(34,096)	-	(162,778)
Total non-operating activities	<u>(92,020)</u>	<u>(34,096)</u>	<u>-</u>	<u>(126,116)</u>
Change in net assets before changes related to collection items not capitalized	2,575,434	(1,363,943)	16,100	1,227,591
Change in net assets related to collection items:				
Purchase of collection items	<u>(10,392)</u>	<u>-</u>	<u>-</u>	<u>(10,392)</u>
CHANGE IN NET ASSETS	2,565,042	(1,363,943)	16,100	1,217,199
NET ASSETS, beginning of year	<u>15,591,884</u>	<u>4,044,285</u>	<u>3,217,913</u>	<u>22,854,082</u>
NET ASSETS, end of year	<u>\$ 18,156,926</u>	<u>\$ 2,680,342</u>	<u>\$ 3,234,013</u>	<u>\$ 24,071,281</u>

See Notes to Financial Statements.

2019			
With donor restrictions			
Without donor restrictions	Purpose restrictions and time-restricted for future periods	Perpetual in nature	Total
\$ 1,512,633	\$ 1,297,000	\$ 133,664	\$ 2,943,297
288,874	-	-	288,874
57,622	-	-	57,622
8,464	-	-	8,464
70,590	-	-	70,590
<u>1,938,183</u>	<u>1,297,000</u>	<u>133,664</u>	<u>3,368,847</u>
535,873	(535,873)	-	-
<u>2,474,056</u>	<u>761,127</u>	<u>133,664</u>	<u>3,368,847</u>
176,756	-	-	176,756
218,255	-	-	218,255
1,287,852	-	-	1,287,852
625,293	-	-	625,293
<u>2,308,156</u>	<u>-</u>	<u>-</u>	<u>2,308,156</u>
298,958	-	-	298,958
73,086	-	-	73,086
<u>372,044</u>	<u>-</u>	<u>-</u>	<u>372,044</u>
<u>2,680,200</u>	<u>-</u>	<u>-</u>	<u>2,680,200</u>
(206,144)	761,127	133,664	688,647
40,009	-	-	40,009
705,135	183,802	-	888,937
<u>745,144</u>	<u>183,802</u>	<u>-</u>	<u>928,946</u>
539,000	944,929	133,664	1,617,593
(4,878)	-	-	(4,878)
534,122	944,929	133,664	1,612,715
<u>15,057,762</u>	<u>3,099,356</u>	<u>3,084,249</u>	<u>21,241,367</u>
<u>\$ 15,591,884</u>	<u>\$ 4,044,285</u>	<u>\$ 3,217,913</u>	<u>\$ 22,854,082</u>

GEORGIA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			Total
	Membership	Publication	Education and Outreach	Research Center	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 104,952	\$ 103,363	\$ 587,452	\$ 200,267	\$ 996,034	\$ 175,458	\$ 59,035	\$ 234,493	\$ 1,230,527
Employee benefits	32,790	29,672	138,682	47,063	248,207	23,974	16,322	40,296	288,503
Total salaries and related expenses	<u>137,742</u>	<u>133,035</u>	<u>726,134</u>	<u>247,330</u>	<u>1,244,241</u>	<u>199,432</u>	<u>75,357</u>	<u>274,789</u>	<u>1,519,030</u>
Accounting fees	-	-	-	-	-	18,000	-	18,000	18,000
Auto expense	1,243	1,225	6,960	2,373	11,801	2,079	699	2,778	14,579
Bank charges	337	332	4,198	643	5,510	563	189	752	6,262
Consultants	12,732	15,314	122,762	76,211	227,019	8,342	2,807	11,149	238,168
Dues and subscriptions	504	632	17,349	1,961	20,446	843	283	1,126	21,572
Food and lodging	6,355	-	16,165	1,261	23,781	69	837	906	24,687
Legal fees	-	-	-	3,311	3,311	2,565	-	2,565	5,876
Office equipment	4,809	3,147	24,538	18,371	50,865	5,343	1,798	7,141	58,006
Office insurance	2,743	2,701	15,352	5,234	26,030	4,585	1,543	6,128	32,158
Office building/ground	8,479	8,350	50,818	18,447	86,094	14,175	4,769	18,944	105,038
Office space rental	1,180	1,162	6,603	2,251	11,196	1,971	664	2,635	13,831
Office supplies	1,941	779	7,133	3,586	13,439	782	263	1,045	14,484
Outreach	-	-	13,323	-	13,323	250	-	250	13,573
Postage and delivery	1,423	3,608	6,936	106	12,073	82	-	82	12,155
Printing, design and casting	10,978	28,696	92,981	2,240	134,895	483	2,627	3,110	138,005
Rental, space and catering	56	-	132,180	1,744	133,980	947	-	947	134,927
Telephone	709	663	5,315	1,285	7,972	1,124	379	1,503	9,475
Travel	898	-	11,023	1,308	13,229	182	-	182	13,411
Total expenses before depreciation and renovation expense	<u>192,129</u>	<u>199,644</u>	<u>1,259,770</u>	<u>387,662</u>	<u>2,039,205</u>	<u>261,817</u>	<u>92,215</u>	<u>354,032</u>	<u>2,393,237</u>
Depreciation	13,980	13,769	78,252	26,677	132,678	23,371	7,864	31,235	163,913
Renovation expense	-	-	-	200,290	200,290	-	-	-	200,290
Total expenses	<u>\$ 206,109</u>	<u>\$ 213,413</u>	<u>\$ 1,338,022</u>	<u>\$ 614,629</u>	<u>\$ 2,372,173</u>	<u>\$ 285,188</u>	<u>\$ 100,079</u>	<u>\$ 385,267</u>	<u>\$ 2,757,440</u>

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			Total
	Membership	Publication	Education and Outreach	Research Center	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 94,801	\$ 99,817	\$ 573,232	\$ 295,039	\$ 1,062,889	\$ 182,100	\$ 41,634	\$ 223,734	\$ 1,286,623
Employee benefits	27,121	28,641	120,310	63,966	240,038	24,075	14,001	38,076	278,114
Total salaries and related expenses	<u>121,922</u>	<u>128,458</u>	<u>693,542</u>	<u>359,005</u>	<u>1,302,927</u>	<u>206,175</u>	<u>55,635</u>	<u>261,810</u>	<u>1,564,737</u>
Accounting fees	-	-	-	-	-	16,967	-	16,967	16,967
Auto expense	1,128	1,113	6,393	3,165	11,799	2,031	464	2,495	14,294
Bank charges	268	282	2,865	803	4,218	515	118	633	4,851
Consultants	6,738	13,446	86,590	80,309	187,083	6,834	1,563	8,397	195,480
Dues and subscriptions	433	900	25,552	6,349	33,234	729	167	896	34,130
Food and lodging	5,104	-	20,292	6,274	31,670	2,054	1,335	3,389	35,059
Legal fees	-	-	10,003	48,564	58,567	1,490	-	1,490	60,057
Office equipment	2,243	1,414	13,577	16,975	34,209	2,580	590	3,170	37,379
Office insurance	2,334	2,458	14,116	6,989	25,897	4,484	1,025	5,509	31,406
Office building/ground	10,153	10,690	64,335	33,971	119,149	19,502	4,459	23,961	143,110
Office space rental	960	1,010	5,802	2,873	10,645	1,843	421	2,264	12,909
Office supplies	1,466	682	8,684	6,073	16,905	1,101	252	1,353	18,258
Outreach	-	-	20,379	-	20,379	-	-	-	20,379
Postage and delivery	2,250	5,349	7,711	1,463	16,773	68	-	68	16,841
Printing, design and casting	7,645	38,622	116,165	1,472	163,904	7,253	1,522	8,775	172,679
Rental, space and catering	179	560	101,184	583	102,506	814	-	814	103,320
Restoration/conservation	-	-	-	5,000	5,000	-	-	-	5,000
Telephone	708	669	4,401	1,964	7,742	1,221	279	1,500	9,242
Travel	1,257	-	13,892	7,632	22,781	307	-	307	23,088
Total expenses before depreciation	<u>164,788</u>	<u>205,653</u>	<u>1,215,483</u>	<u>589,464</u>	<u>2,175,388</u>	<u>275,968</u>	<u>67,830</u>	<u>343,798</u>	<u>2,519,186</u>
Depreciation	<u>11,968</u>	<u>12,602</u>	<u>72,369</u>	<u>35,829</u>	<u>132,768</u>	<u>22,990</u>	<u>5,256</u>	<u>28,246</u>	<u>161,014</u>
Total expenses	<u>\$ 176,756</u>	<u>\$ 218,255</u>	<u>\$ 1,287,852</u>	<u>\$ 625,293</u>	<u>\$ 2,308,156</u>	<u>\$ 298,958</u>	<u>\$ 73,086</u>	<u>\$ 372,044</u>	<u>\$ 2,680,200</u>

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,217,199	\$ 1,612,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	163,913	161,014
Unrealized and realized losses (gains) on investments	333,880	(719,883)
Contributions designated for collection items	10,392	4,878
Contributions restricted for long-term investments	(16,100)	(133,664)
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	193,334	(120,673)
(Increase) decrease in accounts receivable	(8,740)	71,563
(Increase) decrease in prepaid expenses	(8,046)	17,873
Decrease (increase) in inventory	12	(728)
Increase in accounts payable	102,009	40,935
(Decrease) increase in accrued expenses	(53,430)	66,465
(Decrease) increase in deferred revenues	(102,776)	165,551
Net cash provided by operating activities	<u>1,831,647</u>	<u>1,166,046</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of collection items	(10,392)	(4,878)
Purchase of land, building and equipment	(75,902)	(6,005)
Purchase of construction in progress	(2,763,314)	(389,198)
Purchase of investments	(493,701)	(790,086)
Proceeds from sale of investments	499,787	454,205
Net cash (used in) investing activities	<u>(2,843,522)</u>	<u>(735,962)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	16,100	133,664
Proceeds from line of credit	500,000	-
Proceeds from note payable	241,175	-
Net cash provided by financing activities	<u>757,275</u>	<u>133,664</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(254,600)	563,748
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,235,513</u>	<u>2,671,765</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,980,913</u>	<u>\$ 3,235,513</u>
SUPPLEMENTAL DATA FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of construction in progress from construction payable	<u>\$ 149,993</u>	<u>\$ 77,390</u>

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Georgia Historical Society, Inc. (GHS) is a not-for-profit corporation organized under the laws of the State of Georgia that is the premier independent statewide institution responsible for collecting, examining, and teaching Georgia history. GHS houses the oldest and most distinguished collection of materials related exclusively to Georgia history in the nation.

Founded in 1839, GHS is the oldest continuously operated historical society in the South. As an educational and research institution, GHS teaches Georgia history through a variety of educational programs, scholarly publications, and research services.

Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of GHS.

GHS presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, GHS is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions consists of net assets that are not subject to donor-imposed stipulations, which are used to account for resources available to carry out the purposes of GHS. The principal sources of funds generated for net assets without donor restrictions are contributions and program revenues. Board designated net assets are without donor restriction but are designated by the Board to be spent for specific purposes.

Net assets with donor restrictions consists of net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

GHS prepares its financial statements in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, GHS uses various methods including market, income and cost approaches. Based on these approaches, GHS often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

GHS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, GHS is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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 GHS 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.

For the fiscal years ended June 30, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Contributions, Promises to Give, and Donated Services

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases net asset class. When a restriction expires, or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as support without donor restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support.

Unconditional promises to give are recorded when received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the contributions are to be received. When considered necessary, an allowance is recorded based on management estimate of uncollectibility including such factors as prior collection history, type of contribution, and the nature of the fund-raising activity.

Contributed and discounted services are recorded by GHS when these services create or enhance financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Membership Dues

Membership dues from GHS's members are recognized on the accrual basis. Membership dues are good for one year from the date of purchase.

Inventory

Inventories are stated at the lower of cost or market and determined by the first-in, first-out method. Inventories consist of reproductions of maps and prints, educational books, other items for sale, and office supplies used in general and administrative operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Investments – Endowment & Endowment Trust Fund

Investments in debt and equity securities that have readily determinable market values are accounted for and reported at fair value. Investments received by gift are initially recorded at fair market value at the date of acquisition, and adjusted for changes in fair value. GHS classifies its debt and equity securities as trading securities. Trading securities are bought and held principally for the purpose of generating operating income. Proceeds from the sale of trading securities appropriated for expenditure by the Board are reported as operating activities in the statement of cash flows.

Dividend, interest, and other investment income are reported in the period earned as increases in without donor restrictions net assets, unless the use of the assets is limited by donor-imposed restrictions, in which case they are reported as increases in with donor restrictions net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in without donor restrictions net assets unless their use is with donor restriction by explicit donor stipulation or law.

Permanent Collections

GHS's collections are primarily related to the library and archives collection. In conformity with industry practice, museum artifacts and records and documents purchased or donated are not recorded as assets in the accompanying statement of financial position. Even though not reflected in the financial statements, GHS's collections represent one of its most valuable assets. GHS receives numerous donations of research materials and artifacts annually to add to its collection. Purchases of collection items are reported as decreases in net assets without donor restrictions or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors.

Any proceeds from sales of artifacts or collection items or insurance recoveries are reflected as increases in the appropriate class of net assets.

Permanent collection items are numbered and catalogued in a continuous inventory and are maintained for its inherent historical, cultural, and educational value.

Land, Buildings and Equipment

Expenditures for the acquisition of land, buildings, and equipment are capitalized at cost when the cost exceeds \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Planned major maintenance activities which significantly extend the useful life of the asset are capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Deferred Revenue and Accounts Receivable

GHS defers grant advance payments until the agreed upon services are performed. Also, GHS defers conditional contributions that have been pledged or paid in advance until the agreed upon conditions have been performed. In addition, GHS defers membership dues pledged or received during 2020 and 2019 for the following fiscal years. The majority of accounts receivable is made up of future membership dues that have been pledged by current members.

Income Tax Status

GHS is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended. Accordingly, no provision for income taxes has been made in these financial statements.

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by GHS in its federal exempt organization tax returns are more likely-than-not to be sustained upon examination.

GHS files Form 990 in the U.S. federal jurisdiction and the state of Georgia.

Functional Allocation of Expenses

GHS reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, auto expense, bank charges, consultants, dues and subscriptions, food and lodging, legal fees, office equipment, office insurance, office building/ground, office space rental, office supplies, postage and delivery, printing, design, and casting, rental, space and catering, telephone, travel, and depreciation are allocated on the basis of estimates of time and effort.

New Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgments and estimates and provide expanded disclosures about revenue.

For the year ending June 30, 2020, GHS adopted ASU 2014-09 and has adjusted the presentation in these financial statements accordingly. The adoption of ASU 2014-09 did not have an impact on the timing of revenue recognition. GHS recognizes membership dues, merchandise sales and usage fees, record storage income, and registration fees in accordance with ASC Topic 606. Merchandise sales and usage fees, record storage income, and registration fee revenues are recognized at the time the transaction is executed, as that is the point in time GHS fulfills the members and/or customer's request. Membership dues revenue are earned over the course of the membership period, representing the period over which GHS satisfies the performance obligation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

For the year ending June 30, 2020, GHS adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. GHS recognizes contributions and grant revenue in the accompanying statements of activities in accordance with ASC Topic 958. The adoption of ASU 2018-08 did not have an impact on the timing of revenue recognition of contributions.

NOTE 2. LIQUIDITY AND AVAILABILITY

GHS manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of GHS are expected to be met on a monthly basis from the program service revenues generated and contributions. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date of June 30, 2020 and 2019, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 2,840,105	\$ 1,901,697
Unconditional promises to give, net	43,393	504,022
Accounts receivable	121,000	112,260
Endowment spending rate distributions and appropriations	492,810	449,376
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 3,497,308	\$ 2,967,355

Endowment funds consist of donor-restricted endowments and funds designated by the board as the endowment trust fund (quasi-endowments). Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As of June 30, 2020 and 2019, the endowment trust fund of \$9,278,530 and \$9,492,667, respectively, is subject to an annual spending rate generally not to exceed 5% percent as described in Note 10. Although GHS does not intend to spend from this endowment trust fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2020 and 2019, unconditional promises to give consisted of the following:

	2020	2019
Without donor restrictions	\$ 1,408,750	\$ 1,568,250
With donor restrictions (purpose and time)	2,427,810	2,461,644
Unconditional promises to give before discount and allowance for uncollectible pledges	3,836,560	4,029,894
Less unamortized discount	64,610	64,610
Subtotal	3,771,950	3,965,284
Less allowance for uncollectible pledges	70,357	70,357
	\$ 3,701,593	\$ 3,894,927
	2020	2019
Amount due in:		
Less than one year	\$ 2,898,561	\$ 2,731,250
One to five years	912,999	1,261,144
Thereafter	25,000	37,500
Total	\$ 3,836,560	\$ 4,029,894

Discount rate used was 2.00 percent as a risk-free interest rate (approximately reflects the 90 day U.S. treasury bill-rate) at June 30, 2020 and 2019.

NOTE 4. INVESTMENTS - ENDOWMENT

The following table sets forth by level, within the fair value hierarchy, GHS's investments-endowment at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 184,714	\$ -	\$ -	\$ 184,714
Equity securities	10,221,957	-	-	10,221,957
Fixed income securities	1,467,596	-	-	1,467,596
Total investments at fair value	\$ 11,874,267	\$ -	\$ -	\$ 11,874,267

The following table sets forth by level, within the fair value hierarchy, GHS's investments-endowment at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 743,539	\$ -	\$ -	\$ 743,539
Equity securities	8,122,134	-	-	8,122,134
Fixed income securities	3,348,560	-	-	3,348,560
Total investments at fair value	\$ 12,214,233	\$ -	\$ -	\$ 12,214,233

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS – ENDOWMENT (Continued)

For the years ending June 30, 2020 and 2019, investment fees related to investment-endowment and endowment trust fund fees totaled \$96,454 and \$90,446, respectively.

NOTE 5. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2020 and 2019, consists of the following:

	Life	2020	2019
Land	-	\$ 855,000	\$ 855,000
Construction in progress	-	3,283,306	519,992
Buildings and building improvements	5-50	5,689,626	5,684,826
Furniture, fixtures, and equipment	3-10	705,552	634,450
Research Center acquisitions	3-10	25,524	25,524
		10,559,008	7,719,792
Less accumulated depreciation		(3,263,743)	(3,099,830)
		\$ 7,295,265	\$ 4,619,962

Depreciation expense totaled \$163,913 and \$161,014 for the years ending June 30, 2020 and 2019, respectively.

NOTE 6. LINE OF CREDIT

In December 2019, GHS entered into a secured line of credit of \$2,000,000 with a financial institution to obtain bridge financing for the Research Center renovation project until the capital campaign unconditional promises to give are received. The line of credit bears interest at the 30 day LIBOR plus 1.80% (1.99 at June 30, 2020), and matures in December 2021. As of June 30, 2020, there was an outstanding balance of \$500,000, and a remaining available balance of \$1,500,000 on the line of credit. The line of credit is secured by real property.

NOTE 7. NOTE PAYABLE

On April 28, 2020, GHS qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, from a qualified lender for an aggregate principal amount of \$241,175 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years (matures on April 28, 2022), and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon GHS's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred. In 2021, GHS has applied for forgiveness of the PPP Loan with respect to these covered expenses. GHS expects the PPP loan to be fully forgiven under the terms of the program.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose or time-restricted for future periods:		
Education & Outreach	\$ 2,603	\$ 4,166
Endowed Position (“Director of Programs”)	(701)	16,237
Next Century Initiative – capital campaign	952,807	2,167,149
Research Center	145,037	197,212
Vincent J. Dooley Distinguished Fellow program	(35,215)	31,210
Restricted by time – multi-year promises to give	1,615,811	1,628,311
Total subject to expenditure for specified purpose or time-restricted for future periods:	2,680,342	4,044,285
Perpetual in nature:		
Education & Outreach	25,000	25,000
Endowed Position (“Director of Programs”)	1,000,000	1,000,000
Research Center	1,000,000	1,000,000
Vincent J. Dooley Distinguished Fellow program	1,209,013	1,192,913
Total perpetual in nature:	3,243,013	3,217,913
Total net assets with donor restrictions:	\$ 5,914,355	\$ 7,262,198
	2020	2019
Subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 140,808	\$ 1,333,816
Unconditional promises to give, net	2,427,810	2,461,644
Investments - endowment	111,724	248,825
Total subject to expenditure for specified purpose:	2,680,342	4,044,285
Perpetual in nature:		
Unconditional promises to give, net	750,000	750,000
Investments - endowment	2,484,013	2,467,913
Total perpetual in nature:	3,234,013	3,217,913
Total net assets with donor restrictions:	\$ 5,914,355	\$ 7,262,198

NOTES TO FINANCIAL STATEMENTS

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purpose specified by donees as follows:

Purpose restrictions accomplished:

	<u>2020</u>	<u>2019</u>
Education & Outreach	\$ 1,197	\$ 1,122
Endowed Position (“Director of Programs”)	12,980	12,169
Next Century Initiative – capital campaign	2,707,378	441,851
Research Center	37,924	35,555
Vincent J. Dooley Distinguished Fellows program	50,904	45,176
Restricted by time – multi-year promises to give	37,500	-
	<u>\$ 2,847,883</u>	<u>\$ 535,873</u>

NOTE 10. ENDOWMENT

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Curators of GHS, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of GHS and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, GHS classifies net assets with donor restrictions perpetual in nature at the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions perpetual in nature is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift values of \$1,509,013, fair values of \$1,473,096, and deficiencies of \$35,917 were reported in net assets with donor restrictions. At June 30, 2019, the Foundation did not have any deficiencies in the endowment.

Return Objectives and Risk Parameters

GHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENT (Continued)

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Endowment Trust, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, GHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GHS targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

GHS's Endowment Trust determines the method to be used to appropriate endowment funds for expenditure. GHS has a spending policy whereby 5% of its endowment fund's prior 3 year rolling fair value average may be distributed for purposes of supporting without and with donor restriction activities.

GHS's Endowment Trust reviews spending policies annually and approve distributions they deem to be prudent.

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2020 are:

Endowment Net Asset Composition by Type of Fund as of June 30, 2020				
Endowment				
<i>(With Donor Restrictions)</i>				
	Endowment Trust Fund <i>(Without Donor Restrictions)</i>	Accumulated investment gains	Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	Total
Donor-restricted endowment funds	\$ -	\$ 111,724	\$ 2,484,013	\$ 2,595,737
Endowment trust fund	9,278,530	-	-	9,278,530
	<u>\$ 9,278,530</u>	<u>\$ 111,724</u>	<u>\$ 2,484,013</u>	<u>\$ 11,874,267</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENT (Continued)

The Changes in Endowment Net Asset for the year ended June 30, 2020 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2020			Total
	Endowment Trust Fund (Without Donor Restrictions)	Endowment (With Donor Restrictions) Accumulated investment gains	Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	
Endowment net assets, beginning of year	\$ 9,497,495	\$ 248,825	\$ 2,467,913	\$ 12,214,233
Investment return:				
Investment income, net of investment fees	133,482	37,618	-	171,100
Net appreciation (realized and unrealized)	(262,165)	(71,714)	-	(333,879)
Total investment return	(128,683)	(34,096)	-	(162,779)
Contributions	306,500	-	16,100	322,600
Distributions	(6,977)	-	-	(6,977)
Appropriation of endowment assets for expenditure	(389,805)	(103,005)	-	(492,810)
Endowment net assets, end of year	\$ 9,278,530	\$ 111,724	\$ 2,484,013	\$ 11,874,267

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2019 are:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019			Total
	Endowment Trust Fund (Without Donor Restrictions)	Endowment (With Donor Restrictions) Accumulated investment gains	Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	
Donor-restricted endowment funds	\$ -	\$ 248,825	\$ 2,467,913	\$ 2,716,738
Endowment trust fund	9,497,495	-	-	9,497,495
	\$ 9,497,495	\$ 248,825	\$ 2,467,913	\$ 12,214,233

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENT (Continued)

The Changes in Endowment Net Asset for the year ended June 30, 2019 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2019			Total
	Endowment Trust Fund (Without Donor Restrictions)	Accumulated investment gains	Endowment (With Donor Restrictions) Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	
Endowment net assets, beginning of year	\$ 8,866,178	\$ 150,218	\$ 2,142,073	\$ 11,158,469
Investment return:				
Investment income, net of investment fees	132,365	36,689	-	169,054
Net appreciation (realized and unrealized)	563,944	155,940	-	719,884
Total investment return	696,309	192,629	-	888,938
Contributions	295,191	-	325,840	621,031
Change in donor intent	(4,829)	-	-	(4,829)
Appropriation of endowment assets for expenditure	(355,354)	(94,022)	-	(449,376)
Endowment net assets, end of year	\$ 9,497,495	\$ 248,825	\$ 2,467,913	\$ 12,214,233

NOTE 11. GRANTS AND CONTRACT REVENUES

GHS received grant and contract revenues for the years ended June 30, 2020 and 2019 as follows:

	2020	2019
GA Department of Economic Development	\$ 170,850	\$ 256,250
	\$ 170,850	\$ 256,250

NOTE 12. RETIREMENT PLAN

GHS sponsors a defined contribution plan and employees are eligible to participate upon beginning employment with GHS. The plan qualifies as tax exempt under Section 403(b) of the Internal Revenue Code. In addition, GHS sponsors an Executive 457(b) retirement plan. Under this plan, a select group of management employees can defer compensation on a pre-tax basis. Retirement plan expense totaled \$70,210 and \$66,803 for the years ending June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. LEASES

In 2019, GHS leased office equipment, video surveillance equipment, a vehicle, and office space under non-cancelable operating leases with varying terms through October 2022. In 2020, GHS leased an office copier under non-cancelable operating leases with terms through August 2024. Rent expense under these leases was \$26,713 and \$31,845 for the years ended June 30, 2020 and 2019, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of June 30, 2019 are:

Year ending June 30,	
2021	\$ 18,156
2022	18,552
2023	8,520
2024	5,040
2025	420
Total minimum future rental payments	<u>\$ 50,688</u>

NOTE 14. RELATED PARTY TRANSACTIONS

The Georgia Historical Society's Endowment Trust Fund was established in 1973 and is administered by GHS's Endowment Trust, and is considered a related party due to some common board members. The fund was originated as a means of providing financial security for GHS. A portion of the investment income generated by this fund is transferred to the operating fund to assist in paying current expenditures.

NOTE 15. EFFECTS OF COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which likely negatively impact the change in net assets. Other financial impacts could occur though the extent of potential impact is unknown at this time.

NOTE 16. SUBSEQUENT EVENTS

GHS has evaluated subsequent events occurring through January 14, 2021, the date on which the financial statements were available to be issued.