

**GEORGIA HISTORICAL SOCIETY**

**FINANCIAL REPORT**

**JUNE 30, 2018**

*G*EOORGIA HISTORICAL SOCIETY



**FINANCIAL REPORT**

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**FINANCIAL REPORT  
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## INDEPENDENT AUDITOR'S REPORT

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**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, 2018 and 2017, 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.

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**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, 2018 and 2017, 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, 2019

# GEORGIA HISTORICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,671,765	\$ 2,279,042
Unconditional promises to give, net	2,265,493	1,312,393
Accounts receivable	183,823	311,442
Prepaid expenses	78,863	32,618
Inventory	14,654	14,760
Total current assets	5,214,598	3,950,255
OTHER ASSETS		
Investments - endowment & endowment trust fund	11,158,469	8,896,099
Unconditional promises to give, net	1,508,761	994,989
Total other assets	12,667,230	9,891,088
PERMANENT COLLECTIONS, See Note 1	-	-
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	4,254,979	4,380,949
CONSTRUCTION IN PROGRESS	53,404	5,354
TOTAL ASSETS	\$ 22,190,211	\$ 18,227,646
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 55,453	\$ 51,934
Accrued expenses	44,627	73,118
Deferred revenues	848,764	1,292,623
Total liabilities	948,844	1,417,675
NET ASSETS		
Unrestricted:		
Endowment Trust fund	8,857,351	7,964,952
Undesignated	6,200,411	6,393,872
Total unrestricted	15,057,762	14,358,824
Temporarily restricted	3,099,356	1,426,147
Permanently restricted	3,084,249	1,025,000
Total net assets	21,241,367	16,809,971
TOTAL LIABILITIES AND NET ASSETS	\$ 22,190,211	\$ 18,227,646

**See Notes to Financial Statements.**

**GEORGIA HISTORICAL SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>OPERATING ACTIVITIES</b>				
Revenues and other support:				
Contributions and grants	\$ 1,977,707	\$ 1,687,000	\$ 2,059,249	\$ 5,723,956
Membership dues	271,710	-	-	271,710
Merchandise sales and usage fees	50,294	-	-	50,294
Record storage income	8,025	-	-	8,025
Registration	55,715	-	-	55,715
Total revenues	<u>2,363,451</u>	<u>1,687,000</u>	<u>2,059,249</u>	<u>6,109,700</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>123,293</u>	<u>(123,293)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,486,744</u>	<u>1,563,707</u>	<u>2,059,249</u>	<u>6,109,700</u>
Expenses				
Program services:				
Membership	180,793	-	-	180,793
Publication	202,108	-	-	202,108
Education and Outreach	1,252,225	-	-	1,252,225
Research Center	436,911	-	-	436,911
Total program services	<u>2,072,037</u>	<u>-</u>	<u>-</u>	<u>2,072,037</u>
Supporting services:				
Management and general	291,288	-	-	291,288
Development	72,209	-	-	72,209
Total supporting services	<u>363,497</u>	<u>-</u>	<u>-</u>	<u>363,497</u>
Total expenses	<u>2,435,534</u>	<u>-</u>	<u>-</u>	<u>2,435,534</u>
Total operating activities	<u>51,210</u>	<u>1,563,707</u>	<u>2,059,249</u>	<u>3,674,166</u>
<b>NON-OPERATING ACTIVITIES</b>				
Investment income	33,031	-	-	33,031
Investment income from the endowment, net	621,555	109,502	-	731,057
Total non-operating activities	<u>654,586</u>	<u>109,502</u>	<u>-</u>	<u>764,088</u>
Change in net assets before changes related to collection items not capitalized	705,796	1,673,209	2,059,249	4,438,254
Change in net assets related to collection items:				
Purchase of collection items	<u>(6,858)</u>	<u>-</u>	<u>-</u>	<u>(6,858)</u>
CHANGE IN NET ASSETS	698,938	1,673,209	2,059,249	4,431,396
NET ASSETS, beginning of year	<u>14,358,824</u>	<u>1,426,147</u>	<u>1,025,000</u>	<u>16,809,971</u>
NET ASSETS, end of year	<u>\$ 15,057,762</u>	<u>\$ 3,099,356</u>	<u>\$ 3,084,249</u>	<u>\$ 21,241,367</u>

**See Notes to Financial Statements.**

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,592,451	\$ 305,000	\$ 250,000	\$ 3,147,451
288,920	-	-	288,920
41,722	-	-	41,722
7,812	-	-	7,812
86,505	-	-	86,505
<u>3,017,410</u>	<u>305,000</u>	<u>250,000</u>	<u>3,572,410</u>
40,282	(40,282)	-	-
<u>3,057,692</u>	<u>264,718</u>	<u>250,000</u>	<u>3,572,410</u>
188,176	-	-	188,176
193,123	-	-	193,123
1,287,089	-	-	1,287,089
424,545	-	-	424,545
<u>2,092,933</u>	<u>-</u>	<u>-</u>	<u>2,092,933</u>
274,387	-	-	274,387
76,917	-	-	76,917
<u>351,304</u>	<u>-</u>	<u>-</u>	<u>351,304</u>
<u>2,444,237</u>	<u>-</u>	<u>-</u>	<u>2,444,237</u>
<u>613,455</u>	<u>264,718</u>	<u>250,000</u>	<u>1,128,173</u>
25,700	-	-	25,700
685,893	79,547	-	765,440
<u>711,593</u>	<u>79,547</u>	<u>-</u>	<u>791,140</u>
1,325,048	344,265	250,000	1,919,313
(13,503)	-	-	(13,503)
1,311,545	344,265	250,000	1,905,810
<u>13,047,279</u>	<u>1,081,882</u>	<u>775,000</u>	<u>14,904,161</u>
<u>\$ 14,358,824</u>	<u>\$ 1,426,147</u>	<u>\$ 1,025,000</u>	<u>\$ 16,809,971</u>



**GEORGIA HISTORICAL SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Expenses					Supporting Activities			Total
	Membership	Publication	Education and Outreach	Research Center	Total Program Expenses	Management and General	Development	Supporting Activities	
Salaries	\$ 95,598	\$ 98,958	\$ 585,498	\$ 259,955	\$ 1,040,009	\$ 176,922	\$ 41,104	\$ 218,026	\$ 1,256,035
Employee benefits	23,949	27,701	111,108	54,601	217,359	20,096	14,485	34,581	251,940
Total salaries and related expenses	<u>119,547</u>	<u>126,659</u>	<u>696,606</u>	<u>314,556</u>	<u>1,257,368</u>	<u>197,018</u>	<u>55,589</u>	<u>252,607</u>	<u>1,509,975</u>
Accounting fees	-	-	-	-	-	16,800	-	16,800	16,800
Auto expense	1,197	1,239	7,332	3,255	13,023	2,216	515	2,731	15,754
Bank charges	300	310	3,157	815	4,582	554	129	683	5,265
Consultants	15,803	14,126	96,079	10,698	136,706	7,144	1,660	8,804	145,510
Dues and subscriptions	1,208	329	13,187	3,777	18,501	588	137	725	19,226
Food and lodging	6,030	-	25,022	274	31,326	2,192	-	2,192	33,518
Legal fees	-	-	-	132	132	1,783	-	1,783	1,915
Office equipment	2,540	1,707	12,727	23,486	40,460	2,804	651	3,455	43,915
Office insurance	2,350	2,432	14,392	6,390	25,564	4,349	1,010	5,359	30,923
Office building/ground	9,749	10,091	61,556	28,767	110,163	18,041	4,192	22,233	132,396
Office space rental	684	708	4,189	1,860	7,441	1,266	294	1,560	9,001
Office supplies	1,398	790	10,289	4,477	16,954	1,113	258	1,371	18,325
Outreach	-	-	17,505	17	17,522	-	-	-	17,522
Postage and delivery	1,083	3,489	4,572	1,000	10,144	269	531	800	10,944
Printing, design and casting	3,921	27,094	99,020	1,414	131,449	6,546	1,769	8,315	139,764
Rental, space and catering	568	-	98,791	713	100,072	2,953	-	2,953	103,025
Telephone	741	611	3,915	1,622	6,889	1,093	272	1,365	8,254
Travel	1,576	-	9,793	761	12,130	2,170	-	2,170	14,300
Total expenses before depreciation	<u>168,695</u>	<u>189,585</u>	<u>1,178,132</u>	<u>404,014</u>	<u>1,940,426</u>	<u>268,899</u>	<u>67,007</u>	<u>335,906</u>	<u>2,276,332</u>
Depreciation	<u>12,098</u>	<u>12,523</u>	<u>74,093</u>	<u>32,897</u>	<u>131,611</u>	<u>22,389</u>	<u>5,202</u>	<u>27,591</u>	<u>159,202</u>
Total expenses	<u>\$ 180,793</u>	<u>\$ 202,108</u>	<u>\$ 1,252,225</u>	<u>\$ 436,911</u>	<u>\$ 2,072,037</u>	<u>\$ 291,288</u>	<u>\$ 72,209</u>	<u>\$ 363,497</u>	<u>\$ 2,435,534</u>

See Notes to Financial Statements.

**GEORGIA HISTORICAL SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program Expenses				Supporting Activities			Total	
	Membership	Publication	Education and Outreach	Research Center	Total Program Expenses	Management and General	Development		Supporting Activities
Salaries	\$ 101,646	\$ 92,781	\$ 595,699	\$ 254,428	\$ 1,044,554	\$ 174,750	\$ 44,204	\$ 218,954	\$ 1,263,508
Employee benefits	24,986	27,023	117,598	57,707	227,314	21,094	15,282	36,376	263,690
Total salaries and related expenses	<u>126,632</u>	<u>119,804</u>	<u>713,297</u>	<u>312,135</u>	<u>1,271,868</u>	<u>195,844</u>	<u>59,486</u>	<u>255,330</u>	<u>1,527,198</u>
Accounting fees	-	-	-	-	-	16,800	-	16,800	16,800
Auto expense	1,087	992	6,742	2,720	11,541	1,868	473	2,341	13,882
Bank charges	338	309	2,619	847	4,113	582	147	729	4,842
Consultants	10,247	12,636	142,745	9,716	175,344	5,718	1,447	7,165	182,509
Dues and subscriptions	1,363	346	11,655	2,495	15,859	629	159	788	16,647
Food and lodging	7,719	18	18,413	2,624	28,774	3,073	1,920	4,993	33,767
Legal fees	969	-	1,562	-	2,531	571	-	571	3,102
Office equipment	2,222	1,206	17,813	14,159	35,400	2,272	575	2,847	38,247
Office insurance	2,558	2,335	14,991	6,403	26,287	4,398	1,112	5,510	31,797
Office building/ground	8,818	8,049	53,783	24,189	94,839	15,159	3,835	18,994	113,833
Office space rental	343	313	2,008	858	3,522	589	149	738	4,260
Office supplies	1,734	597	8,504	8,077	18,912	910	673	1,583	20,495
Outreach	-	-	9,466	-	9,466	-	-	-	9,466
Postage and delivery	1,383	4,867	6,378	1,052	13,680	299	-	299	13,979
Printing, design and casting	5,784	29,083	83,724	1,391	119,982	1,880	1,100	2,980	122,962
Rental, space and catering	1,961	-	98,758	-	100,719	36	-	36	100,755
Restoration and conservation	-	-	-	810	810	-	-	-	810
Telephone	816	611	4,210	1,737	7,374	1,151	291	1,442	8,816
Travel	1,440	308	15,630	3,388	20,766	668	-	668	21,434
Total expenses before depreciation	<u>175,414</u>	<u>181,474</u>	<u>1,212,298</u>	<u>392,601</u>	<u>1,961,787</u>	<u>252,447</u>	<u>71,367</u>	<u>323,814</u>	<u>2,285,601</u>
Depreciation	<u>12,762</u>	<u>11,649</u>	<u>74,791</u>	<u>31,944</u>	<u>131,146</u>	<u>21,940</u>	<u>5,550</u>	<u>27,490</u>	<u>158,636</u>
Total expenses	<u>\$ 188,176</u>	<u>\$ 193,123</u>	<u>\$ 1,287,089</u>	<u>\$ 424,545</u>	<u>\$ 2,092,933</u>	<u>\$ 274,387</u>	<u>\$ 76,917</u>	<u>\$ 351,304</u>	<u>\$ 2,444,237</u>

**See Notes to Financial Statements.**

# GEORGIA HISTORICAL SOCIETY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,431,396	\$ 1,905,810
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	159,202	158,636
Unrealized and realized (gains) on investments	(598,456)	(635,587)
Contributions designated for collection items	6,858	13,503
Contributions restricted for long-term investments	(2,059,249)	(250,000)
Changes in assets and liabilities:		
(Increase) in unconditional promises to give	(1,466,872)	(1,473,300)
Decrease (increase) in accounts receivable	127,619	(152,004)
(Increase) in prepaid expenses	(46,245)	(11,025)
Decrease in inventory	106	1,952
Increase in accounts payable	3,519	270
(Decrease) increase in accrued expenses	(28,491)	1,792
(Decrease) increase in deferred revenues	(443,859)	439,558
Net cash provided by (used in) operating activities	85,528	(395)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of collection items	(6,858)	(13,503)
Purchase of land, building and equipment	(33,232)	(3,266)
Purchase of construction in progress	(48,050)	(5,354)
Purchase of investments	(2,068,624)	(267,035)
Proceeds from sale of investments	404,710	393,420
Net cash (used in) provided by investing activities	(1,752,054)	104,262
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in endowment	2,059,249	250,000
Net cash provided by financing activities	2,059,249	250,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>392,723</b>	<b>353,867</b>
CASH AND CASH EQUIVALENTS, beginning of year	2,279,042	1,925,175
CASH AND CASH EQUIVALENTS, end of year	\$ 2,671,765	\$ 2,279,042

**See Notes to Financial Statements.**

# GEORGIA HISTORICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### 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

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### 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

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### 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, 2018 and 2017, 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

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### 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

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### 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.

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.

##### 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 2018 and 2017 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.

##### New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which will require adoption of multiple changes to the non-profit reporting framework, presentation of net assets using two new classes, changes to the requirements of the statement of cash flows and enhanced disclosures around designations, liquidity and availability, and functional expenses, among other requirements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Society is assessing the impact of the new standard on its financial report.

### NOTE 2. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2018 and 2017, unconditional promises to give consisted of the following:

	2018	2017
Unrestricted pledges	\$ 1,990,539	\$ 2,101,750
Temporarily restricted pledges (purpose and time)	1,928,311	300,000
Unconditional promises to give before discount and allowance for uncollectible pledges	3,918,850	2,401,750
Less unamortized discount	74,239	24,011
Subtotal	3,844,611	2,377,739
Less allowance for uncollectible pledges	70,357	70,357
	\$ 3,774,254	\$ 2,307,382
	2018	2017
Amount due in:		
Less than one year	\$ 2,335,850	\$ 1,382,750
One to five years	1,533,000	956,500
Thereafter	50,000	62,500
Total	\$ 3,918,850	\$ 2,401,750

Discount rate used was 2.00 and 1.00 percent as a risk-free interest rate (approximately reflects the 90 day U.S. treasury bill-rate) at June 30, 2018 and 2017, respectively.

## 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,015,272	\$ -	\$ -	\$ 1,015,272
Equity securities	7,574,498	-	-	7,574,498
Fixed income securities	2,568,699	-	-	2,568,699
Total investments at fair value	<u>\$ 11,158,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,158,469</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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 943,528	\$ -	\$ -	\$ 943,528
Equity securities	5,772,908	-	-	5,772,908
Fixed income securities	2,179,663	-	-	2,179,663
Total investments at fair value	<u>\$ 8,896,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,896,099</u>

For the years ending June 30, 2018 and 2017, investment fees related to investment-endowment and endowment trust fund fees totaled \$76,184 and \$67,723, respectively.

### NOTE 4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2018 and 2017, consists of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Land	-	\$ 855,000	\$ 855,000
Construction in progress	-	53,404	5,354
Buildings and building improvements	5-50	5,680,430	5,666,858
Furniture, fixtures, and equipment	3-10	632,842	613,183
Research Center acquisitions	3-10	25,524	25,524
		<u>7,247,200</u>	<u>7,165,919</u>
Less accumulated depreciation		<u>(2,938,817)</u>	<u>(2,779,616)</u>
		<u>\$ 4,308,383</u>	<u>\$ 4,386,303</u>

Depreciation expense totaled \$159,202 and \$158,636 for the years ending June 30, 2018 and 2017, respectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Education & Outreach	\$ 3,150	\$ 2,194
Endowed Position (“Director of Programs”)	5,223	-
Next Century Initiative – capital campaign	1,312,000	1,310,000
Research Center	150,672	113,953
Restricted by time – multi-year promises to give	1,628,311	-
	\$ 3,099,356	\$ 1,426,147

Temporarily restricted net assets consist of the following:

	2018	2017
Cash and cash equivalents	\$ 1,012,000	\$ 1,010,000
Unconditional promises to give, net	1,928,311	300,000
Investments - endowment	159,045	116,147
	\$ 3,099,356	\$ 1,426,147

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

	2018	2017
Education & Outreach	\$ 25,000	\$ 25,000
Endowed Position (“Director of Programs”)	1,000,000	-
Research Center	1,000,000	1,000,000
Vincent J. Dooley Distinguished Fellows program	1,059,249	-
	\$ 3,084,249	\$ 1,025,000

Permanently restricted net assets consist of the following:

	2018	2017
Unconditional promises to give, net	\$ 942,176	\$ 210,000
Investments - endowment	2,142,073	815,000
	\$ 3,084,249	\$ 1,025,000

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purpose specified by donees as follows:

#### Purpose restrictions accomplished:

	<u>2018</u>	<u>2017</u>
Education & Outreach	\$ 1,130	\$ 1,233
Endowed Position ("Director of Programs")	8,352	-
Research Center	35,793	39,049
Restricted by time – multi-year promises to give	56,689	-
Vincent J. Dooley Distinguished Fellows program	21,329	-
	<u>\$ 123,293</u>	<u>\$ 40,282</u>

### NOTE 7. 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.

#### 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, 2018, the Society did have deficiencies in the endowment of \$8,827. At June 30, 2017, the Society did not have any deficiencies.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. ENDOWMENT (Continued)

#### 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.

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2018 are:

	<b>Endowment Net Asset Composition by Type of Fund as of June 30, 2018</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (8,827)	\$ 159,045	\$ 2,142,073	\$ 2,292,291
Endowment trust fund	8,866,178	-	-	8,866,178
	<u>\$ 8,857,351</u>	<u>\$ 159,045</u>	<u>\$ 2,142,073</u>	<u>\$ 11,158,469</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. ENDOWMENT (Continued)

The Changes in Endowment Net Asset for the year ended June 30, 2018 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,964,952	\$ 116,147	\$ 815,000	\$ 8,896,099
Investment return:				
Investment income, net of investment fees	109,552	22,038	-	131,590
Realized and unrealized losses below the permanent corpus balance	(8,827)	-	-	(8,827)
Net appreciation (realized and unrealized)	520,496	86,787	-	607,283
Total investment return	621,221	108,825	-	730,046
Contributions	634,961	-	1,302,073	1,937,034
Change in donor intent	(25,677)	677	25,000	-
Appropriation of endowment assets for expenditure	(338,106)	(66,604)	-	(404,710)
Endowment net assets, end of year	\$ 8,857,351	\$ 159,045	\$ 2,142,073	\$ 11,158,469

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

	2018
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	\$ 2,142,073
Total endowment funds classified as permanently restricted net assets	\$ 2,142,073
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	\$ -
With purpose restrictions	159,045
Total endowment funds classified as temporarily restricted net assets	\$ 159,045

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. ENDOWMENT (Continued)

The Endowment Net Asset Composition by Type of Fund for the year ended June 30, 2017 are:

<b>Endowment Net Asset Composition by Type of Fund as of June 30, 2017</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 116,147	\$ 815,000	\$ 931,147
Endowment trust fund	<u>7,964,952</u>	<u>-</u>	<u>-</u>	<u>7,964,952</u>
	<u><u>\$ 7,964,952</u></u>	<u><u>\$ 116,147</u></u>	<u><u>\$ 815,000</u></u>	<u><u>\$ 8,896,099</u></u>

The Changes in Endowment Net Asset for the year ended June 30, 2017 are:

<b>Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2017</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 7,535,015</u>	<u>\$ 76,882</u>	<u>\$ 775,000</u>	<u>\$ 8,386,897</u>
Investment return:				
Investment income, net of investment fees	116,178	13,292	-	129,470
Net appreciation (realized and unrealized)	<u>569,333</u>	<u>66,254</u>	<u>-</u>	<u>635,587</u>
Total investment return	685,511	79,546	-	765,057
Contributions	97,565	-	40,000	137,565
Appropriation of endowment assets for expenditure	<u>(353,139)</u>	<u>(40,281)</u>	<u>-</u>	<u>(393,420)</u>
Endowment net assets, end of year	<u><u>\$ 7,964,952</u></u>	<u><u>\$ 116,147</u></u>	<u><u>\$ 815,000</u></u>	<u><u>\$ 8,896,099</u></u>

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

	<b>2017</b>
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	\$ 815,000
Total endowment funds classified as permanently restricted net assets	<u><u>\$ 815,000</u></u>
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	\$ -
With purpose restrictions	<u>116,147</u>
Total endowment funds classified as temporarily restricted net assets	<u><u>\$ 116,147</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. GRANTS AND CONTRACT REVENUES

The Society received grant and contract revenues for the years ended June 30, 2018 and 2017 as follows:

	2018	2017
GA Department of Economic Development	\$ 278,753	\$ 233,750
National Endowment for the Humanities	5,273	149,648
	\$ 284,026	\$ 383,398

### NOTE 9. 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 \$72,786 and \$66,335 for the years ending June 30, 2018 and 2017, respectively.

### NOTE 10. LEASES

The Society leases office equipment, video surveillance equipment, a vehicle, and office space under non-cancelable operating leases with varying terms through October 2022. Rent expense under these leases was \$33,631 and \$30,684 for the years ended June 30, 2018 and 2017, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of June 30, 2018 are:

Year ending June 30,	
2019	\$ 31,845
2020	22,093
2021	13,116
2022	13,512
2023	3,480
Total minimum future rental payments	\$ 84,046

### NOTE 11. 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.

### NOTE 12. SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring through January 14, 2019, the date on which the financial statements were available to be issued.