



SOMERVILLE HISTORICAL SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2022

Somerville Historical Society

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CERTIFIED
PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somerville Historical Society
1 Westwood Road
Somerville, MA 02143

Opinion

We have audited the accompanying financial statements of Somerville Historical Society, which comprise the statement of financial position as of March 31, 2022 and the related statement of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somerville Historical Society as of March 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

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To the Board of Directors
Somerville Historical Society
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Treeful Damaso Aniceto Inc

January 25, 2023

Somerville Historical Society
Statement of Financial Position
March 31, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 227,202
Inventories for sale or use	<u>1,800</u>
Total assets	229,002

Property and equipment

Land	654,900
Building	471,800
Building improvements	1,899,406
Artwork	<u>100,000</u>
Total property and equipment	<u>3,126,106</u>

Total assets \$ 3,355,108

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 700
Total liabilities	<u>700</u>

Net assets

Without donor restrictions	1,748,763
With donor restrictions	<u>1,605,645</u>
Total net assets	<u>3,354,408</u>

Total liabilities and net assets \$ 3,355,108

See accompanying notes and independent auditors' report.

Somerville Historical Society

Statement of Activities

March 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Member dues	\$ 18,600	\$ --	\$ 18,600
All other contributions and gifts	17,105	--	17,105
Event income	3,559	--	3,559
Grants	--	1,451,784	1,451,784
Other revenue	3,711	--	3,711
Museum rent	4,500	--	4,500
Interest income	--	24	24
Net assets released from donor restrictions	<u>1,460,670</u>	<u>(1,460,670)</u>	<u>--</u>
Total support and revenue	1,508,145	(8,862)	1,499,283
EXPENSES:			
Program expenses	105,370	--	105,370
General and administrative expenses	14,270	--	14,270
Fundraising expenses	<u>7,017</u>	<u>--</u>	<u>7,017</u>
Total expenses	<u>126,657</u>	<u>--</u>	<u>126,657</u>
CHANGES IN NET ASSETS	1,381,488	(8,862)	1,372,626
NET ASSETS - Beginning of year	<u>367,275</u>	<u>1,614,507</u>	<u>1,981,782</u>
NET ASSETS - End of year	<u>\$ 1,748,763</u>	<u>\$ 1,605,645</u>	<u>\$ 3,354,408</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society
Statement of Functional Expenses
March 31, 2022

	<u>Program Expenses</u>	<u>General & Admin</u>	<u>Fundraising Expense</u>	<u>Total Expenses</u>
Payroll:				
Salaries and wages	\$ 60,888	\$ --	\$ --	\$ 60,888
Payroll taxes	7,804	--	--	7,804
Payroll fees	612	--	--	612
Total payroll	<u>69,304</u>	<u>--</u>	<u>--</u>	<u>69,304</u>
Other:				
Security	2,880	--	--	2,880
Insurance	6,725	--	--	6,725
Repair and maintenance	2,394	--	--	2,394
Consultant/accounting	--	12,256	--	12,256
Office expense	10,320	1,995	--	12,315
Utilities	6,232	--	--	6,232
Grant specific expense	7,515	--	--	7,515
Bank fees	--	19	--	19
Fundraising	--	--	7,017	7,017
Total other	<u>36,066</u>	<u>14,270</u>	<u>7,017</u>	<u>57,353</u>
 Total Expenses	 <u>\$ 105,370</u>	 <u>\$ 14,270</u>	 <u>\$ 7,017</u>	 <u>\$ 126,657</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society

Statement of Cash Flows

March 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,372,626
Changes in operating assets and liabilities:	
Accounts payable	<u>(262)</u>
Net cash provided by operating activities	1,372,364
CASH FLOWS FROM INVESTING ACTIVITIES	
Building improvements in progress	<u>(1,558,828)</u>
Net cash used in investing activities	<u>(1,558,828)</u>
NET DECREASE IN CASH	(186,464)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>413,666</u>
CASH AND CASH EQUIVALENTS	
End of year	<u>\$ 227,202</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society

Notes to Financial Statements

March 31, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Located in the heart of the city at the intersection of Central Street and Westwood Road, the Somerville Historical Society, dba Somerville Museum, has served as the community's cultural institution for nearly a century. The Society's Federal Revival building was constructed in the 1920's to house the growing collection of the Somerville Historical Society. In the 1980's, with a changing demographic and the need to expand the mission of the Society, a handful of committed individuals raised the funds to fully renovate and restore the building. The result was the newly consecrated Somerville Museum, which officially reopened in 1988.

Basis of Presentation

The financial statements of Somerville Historical Society have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). A summary of the organization's significant accounting policies are set forth below.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according on two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions 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. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program.

Somerville Historical Society

Notes to Financial Statements

March 31, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers cash and cash equivalents to be cash in checking accounts.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Revenue Recognition

Somerville Historical Society recognizes revenue by determining whether transactions should be accounted for as contributions or exchange transactions, and determination of whether a contribution is conditional. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exist. Indications of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. If grants and contributions are conditional, they should be recorded as a conditional grant liability until conditions are met. Grants and contributions are recorded as revenue when unconditionally received or pledged.

Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

Somerville Historical Society

Notes to Financial Statements

March 31, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Expenses directly identifiable are charged to program and supporting services. Expenses related to more than one function are allocated between program services and management and general services based on relative benefit.

Donated Services

The Organization recognizes the fair value of donated services, materials, etc. that create or enhance non-financial assets like property and equipment and recognizes donated services that require specialized skills, provided by individuals possessing those skills, that would typically need to be purchased if not provided by donation. The Organization did not recognize any support, revenue or expense from services contributed by volunteers since they do not meet the criteria for recognition.

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or, if donated, at fair market value on the date of donation. Major additions and renewals are capitalized. Fully depreciated assets that are no longer used in operations are written off. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3-5 years
Furniture and Fixtures	5 years
Improvements	39 years

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes for the year ended March

31, 2022. The Organization has evaluated significant tax positions against criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. The Organization's tax returns for the years ended March 31, 2020 through 2022 are subject to examination by the Internal Revenue Service.

Somerville Historical Society

Notes to Financial Statements

March 31, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Advertising

Advertising costs are charged to operations when incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of March 31, 2022:

Land	\$ 654,900
Building	471,800
Art collection	100,000
Grants and endowments	231,652
Cash	<u>147,293</u>
Total	<u>\$ 1,605,645</u>

Somerville Historical Society
Notes to Financial Statements
March 31, 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Cash of \$227,202 reflects the Organization's financial assets as of statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date, which totals \$183,301. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$21,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 - RISKS AND UNCERTAINTIES

Concentration of Credit Risk

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's uninsured cash balance as of March 31, 2022 was \$0.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2023, the date on which the financial statements were available to be issued.



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