

*G*EOORGIA HISTORICAL SOCIETY



FINANCIAL REPORT

JUNE 30, 2015

GEORGIA HISTORICAL SOCIETY

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JUNE 30, 2015**

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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. (the "Society") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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
December 22, 2015

GEORGIA HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

| ASSETS | | |
|---|---------------|---------------|
| | 2015 | 2014 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 679,575 | \$ 980,663 |
| Unconditional promises to give, net | 778,033 | 627,786 |
| Accounts receivable | 290,286 | 349,179 |
| Prepaid expenses | 24,335 | 17,639 |
| Inventory | 33,785 | 34,009 |
| Total current assets | 1,806,014 | 2,009,276 |
| OTHER ASSETS | | |
| Investments - endowment & endowment trust fund | 8,198,104 | 8,040,125 |
| Unconditional promises to give, net | 275,987 | 555,856 |
| Total other assets | 8,474,091 | 8,595,981 |
| PERMANENT COLLECTIONS, See Note 1 | - | 59,225 |
| LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation | 4,690,058 | 1,296,724 |
| CONSTRUCTION IN PROGRESS | - | 3,230,199 |
| TOTAL ASSETS | \$ 14,970,163 | \$ 15,191,405 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 44,706 | \$ 181,223 |
| Accrued expenses | 40,474 | 63,040 |
| Deferred revenues | 942,986 | 797,394 |
| Total current liabilities | 1,028,166 | 1,041,657 |
| LONG-TERM NOTE PAYABLE | 93,014 | 337,604 |
| Total liabilities | 1,121,180 | 1,379,261 |
| NET ASSETS | | |
| Unrestricted: | | |
| Endowment trust fund | 7,336,035 | 7,078,482 |
| Undesignated | 5,650,879 | 5,400,286 |
| Total unrestricted | 12,986,914 | 12,478,768 |
| Temporarily restricted | 87,069 | 558,376 |
| Permanently restricted | 775,000 | 775,000 |
| Total net assets | 13,848,983 | 13,812,144 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 14,970,163 | \$ 15,191,405 |

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| OPERATING ACTIVITIES | | | | |
| Revenues and other support: | | | | |
| Contributions and grants | \$ 1,778,729 | \$ - | \$ - | \$ 1,778,729 |
| In-kind donations | 6,873 | - | - | 6,873 |
| Membership dues | 263,390 | - | - | 263,390 |
| Merchandise sales and usage fees | 44,028 | - | - | 44,028 |
| Record storage income | 11,856 | - | - | 11,856 |
| Registration | 52,325 | - | - | 52,325 |
| (Loss) on property and equipment disposals | - | - | - | - |
| Total revenues | <u>2,157,201</u> | <u>-</u> | <u>-</u> | <u>2,157,201</u> |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 488,429 | (488,429) | - | - |
| Total revenues and other support | <u>2,645,630</u> | <u>(488,429)</u> | <u>-</u> | <u>2,157,201</u> |
| Expenses | | | | |
| Program services: | | | | |
| Membership | 194,705 | - | - | 194,705 |
| Publications | 164,613 | - | - | 164,613 |
| Education and Outreach | 1,104,193 | - | - | 1,104,193 |
| Research Center | 361,027 | - | - | 361,027 |
| Total program services | <u>1,824,538</u> | <u>-</u> | <u>-</u> | <u>1,824,538</u> |
| Supporting services: | | | | |
| Management and general | 286,290 | - | - | 286,290 |
| Development | 86,126 | - | - | 86,126 |
| Total supporting services | <u>372,416</u> | <u>-</u> | <u>-</u> | <u>372,416</u> |
| Total expenses | <u>2,196,954</u> | <u>-</u> | <u>-</u> | <u>2,196,954</u> |
| Total operating activities | <u>448,676</u> | <u>(488,429)</u> | <u>-</u> | <u>(39,753)</u> |
| NON-OPERATING ACTIVITIES | | | | |
| Investment income | 18,825 | - | - | 18,825 |
| Investment income from the endowment, net | 127,428 | 17,122 | - | 144,550 |
| Total non-operating activities | <u>146,253</u> | <u>17,122</u> | <u>-</u> | <u>163,375</u> |
| Change in net assets before changes related to collection items not capitalized | 594,929 | (471,307) | - | 123,622 |
| Change in net assets related to collection items: | | | | |
| Purchase of collection items | (27,558) | - | - | (27,558) |
| Removal of collection items that were previously capitalized, See Note 1 | (59,225) | - | - | (59,225) |
| | <u>(86,783)</u> | <u>-</u> | <u>-</u> | <u>(86,783)</u> |
| CHANGE IN NET ASSETS | 508,146 | (471,307) | - | 36,839 |
| NET ASSETS, beginning of year | <u>12,478,768</u> | <u>558,376</u> | <u>775,000</u> | <u>13,812,144</u> |
| NET ASSETS, end of year | <u>\$ 12,986,914</u> | <u>\$ 87,069</u> | <u>\$ 775,000</u> | <u>\$ 13,848,983</u> |

See Notes to Financial Statements.

| 2014 | | | |
|----------------------|---------------------------|---------------------------|----------------------|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| \$ 1,459,683 | \$ 101,200 | \$ - | \$ 1,560,883 |
| 7,868 | - | - | 7,868 |
| 277,340 | - | - | 277,340 |
| 46,366 | - | - | 46,366 |
| 11,822 | - | - | 11,822 |
| 73,670 | - | - | 73,670 |
| (1,250) | - | - | (1,250) |
| <u>1,875,499</u> | <u>101,200</u> | <u>-</u> | <u>1,976,699</u> |
| 795,000 | (795,000) | - | - |
| <u>2,670,499</u> | <u>(693,800)</u> | <u>-</u> | <u>1,976,699</u> |
| 210,034 | - | - | 210,034 |
| 176,477 | - | - | 176,477 |
| 999,258 | - | - | 999,258 |
| 343,373 | - | - | 343,373 |
| <u>1,729,142</u> | <u>-</u> | <u>-</u> | <u>1,729,142</u> |
| 258,451 | - | - | 258,451 |
| 74,686 | - | - | 74,686 |
| <u>333,137</u> | <u>-</u> | <u>-</u> | <u>333,137</u> |
| <u>2,062,279</u> | <u>-</u> | <u>-</u> | <u>2,062,279</u> |
| 608,220 | (693,800) | - | (85,580) |
| 30,406 | - | - | 30,406 |
| 968,457 | 82,421 | - | 1,050,878 |
| <u>998,863</u> | <u>82,421</u> | <u>-</u> | <u>1,081,284</u> |
| 1,607,083 | (611,379) | - | 995,704 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1,607,083 | (611,379) | - | 995,704 |
| <u>10,871,685</u> | <u>1,169,755</u> | <u>775,000</u> | <u>12,816,440</u> |
| <u>\$ 12,478,768</u> | <u>\$ 558,376</u> | <u>\$ 775,000</u> | <u>\$ 13,812,144</u> |

GEORGIA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

| | Program Expenses | | | | | | Supporting Activities | | | Total |
|---|-------------------|-------------------|------------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------|
| | Membership | Publication | Education and Outreach | Research Center | Total Program Expenses | Management and General | Development | Supporting Activities | | |
| | | | | | | | | Total | Activities | |
| Salaries | 98,643 | 78,154 | 515,558 | 208,230 | 900,585 | 175,365 | 55,008 | 230,373 | 1,130,958 | |
| Employee benefits | 26,749 | 19,470 | 119,140 | 45,639 | 210,998 | 21,629 | 9,520 | 31,149 | 242,147 | |
| Total salaries and related expenses | <u>125,392</u> | <u>97,624</u> | <u>634,698</u> | <u>253,869</u> | <u>1,111,583</u> | <u>196,994</u> | <u>64,528</u> | <u>261,522</u> | <u>1,373,105</u> | |
| Accounting fees | - | - | - | - | - | 12,800 | - | 12,800 | 12,800 | |
| Auto expense | 1,212 | 960 | 6,335 | 2,559 | 11,066 | 2,155 | 676 | 2,831 | 13,897 | |
| Bank charges | 298 | 236 | 3,528 | 629 | 4,691 | 530 | 166 | 696 | 5,387 | |
| Consultants | 4,219 | 8,631 | 47,848 | 6,930 | 67,628 | 3,884 | 1,218 | 5,102 | 72,730 | |
| Dues and subscriptions | 637 | 346 | 12,966 | 2,283 | 16,232 | 775 | 243 | 1,018 | 17,250 | |
| Food and lodging | 4,600 | 25 | 11,266 | 507 | 16,398 | 1,635 | - | 1,635 | 18,033 | |
| Legal fees | - | - | 1,430 | 1,450 | 2,880 | 578 | - | 578 | 3,458 | |
| Office equipment | 1,811 | 1,435 | 10,444 | 25,805 | 39,495 | 3,217 | 1,010 | 4,227 | 43,722 | |
| Office insurance | 2,549 | 2,020 | 13,324 | 5,382 | 23,275 | 4,532 | 1,422 | 5,954 | 29,229 | |
| Office building/ground | 8,872 | 7,030 | 46,372 | 20,719 | 82,993 | 15,773 | 4,948 | 20,721 | 103,714 | |
| Office space rental | 315 | 250 | 1,648 | 665 | 2,878 | 560 | 176 | 736 | 3,614 | |
| Office supplies | 1,984 | 966 | 10,914 | 5,430 | 19,294 | 2,174 | 680 | 2,854 | 22,148 | |
| Outreach | 800 | - | 40,265 | - | 41,065 | - | - | - | 41,065 | |
| Postage and delivery | 4,574 | 6,193 | 5,747 | 2,365 | 18,879 | 587 | 33 | 620 | 19,499 | |
| Printing, design and reproduction | 8,035 | 27,537 | 87,681 | 898 | 124,151 | 7,297 | 3,031 | 10,328 | 134,479 | |
| Rental, space and catering | 12,781 | - | 83,489 | 150 | 96,420 | 128 | - | 128 | 96,548 | |
| Telephone | 828 | 512 | 4,249 | 1,364 | 6,953 | 1,148 | 360 | 1,508 | 8,461 | |
| Travel | 2,107 | - | 10,431 | 1,120 | 13,658 | 7,184 | - | 7,184 | 20,842 | |
| Total expenses before depreciation and interest | <u>181,014</u> | <u>153,765</u> | <u>1,032,635</u> | <u>332,125</u> | <u>1,699,539</u> | <u>261,951</u> | <u>78,491</u> | <u>340,442</u> | <u>2,039,981</u> | |
| Interest | 881 | 698 | 4,604 | 1,860 | 8,043 | 1,566 | 491 | 2,057 | 10,100 | |
| Depreciation | <u>12,810</u> | <u>10,150</u> | <u>66,954</u> | <u>27,042</u> | <u>116,956</u> | <u>22,773</u> | <u>7,144</u> | <u>29,917</u> | <u>146,873</u> | |
| Total expenses | <u>\$ 194,705</u> | <u>\$ 164,613</u> | <u>\$ 1,104,193</u> | <u>\$ 361,027</u> | <u>\$ 1,824,538</u> | <u>\$ 286,290</u> | <u>\$ 86,126</u> | <u>\$ 372,416</u> | <u>\$ 2,196,954</u> | |

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

| | Program Expenses | | | | | Supporting Activities | | | Total |
|-------------------------------------|-------------------|-------------------|------------------------|-------------------|------------------------|------------------------|------------------|-----------------------|---------------------|
| | Membership | Publication | Education and Outreach | Research Center | Total Program Expenses | Management and General | Development | Supporting Activities | |
| Salaries | \$ 111,278 | \$ 86,582 | \$ 457,617 | \$ 207,585 | \$ 863,062 | \$ 156,088 | \$ 44,328 | \$ 200,416 | \$ 1,063,478 |
| Employee benefits | 25,652 | 19,416 | 102,946 | 44,667 | 192,681 | 20,460 | 11,107 | 31,567 | 224,248 |
| Total salaries and related expenses | <u>136,930</u> | <u>105,998</u> | <u>560,563</u> | <u>252,252</u> | <u>1,055,743</u> | <u>176,548</u> | <u>55,435</u> | <u>231,983</u> | <u>1,287,726</u> |
| Accounting fees | - | - | - | - | - | 13,800 | - | 13,800 | 13,800 |
| Auto expense | 1,317 | 1,025 | 5,415 | 2,456 | 10,213 | 1,847 | 525 | 2,372 | 12,585 |
| Bank charges | 336 | 261 | 3,805 | 627 | 5,029 | 471 | 134 | 605 | 5,634 |
| Consultants | 7,094 | 11,028 | 68,270 | 2,746 | 89,138 | 1,402 | 398 | 1,800 | 90,938 |
| Dues and subscriptions | 1,981 | 962 | 12,623 | 3,198 | 18,764 | 1,459 | 439 | 1,898 | 20,662 |
| Food and lodging | 4,367 | 489 | 15,482 | 2,376 | 22,694 | 4,196 | 1,874 | 6,070 | 28,764 |
| Legal fees | - | - | 6,353 | 445 | 6,798 | 13,164 | - | 13,164 | 19,962 |
| Office equipment | 2,622 | 1,900 | 14,239 | 24,825 | 43,586 | 3,425 | 2,268 | 5,693 | 49,279 |
| Office insurance | 3,226 | 2,510 | 13,267 | 6,018 | 25,021 | 4,525 | 1,285 | 5,810 | 30,831 |
| Office building/ground | 14,207 | 11,054 | 58,770 | 28,711 | 112,742 | 19,928 | 5,659 | 25,587 | 138,329 |
| Office space rental | 490 | 381 | 2,013 | 913 | 3,797 | 687 | 195 | 882 | 4,679 |
| Office supplies | 3,927 | 745 | 6,281 | 3,894 | 14,847 | 1,344 | 382 | 1,726 | 16,573 |
| Outreach | - | - | 33,606 | - | 33,606 | 450 | - | 450 | 34,056 |
| Postage and delivery | 5,563 | 5,158 | 6,486 | 477 | 17,684 | 1,346 | 310 | 1,656 | 19,340 |
| Printing, design and reproduction | 9,821 | 30,535 | 50,720 | 1,693 | 92,769 | 2,433 | 3,423 | 5,856 | 98,625 |
| Rental, space and catering | 11,305 | 34 | 102,264 | - | 113,603 | 100 | - | 100 | 113,703 |
| Telephone | 871 | 579 | 4,014 | 1,403 | 6,867 | 1,043 | 296 | 1,339 | 8,206 |
| Travel | 1,045 | - | 14,803 | 2,138 | 17,986 | 3,365 | 98 | 3,463 | 21,449 |
| Total expenses before depreciation | 205,102 | 172,639 | 978,974 | 334,172 | 1,690,887 | 251,533 | 72,721 | 324,254 | 2,015,141 |
| Depreciation | 4,932 | 3,838 | 20,284 | 9,201 | 38,255 | 6,918 | 1,965 | 8,883 | 47,138 |
| Total expenses | <u>\$ 210,034</u> | <u>\$ 176,477</u> | <u>\$ 999,258</u> | <u>\$ 343,373</u> | <u>\$ 1,729,142</u> | <u>\$ 258,451</u> | <u>\$ 74,686</u> | <u>\$ 333,137</u> | <u>\$ 2,062,279</u> |

See Notes to Financial Statements.

GEORGIA HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 36,839 | \$ 995,704 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 146,873 | 47,138 |
| Unrealized and realized (gains) on investments | (26,525) | (926,197) |
| Loss on building and equipment disposal | - | 1,250 |
| Contributions designated for collection items | 27,558 | - |
| Removal of collection items that were previously capitalized | 59,225 | - |
| Changes in assets and liabilities: | | |
| Decrease in unconditional promises to give | 129,622 | 281,942 |
| Decrease in accounts receivable | 58,893 | 148,327 |
| (Increase) decrease in prepaid expenses | (6,696) | 228 |
| Decrease in inventory | 224 | 194 |
| Increase (decrease) in accounts payable | (136,517) | 112,681 |
| Increase (decrease) in accrued expenses | (22,566) | 33,653 |
| Increase (decrease) in deferred revenues | 145,592 | (145,426) |
| Net cash provided by operating activities | 412,522 | 549,494 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of collection items | (27,558) | - |
| Purchase of land, building and equipment | (117,777) | (68,028) |
| Purchase of construction in progress | (192,231) | (1,042,170) |
| Purchase of investments | (614,200) | (396,610) |
| Proceeds from sale of investments | 482,746 | 299,965 |
| Net cash (used in) investing activities | (469,020) | (1,206,843) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of note payable | (244,590) | (110,001) |
| Net cash (used in) financing activities | (244,590) | (110,001) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (301,088) | (767,350) |
| CASH AND CASH EQUIVALENTS, beginning of year | 980,663 | 1,748,013 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 679,575 | \$ 980,663 |

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. (the "Society") 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. The Society houses the oldest and most distinguished collection of materials related exclusively to Georgia history in the nation.

Founded in 1839, the Society is the oldest continuously operated historical society in the South. As an educational and research institution, the Society 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 the Society.

The Society presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Society is required to report information regarding its financial position and activities according to three categories of net assets:

Unrestricted net assets – Funds that are not subject to donor-imposed stipulations which are used to account for resources available to carry out the purposes of the Society in accordance with the limitations of its charter and bylaws.

Temporarily restricted net assets – Funds currently available for use, but expendable only for purposes specified by the donor or grantor. Such resources originate from grants and contributions restricted for specific purposes. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Furthermore, the Society has established a policy stating that if temporarily restricted funds are spent within the year received, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets – Funds that have been restricted by donors to be maintained by the Society in perpetuity. Unless explicitly stated in the gift instrument accumulated investment income and realized and unrealized gains of the permanent endowment funds have been classified as temporarily restricted net assets.

NOTES TO FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Use of Estimates

The Society 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.

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, the Society uses various methods including market, income and cost approaches. Based on these approaches, the Society 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.

The Society 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, the Society 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.

NOTES TO FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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 the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the fiscal years ended June 30, 2015 and 2014, 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.

Contributions, Promises to Give, and Donated Services

All contributions are considered to be available for unrestricted use 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support. 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.

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 (Continued)

Contributed and discounted services are recorded by the Society 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 the Society'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.

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. The Society 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 unrestricted net assets, unless the use of the assets is limited by donor-imposed restrictions, in which case they are reported as increases in temporarily restricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulation or law.

NOTES TO FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Permanent Collections

The Society'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, the Society's collections represent one of its most valuable assets. The Society receives numerous donations of research materials and artifacts annually to add to its collection. Purchases of collection items are reported as decreases in unrestricted net assets or as decreases in temporarily restricted net assets if the assets used to purchase the items were restricted by donors. During 2015, the Society has expensed \$59,225 of collection items that were capitalized in prior years to more accurately reflect its current collection policy whereby such items are not capitalized.

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 is 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 computed using the straight-line method over the useful lives of the assets, which are: equipment and fixtures – 5 to 10 years; buildings 50 years; and building renovation & improvements – 5 to 25 years. Planned major maintenance activities which significantly extend the useful life of the asset are capitalized.

Deferred Revenue and Accounts Receivable

The Society defers grant advance payments until the agreed upon services are performed. Also, the Society defers conditional contributions that have been pledged or paid in advance until the agreed upon conditions have been performed. In addition, the Society defers membership dues pledged or received during 2015 and 2014 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 Exemption

The Society 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 the Society in its federal exempt organization tax returns are more likely-than-not to be sustained upon examination.

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

NOTES TO FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by FASB's *Not-for-Profit* presentation and disclosure guidance.

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2015 and 2014, unconditional promises to give consisted of the following:

| | 2015 | 2014 |
|---|--------------|--------------|
| Unrestricted pledges | \$ 1,140,890 | \$ 843,336 |
| Donor-restricted for specific purpose pledges | - | 451,000 |
| Unconditional promises to give before discount and allowance for uncollectible pledges | 1,140,890 | 1,294,336 |
| Less unamortized discount | 11,513 | 11,844 |
| Subtotal | 1,129,377 | 1,282,492 |
| Less allowance for uncollectible pledges | 75,357 | 98,850 |
| | \$ 1,054,020 | \$ 1,183,642 |
| | 2015 | 2014 |
| Amount due in: | | |
| Less than one year | \$ 853,390 | \$ 337,436 |
| One to five years | 287,500 | 956,900 |
| Total | \$ 1,140,890 | \$ 1,294,336 |

Discount rate used was 2.10 percent as a risk-free interest rate (approximately reflects the 5-year treasury bill-rate).

NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS - ENDOWMENT

The following table sets forth by level, within the fair value hierarchy, the Society's investments-endowment at fair value as of June 30, 2015:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------|---------------------|----------------|----------------|---------------------|
| Money market funds | \$ 923,893 | \$ - | \$ - | \$ 923,893 |
| Equity securities | 5,226,881 | - | - | 5,226,881 |
| Fixed income securities | 2,047,330 | - | - | 2,047,330 |
| Total investments at fair value | <u>\$ 8,198,104</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,198,104</u> |

The following table sets forth by level, within the fair value hierarchy, the Society's investments-endowment at fair value as of June 30, 2014:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------|---------------------|----------------|----------------|---------------------|
| Money market funds | \$ 1,191,307 | \$ - | \$ - | \$ 1,191,307 |
| Equity securities | 4,939,692 | - | - | 4,939,692 |
| Fixed income securities | 1,909,126 | - | - | 1,909,126 |
| Total investments at fair value | <u>\$ 8,040,125</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,040,125</u> |

For the years ending June 30, 2015 and 2014, investment fees related to investment-endowment and endowment trust fund fees totaled \$64,266 and \$62,913, respectively.

NOTE 4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2015 and 2014, consists of the following:

| | <u>Life</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------|---------------------|---------------------|
| Land | - | \$ 855,000 | \$ 855,000 |
| Construction in progress | - | - | 3,230,199 |
| Buildings and building improvements | 5-50 | 5,663,136 | 2,570,876 |
| Furniture, fixtures, and equipment | 3-10 | 610,052 | 187,506 |
| Research Center acquisitions | 3-10 | 25,523 | 107,621 |
| | | <u>7,153,711</u> | <u>6,951,202</u> |
| Less accumulated depreciation | | <u>(2,463,653)</u> | <u>(2,424,279)</u> |
| | | <u>\$ 4,690,058</u> | <u>\$ 4,526,923</u> |

Depreciation expense totaled \$146,873 and \$47,138 for the year ending June 30, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTE PAYABLE

During the year ended June 30, 2014, the Society entered into a two year secured note to renew the previous note payable acquired to purchase the Jepson House Education Center building. The notes accrue interest at the prime rate plus 2.0% (5.25% at June 30, 2015 and 2014), with interest payments due monthly and one principal balloon payment due on July 1, 2016. The note is secured by capital campaign pledges restricted for the Jepson House Education Center renovation project.

At June 30, 2015 and 2014, the balance on the note was \$93,014 and \$337,604, respectively. The Society capitalized interest through August 2015, the date the Jepson House Education Center building was placed in service. Interest totaling \$2,022 and \$8,862 was capitalized during the years ended June 30, 2015 and 2014, respectively. During 2015, interest of \$10,100 that was incurred after the Jepson House Education Center building was placed in service was expensed.

NOTE 6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | 2015 | 2014 |
|---------------------------------|-----------|------------|
| Jepson House – capital campaign | \$ - | \$ 451,200 |
| Research Center | 85,671 | 105,168 |
| Education & Outreach | 1,398 | 2,008 |
| | \$ 87,069 | \$ 558,376 |

Temporarily restricted net assets consist of the following:

| | 2015 | 2014 |
|--------------------------------|-----------|------------|
| Cash and cash equivalents | \$ - | \$ 200 |
| Unconditional promises to give | - | 451,000 |
| Investments - endowment | 87,069 | 107,176 |
| | \$ 87,069 | \$ 558,376 |

Permanently restricted net assets to be held indefinitely to generate earnings available for the following purposes:

| | 2015 | 2014 |
|----------------------|------------|------------|
| Research Center | \$ 750,000 | \$ 750,000 |
| Education & Outreach | 25,000 | 25,000 |
| | \$ 775,000 | \$ 775,000 |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RESTRICTIONS ON NET ASSETS (Continued)

Permanently restricted net assets consist of the following:

| | 2015 | 2014 |
|-------------------------|------------|------------|
| Investments - endowment | \$ 775,000 | \$ 775,000 |

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2015 and 2014 by incurring expenses satisfying the restricted purpose specified by donees as follows:

Purpose restrictions accomplished:

| | 2015 | 2014 |
|---------------------------------|------------|------------|
| Jepson House – capital campaign | \$ 451,200 | \$ 795,000 |
| Research Center | 36,089 | - |
| Education & Outreach | 1,140 | - |
| | \$ 488,429 | \$ 795,000 |

NOTE 8. 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 the Society, 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 the Society 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, the Society classifies as permanently restricted net assets 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 permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. At June 30, 2015 and 2014, the Society did not have any deficiencies.

Return Objectives and Risk Parameters

The Society 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. 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, the Society 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). The Society 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

The Society's Endowment Trust determines the method to be used to appropriate endowment funds for expenditure. The Society 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 unrestricted and temporarily restricted activities.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENT (Continued)

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2015 are:

| Endowment Net Asset Composition by Type of Fund as of June 30, 2015 | | | | |
|--|----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 87,069 | \$ 775,000 | \$ 862,069 |
| Endowment trust fund | <u>7,336,035</u> | <u>-</u> | <u>-</u> | <u>7,336,035</u> |
| | <u><u>\$ 7,336,035</u></u> | <u><u>\$ 87,069</u></u> | <u><u>\$ 775,000</u></u> | <u><u>\$ 8,198,104</u></u> |

The Changes in Endowment Net Asset for the year ended June 30, 2015 are:

| Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2015 | | | | |
|---|----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, beginning of year | <u>\$ 7,078,482</u> | <u>\$ 107,626</u> | <u>\$ 775,000</u> | <u>\$ 7,961,108</u> |
| Investment return: | | | | |
| Investment income, net of investment fees | 105,295 | 12,730 | - | 118,025 |
| Net appreciation (realized and unrealized) | <u>22,583</u> | <u>3,942</u> | <u>-</u> | <u>26,525</u> |
| Total investment return | 127,878 | 16,672 | - | 144,550 |
| Contributions | 469,508 | - | - | 469,508 |
| Distributions | (37,599) | - | - | (37,599) |
| Appropriation of endowment assets for expenditure | <u>(302,234)</u> | <u>(37,229)</u> | <u>-</u> | <u>(339,463)</u> |
| Endowment net assets, end of year | <u><u>\$ 7,336,035</u></u> | <u><u>\$ 87,069</u></u> | <u><u>\$ 775,000</u></u> | <u><u>\$ 8,198,104</u></u> |

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA

\$ 775,000

Total endowment funds classified as permanently restricted net assets

\$ 775,000

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

Without purpose restrictions

\$ -

With purpose restrictions

87,069

Total endowment funds classified as temporarily restricted net assets

\$ 87,069

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENT (Continued)

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2014 are:

| Endowment Net Asset Composition by Type of Fund as of June 30, 2014 | | | | |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 107,626 | \$ 775,000 | \$ 882,626 |
| Endowment trust fund | <u>7,078,482</u> | <u>-</u> | <u>-</u> | <u>7,078,482</u> |
| | <u>\$ 7,078,482</u> | <u>\$ 107,626</u> | <u>\$ 775,000</u> | <u>\$ 7,961,108</u> |

The Changes in Endowment Net Asset for the year ended June 30, 2014 are:

| Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2014 | | | | |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, beginning of year | \$ 6,217,528 | \$ 24,755 | \$ 775,000 | \$ 7,017,283 |
| Investment return: | | | | |
| Investment income, net of investment fees | 110,499 | 14,181 | - | 124,680 |
| Realized and unrealized gains <i>below</i> the permanent corpus balance | 544 | - | - | 544 |
| Net appreciation (realized and unrealized) | <u>820,491</u> | <u>105,162</u> | <u>-</u> | <u>925,653</u> |
| Total investment return | 931,534 | 119,343 | - | 1,050,877 |
| Contributions | 209,017 | - | - | 209,017 |
| Appropriation of endowment assets for expenditure | <u>(279,597)</u> | <u>(36,472)</u> | <u>-</u> | <u>(316,069)</u> |
| Endowment net assets, end of year | <u>\$ 7,078,482</u> | <u>\$ 107,626</u> | <u>\$ 775,000</u> | <u>\$ 7,961,108</u> |

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA

\$ 775,000

Total endowment funds classified as permanently restricted net assets

\$ 775,000

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

 Without purpose restrictions

\$ -

 With purpose restrictions

107,626

Total endowment funds classified as temporarily restricted net assets

\$ 107,626

NOTES TO FINANCIAL STATEMENTS

NOTE 9. GRANTS AND CONTRACT REVENUES

The Society received grant and contract revenues for the years ended June 30, 2015 and 2014 as follows:

| | 2015 | 2014 |
|--|------------|------------|
| GA Department of Economic Development | \$ 117,500 | \$ 100,000 |
| National Endowment for the Humanities | - | 16,954 |
| National Historical Publications and Records Commission | 7,400 | 35,508 |
| | \$ 124,900 | \$ 152,462 |

NOTE 10. RETIREMENT PLAN

The Society sponsors a defined contribution plan and employees are eligible to participate upon beginning employment with the Society. The plan qualifies as tax exempt under Section 403(b) of the Internal Revenue Code. In addition, the Society 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 \$60,423 and \$49,522 for the years ending June 30, 2015 and 2014, respectively.

NOTE 11. LEASES

The Society leases office equipment, video surveillance equipment, a vehicle, and office space under non-cancelable operating leases with varying terms through July 2019. Rent expense under these leases was \$48,717 and \$14,212 for the years ended June 30, 2015 and 2014, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of June 30, 2015, are:

| | | | | |
|--------------------------------------|--|----|--|--------|
| Year ending June 30, | | | | |
| 2016 | | \$ | | 36,269 |
| 2017 | | | | 14,767 |
| 2018 | | | | 10,875 |
| 2019 | | | | 8,875 |
| 2020 | | | | 1,403 |
| Total minimum future rental payments | | \$ | | 72,189 |

NOTE 12. RELATED PARTY TRANSACTIONS

The Georgia Historical Society's Endowment Trust Fund was established in 1973 and is administered by the Society'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 the Society. A portion of the investment income generated by this fund is transferred to the operating fund to assist in paying current expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring through December 22, 2015, the date on which the financial statements were available to be issued.