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FINANCIAL STATEMENTS

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Somerville Historical Society

Financial Statements

March 31, 2021

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CERTIFIED
PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Somerville Historical Society (a non-profit organization) which comprise the statement of financial position as of March 31, 2021, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Somerville Historical Society as of March 31, 2021, 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.

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January 19, 2022

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Somerville Historical Society
Statement of Financial Position
March 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 413,666
Inventories for sale or use	1,800
Total assets	<u>415,466</u>

Property and equipment

Land	654,900
Building	471,800
Building improvements	340,578
Artwork	100,000
Total property and equipment	<u>1,567,278</u>

Total assets \$ 1,982,744

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 962
Total liabilities	<u>962</u>

Net assets

Without donor restrictions	367,275
With donor restrictions	1,614,507
Total net assets	<u>1,981,782</u>

Total liabilities and net assets \$ 1,982,744

See accompanying notes and independent auditors' report.

Somerville Historical Society

Statement of Activities

March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Member dues	\$ 14,096	\$ --	\$ 14,096
All other contributions and gifts	12,244	--	12,244
Event income	3,780	--	3,780
Grants	--	597,632	597,632
Other revenue	260	--	260
Museum rent	600	--	600
Interest income	--	45	45
PPP loan forgiveness	3,845	--	3,845
Net assets released from donor restrictions	362,178	(362,178)	--
Total support and revenue	<u>397,003</u>	<u>235,499</u>	<u>632,502</u>
EXPENSES:			
Program expenses	41,614	--	41,614
General and administrative expenses	6,677	--	6,677
Fundraising expenses	2,466	--	2,466
Total expenses	<u>50,757</u>	<u>--</u>	<u>50,757</u>
CHANGES IN NET ASSETS	346,246	235,499	581,745
NET ASSETS - Beginning of year	<u>21,029</u>	<u>1,379,008</u>	<u>1,400,037</u>
NET ASSETS - End of year	<u>\$ 367,275</u>	<u>\$ 1,614,507</u>	<u>\$ 1,981,782</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society
Statement of Functional Expenses
March 31, 2021

	<u>Program Expenses</u>	<u>General & Admin</u>	<u>Fundraising Expense</u>	<u>Total Expenses</u>
Payroll:				
Salaries and wages	\$ 14,617	\$ --	\$ --	\$ 14,617
Payroll taxes	1,849	--	--	1,849
Payroll fees	552	--	--	552
Total payroll	<u>17,018</u>	<u>--</u>	<u>--</u>	<u>17,018</u>
Other:				
Security	1,502	--	--	1,502
Insurance	6,286	--	--	6,286
Repair and maintenance	331	--	--	331
Consultant/accounting	1,550	6,248	--	7,798
Office expense	5,289	413	--	5,702
Utilities	5,398	--	--	5,398
Grant specific expense	4,240	--	1,560	5,800
Bank fees	--	16	--	16
Fundraising	--	--	906	906
Total other	<u>24,596</u>	<u>6,677</u>	<u>2,466</u>	<u>33,739</u>
 Total Expenses	 <u>\$ 41,614</u>	 <u>\$ 6,677</u>	 <u>\$ 2,466</u>	 <u>\$ 50,757</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society

Statement of Cash Flows

March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 581,745
Changes in operating assets and liabilities:	
Grants receivable	(21,600)
Accounts payable	<u>(38)</u>
Net cash provided by (used in) operating activities	560,107
CASH FLOWS FROM INVESTING ACTIVITIES	
Building improvements in progress	<u>(340,578)</u>
Net cash provided by (used in) investing activities	<u>(340,578)</u>
NET INCREASE IN CASH	219,529
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>194,137</u>
CASH AND CASH EQUIVALENTS	
End of year	<u>\$ 413,666</u>

See accompanying notes and independent auditors' report.

Somerville Historical Society
Notes to Financial Statements
March 31, 2021

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.

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. 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 with and without donor restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Somerville Historical Society
Notes to Financial Statements
March 31, 2021

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

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, 2021. 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 year ended March 31, 2021 is subject to examination by the Internal Revenue Service.

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.

Somerville Historical Society
Notes to Financial Statements
March 31, 2021

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

The Organization adopted the provisions of FASB issued ASU 2018-08. Not for Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the accounting guidance for not-for-profit entities surrounding contributions received and contributions made. The update assists entities in their evaluation of whether transactions should be accounted for as contributions or exchange transactions, and determination of whether a contribution is conditional.

The Organization also adopted the provisions of FASB issued ASU 2014-09, Revenue from Contracts and Customers (Topic 606), and all related amendments. ASU 2014-09 provides a principled-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Organization expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of the financial statements to understand the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Analysis of various provisions of ASU 2018-08 and ASU 2014-09 resulted in no significant changes the way the Organization recognizes revenue, and therefore no changes to the previous issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

NOTE 2 - Net Assets with Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

NOTE 3 - Liquidity and Availability of Financial Assets

Cash of \$7,161 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 \$406,505. 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 \$8,344. 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. On March 31, 2021, the Organization's uninsured cash balances total \$139,889.

Uncertainties

In March 2020, the Covid-19 virus was declared a "Public Health Emergency of International Concern". Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

Somerville Historical Society
Notes to Financial Statements
March 31, 2021

NOTE 5 - PPP Grant

On May 6, 2020, AARW received loan proceeds in the amount of \$3,845, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The entire \$3,845 was forgiven by the U.S. Small Business Administration and is included in the Organization's Statement of Activities.

NOTE 6 - Subsequent Events

Management has evaluated subsequent events through January 19, 2022, the date on which the financial statements were available to be issued.



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