

Old Dartmouth Historical Society

Also Known As “The New Bedford Whaling Museum”

Financial Statements and Additional Information (with Independent Auditors’ Report Thereon)

December 31, 2020 and 2019



| **Allan Smith & Company, CPAs PC**

**OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)**

***Financial Statements
and Additional Information***

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Independent Auditors' Report

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
New Bedford, Massachusetts

Report on the financial statements:

We have audited the accompanying financial statements of Old Dartmouth Historical Society (also known as "The New Bedford Whaling Museum") (a Massachusetts not-for-profit organization) (hereinafter "Society") which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Society'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 Society'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.

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
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Opinion:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Old Dartmouth Historical Society as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by Government Auditing Standards:

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2021 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Society's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "All. Smith & Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
April 26, 2021

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statements of Financial Position

December 31, 2020 and 2019

	December 31,	
<u>Assets:</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 901,847	\$ 568,519
Restricted cash	30,717	30,669
Accounts receivable	280,333	121,542
Pledges receivable net, current portion	123,168	88,351
Inventory	131,709	120,682
Prepaid expenses	187,101	39,144
Total current assets	1,654,875	968,907
Long-term assets:		
Land, buildings, and equipment, net	13,959,580	14,795,179
Long-term investments	16,964,470	14,714,090
Pledges receivable, net of current portion	145,204	893,771
Charitable remainder trust receivable	515,833	503,116
Beneficial interest in perpetual trusts	766,095	683,923
Museum collections (note 1)	-	-
Total long-term assets	32,351,182	31,590,079
Total assets	\$ 34,006,057	\$ 32,558,986
<u>Liabilities and net assets:</u>		
Current liabilities:		
Accounts payable	\$ 125,050	\$ 274,970
Accrued expenses	81,242	32,419
Liability under split-interest agreements	74,459	81,385
Deferred revenue	810,379	83,100
Contract liabilities	61,178	568,524
Note payable, current maturities	2,326	-
Total current liabilities	1,154,634	1,040,398
Long-term liabilities:		
Custodial funds	30,717	30,669
Long-term note payable	147,674	-
Total long-term liabilities	178,391	30,669
Total liabilities	1,333,025	1,071,067
Net assets:		
Without donor restrictions	27,562,151	26,513,240
With donor restrictions	5,110,881	4,974,679
Total net assets	32,673,032	31,487,919
Total liabilities and net assets	\$ 34,006,057	\$ 32,558,986

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Activities

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operations:</u>			
Revenue and support:			
Admissions	\$ 128,365	\$ -	\$ 128,365
Membership, programs, and unrestricted support	2,009,448	-	2,009,448
Grants and restricted support	1,192,752	-	1,192,752
Museum store	133,912	-	133,912
Investment return allocated to operations per spending policy	494,353	177,140	671,493
In-kind gifts and services	295,212	-	295,212
Other earned income, net	238,081	-	238,081
Total revenue and support from operations	4,492,123	177,140	4,669,263
Expenses:			
Collections and exhibitions	1,357,741	-	1,357,741
Education and programs	1,026,365	-	1,026,365
Library, scholarly, and digital initiatives	336,811	-	336,811
Membership, visitor services, and museum store	262,591	-	262,591
Management and general	815,681	-	815,681
Fundraising	362,474	-	362,474
Total expenses from operations	4,161,663	-	4,161,663
Net assets released from restrictions for operations	207,140	(207,140)	-
Change in net assets from operations	537,600	(30,000)	507,600
<u>Other non-operational activities:</u>			
Contributions for non-operational purposes and related expenses:			
Campaign contributions	(5,208)	94,985	89,777
Endowment contributions	-	735,107	735,107
Depreciation expense	(966,220)	-	(966,220)
Interest expense	(89)	-	(89)
Total contributions for capital purposes and related expenses	(971,517)	830,092	(141,425)
Deaccession (accession) of objects for collection:			
(Accession) deaccession of objects for collection	(26,253)	7,450	(18,803)
Releases of restrictions for the purpose of collections	26,253	(26,253)	-
Deaccession of objects for collection, net	-	(18,803)	(18,803)
Non-operational net assets released from restrictions	929,014	(929,014)	-
Net investment return	1,041,241	373,104	1,414,345
Less: Investment return allocated to operations per spending policy	(494,353)	(177,140)	(671,493)
Change in value of split interest agreements	6,926	87,963	94,889
Change in non-operational activities	511,311	166,202	677,513
Change in net assets	1,048,911	136,202	1,185,113
Net assets, beginning	26,513,240	4,974,679	31,487,919
Net assets, ending	\$ 27,562,151	\$ 5,110,881	\$ 32,673,032

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operations:</u>			
Revenue and support:			
Admissions	\$ 533,372	\$ -	\$ 533,372
Membership, programs, and unrestricted support	1,579,852	-	1,579,852
Grants and restricted support	926,603	833,570	1,760,173
Museum store	290,813	-	290,813
Investment return allocated to operations per spending policy	505,311	111,073	616,384
In-kind gifts and services	818,990	-	818,990
Other earned income, net	201,248	-	201,248
Total revenue and support from operations	4,856,189	944,643	5,800,832
Expenses:			
Collections and exhibitions	1,426,810	-	1,426,810
Education and programs	1,492,827	-	1,492,827
Library, scholarly, and digital initiatives	396,122	-	396,122
Membership, visitor services, and museum store	452,953	-	452,953
Management and general	807,526	-	807,526
Fundraising	332,340	-	332,340
Total expenses from operations	4,908,578	-	4,908,578
Net assets released from restrictions for operations	111,153	(111,153)	-
Change in net assets from operations	58,764	833,490	892,254
<u>Other non-operational activities:</u>			
Contributions for non-operational purposes and related expenses:			
Campaign contributions	-	501,488	501,488
Endowment contributions	-	493,148	493,148
Depreciation expense	(1,001,294)	-	(1,001,294)
Interest expense	(7,837)	-	(7,837)
Total contributions for capital purposes and related expenses	(1,009,131)	994,636	(14,495)
Deaccession (accession) of objects for collection:			
(Accession) deaccession of objects for collection	(27,095)	104,255	77,160
Releases of restrictions for the purpose of collections	27,095	(27,095)	-
Accession of objects for collection, net	-	77,160	77,160
Non-operational net assets released from restrictions	298,516	(298,516)	-
Net investment return	2,060,752	452,973	2,513,725
Less: Investment return allocated to operations per spending policy	(505,311)	(111,073)	(616,384)
Change in value of split interest agreements	3,410	140,122	143,532
Change in non-operational activities	848,236	1,255,302	2,103,538
Change in net assets	907,000	2,088,792	2,995,792
Net assets, beginning	25,606,240	2,885,887	28,492,127
Net assets, ending	\$ 26,513,240	\$ 4,974,679	\$ 31,487,919

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Functional Expenses

Year Ended December 31, 2020

	Collections and Exhibitions	Education and Programs	Library, Scholarly, and Digital Initiatives	Membership, Visitor Services, and Museum Store	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 787,424	\$ 592,105	\$ 145,018	\$ 153,943	\$ 1,678,490	\$ 518,133	\$ 309,236	\$ 2,505,859
Consultants, professional fees, and stipends	10,566	75,472	46,667	-	132,705	110,909	29,805	273,419
In-kind program support	6,181	215,652	57,893	12,000	291,726	-	3,486	295,212
Exhibitions and curatorial activities	49,475	10,804	-	-	60,279	-	-	60,279
Student transportation and program travel	1,209	5,131	-	-	6,340	-	-	6,340
Supplies	23,751	11,555	2,608	4,311	42,225	16,678	724	59,627
Publications	-	-	49,716	-	49,716	-	-	49,716
Information technology	19,574	-	32,085	-	51,659	-	-	51,659
Rental expenses for offsite locations	65,027	-	-	-	65,027	-	-	65,027
Occupancy and insurance	368,328	66,901	-	-	435,229	83,714	-	518,943
Cost of goods sold - museum store	-	-	-	68,926	68,926	-	-	68,926
Marketing, printing, and postage	18,603	37,364	823	19,689	76,479	12,260	10,940	99,679
Catering, meals, and entertainment	583	7,120	-	144	7,847	995	2,026	10,868
All other expenses	7,020	4,261	2,001	3,578	16,860	72,992	6,257	96,109
Total expenses from operations	\$ 1,357,741	\$ 1,026,365	\$ 336,811	\$ 262,591	\$ 2,983,508	\$ 815,681	\$ 362,474	\$ 4,161,663

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Functional Expenses

Year Ended December 31, 2019

	Collections and Exhibitions	Education and Programs	Library, Scholarly, and Digital Initiatives	Membership, Visitor Services, and Museum Store	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 676,878	\$ 504,267	\$ 160,367	\$ 202,229	\$ 1,543,741	\$ 493,443	\$ 182,905	\$ 2,220,089
Consultants, professional fees, and stipends	10,829	100,146	27,622	13,422	152,019	81,891	20,945	254,855
In-kind program support	2,684	663,719	110,543	-	776,946	-	42,044	818,990
Exhibitions and curatorial activities	225,250	-	-	-	225,250	-	-	225,250
Student transportation and program travel	5,794	27,197	-	50,030	83,021	-	-	83,021
Supplies	35,012	35,195	3,093	8,788	82,088	24,890	18,490	125,468
Publications	-	-	42,507	-	42,507	-	-	42,507
Information technology	11,879	-	49,987	-	61,866	-	-	61,866
Rental expenses for offsite locations	40,940	-	-	-	40,940	-	-	40,940
Occupancy and insurance	382,177	72,702	497	-	455,376	92,061	-	547,437
Cost of goods sold - museum store	-	-	-	143,835	143,835	-	-	143,835
Marketing, printing, and postage	13,800	53,570	611	27,969	95,950	26,374	12,822	135,146
Catering, meals, and entertainment	11,299	24,726	95	3,725	39,845	8,463	42,755	91,063
All other expenses	10,268	11,305	800	2,955	25,328	80,404	12,379	118,111
Total expenses from operations	\$ 1,426,810	\$ 1,492,827	\$ 396,122	\$ 452,953	\$ 3,768,712	\$ 807,526	\$ 332,340	\$ 4,908,578

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,185,113	\$ 2,995,792
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	966,220	1,001,294
Changes in beneficial interest in perpetual trusts	(82,172)	(106,990)
Unrealized gains on investments	(1,381,478)	(1,124,337)
Realized (loss) gain on sale of investments	95,185	(1,082,935)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(158,791)	(4,947)
Pledges receivable net of collections for long-lived assets	713,750	(950,960)
Inventory	(11,027)	(20,550)
Prepaid expenses	(147,957)	(10,118)
Charitable remainder trust receivable	(12,717)	(36,542)
Increase (decrease) in liabilities:		
Accounts payable	(149,920)	18,040
Accrued expenses	48,823	10,874
Liability under split-interest agreements	(6,926)	(3,410)
Deferred revenue	727,279	(132,900)
Contract liabilities	(507,346)	116,403
Custodial funds	48	61
Total adjustments	92,971	(2,327,017)
Net cash provided by operating activities	1,278,084	668,775
Cash flows from investing activities:		
Land, buildings, equipment acquisitions and construction in progress	(130,621)	(372,577)
Purchases of long-term investments	(3,481,458)	(10,818,128)
Sales of long-term investments	2,517,371	10,607,158
Net cash used in investing activities	(1,094,708)	(583,547)
Cash flows from financing activities:		
Advances from the working capital line-of-credit	-	365,000
Repayments of the working capital line-of-credit	-	(365,000)
Proceeds from notes payable	150,000	-
Net cash provided by financing activities	150,000	-
Net increase in cash, cash equivalents, and restricted cash	333,376	85,228
Cash, cash equivalents, and restricted cash, beginning of year	599,188	513,960
Cash, cash equivalents, and restricted cash, end of year	\$ 932,564	\$ 599,188
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 89	\$ 7,837
<u>Reconciliation of cash balances:</u>		
Cash and cash equivalents	\$ 901,847	\$ 568,519
Restricted cash	30,717	30,669
Cash and cash equivalents, end of year	\$ 932,564	\$ 599,188

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Organization and nature of operations:

Old Dartmouth Historical Society (hereinafter “Society”) is a Massachusetts not-for-profit corporation established in 1903. The Society’s mission is to “educate and interest all the public in the historical interaction worldwide of humans with whales; in the history of Old Dartmouth and adjacent communities and in regional maritime activities”. The Society is commonly referred to as The New Bedford Whaling Museum, or The Whaling Museum.

The Society houses one of the world’s most distinguished collections of maritime art and history, spanning five (5) centuries. The collections are of local, regional, national, and international significance. The collection has two (2) categories. The first category is related to the history of whaling. The Society has, by far, the world’s largest and best developed holding of whaling related artifacts. The second category is the interpreted social and economic history of the region.

Adoption of significant accounting standard:

The Society adopted new accounting and financial reporting guidance, the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2019-03, *Not-for-profit Entities (Topic 958), Updating the Definition of Collections*, for its year ended December 31, 2020. This update modified the definition of the term collections and required the Society to expand its disclosure of its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from the collection). It also required the expanded disclosure of the definition of “direct care” as to what the proceeds from the sale of collection items, when deaccessioned, may be used for. The adoption of ASU No. 2019-03 did not have a significant effect on the “Collections” disclosure following.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Basis of financial reporting:

The Society prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates and assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Society’s management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with the charitable remainder trust receivable and the valuation assumptions associated with the net realizable value of pledges receivable. Actual results could differ from those estimates and assumptions.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Financial statement presentation:

The financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Society. These resources are comprised of public support and program revenues which are available and used for operations and programming. The governing board of the Society may elect to designate such resources for specific purposes. This designation may be removed at the Board of Trustees’ discretion.

Net assets with donor restrictions – Net assets which include resources subject to donor-imposed (or certain grantor) restrictions. Some donor-imposed restrictions either expire with the passage of time and/or can be fulfilled and removed by the actions of the Society to comply with the donor-imposed restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed, or both. Resources of this nature originate from contributions, grants, bequests, contracts, and investment income earned on donor restricted funds.

Grants, which are limited to the use of various programs, are reflected as a component of net assets without donor restrictions if the funds are received and spent during the same year and if they support the activities of the Society within the limits of the Society’s articles of organization. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue or contract liabilities. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. The Society reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For purposes of the Statement of Cash Flows, the Society considers all highly liquid debt instruments and money market funds with a maturity of three (3) months or less when purchased, other than those held in the investment portfolio, to be cash equivalents.

Accounts receivable and uncollectible accounts:

All accounts receivable are considered collectible at year-end. Accounts receivable over ninety (90) days old are considered past due and are written off routinely after it is evident that the collection effort has little or no chance of near-term success. The Society has no significant past due accounts receivable at December 31, 2020 and 2019. The Society uses the direct method of writing off uncollectible accounts receivable because its effect on the financial statements is not materially different from the results that would have been obtained under the allowance method required by accounting principles generally accepted in the United States of America (U.S. GAAP).

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Pledges receivable:

The Society carries its pledges receivable at net present value less an allowance for uncollectible pledges, if appropriate. On a periodic basis, all pledges are evaluated for collectability and are written off after it is evident that the collection effort has little or no chance of near-term success. Based on this review, the Society evaluates its pledges receivable and adjusts its allowance for uncollectible pledges based on its history of past write-offs, donor specific collections, and current economic and credit conditions. It is reasonably possible that the Society’s estimate of the allowance for uncollectible pledges will change.

Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted discount rate.

Inventory:

Inventories are stated at average cost and reduced to net realizable value as appropriate.

Land, buildings, and equipment:

Land, buildings, and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Expenditures that significantly add to the productivity or extend the useful lives of buildings and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Society performs an informal capital needs assessment on a routine basis. Currently, the long-lived assets held require no significant scheduled maintenance that has not been contemplated in the long-term capital budgeting process. The cost of routine and non-routine maintenance is funded on a “pay as you go” basis.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25 – 39 years
Improvements	3 – 18 years
Furniture and equipment	3 – 10 years
Vehicles	5 years

Investments and endowment matters:

The long-term focus of the Society’s investment portfolio is to support the Society’s mission by providing a reliable source of funds for current and future use.

The Society records investments at fair market value which represents the value on the date of donation, or the cost on the date of purchase, plus reinvested earnings and appreciation or depreciation. Investment securities are reported at fair value as described in Note 14. Investments denominated in foreign currency are translated at the year-end spot rate.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Investments and endowment matters - continued:

Income from pooled investments, realized gains and losses, and unrealized appreciation and depreciation on security transactions are allocated among individual funds with or without donor restrictions on the basis of the respective percentage share in the fund balance which exists at the beginning of each month in which income, realized gains or losses, and unrealized appreciation and depreciation are earned. Realized and unrealized gains and losses are reported in the Statements of Activities. Realized gains and losses are determined on the basis of average cost of securities sold based on purchases and sales reflected on a trade-date basis. Investment income or loss (interest, dividends, realized and unrealized gains and losses) is recognized as non-operational revenue in the accounting period in which they occur. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Net investment income and loss is reported in the Statement of Activities and consists of interest and dividend income, as well as realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Society’s investment funds, which include equity funds and fixed income funds, consist of the Society’s ownership interest in externally managed funds which may be invested in less liquid investments. The fair value of these investments is determined by the closing price on the active market in which the individual securities are traded; the Society considers this a reasonable estimate of fair value as of December 31, 2020 and 2019. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements.

The Society maintains endowment investment funds with donor restrictions that are reported in accordance with the reporting principles of not-for-profit accounting and consistent with the *Uniform Prudent Management of Institutional Funds Act of 2006* (hereinafter “UPMIFA”) effective June 30, 2009, when adopted by the Commonwealth of Massachusetts. UPMIFA is a model act approved by the Uniform Law Commission, formerly known as the National Conference of Commissioners on Uniform State Laws, that serves as a guideline for states to use in enacting legislation.

The Board of Trustees of the Society has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent of explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the fund, (b) the original value of subsequent gifts to the fund, and (c) accumulations to the fund that are required to be maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Society has interpreted UPMIFA to permit spending from deficient funds in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1.) the duration and preservation of the funds, 2.) the purposes of the Society and the donor-restricted endowment funds, 3.) general economic conditions, 4.) the possible effect of inflation and deflation, 5.) the expected total return from income and the appreciation of investments, 6.) other resources of the Society, and 7.) the investment policies of the Society.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Investments and endowment matters - continued:

The Board of Trustees of 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 purchasing power of the endowment assets. This policy defines the endowment’s investment objectives, return and risk parameters, asset allocation ranges and targets, and benchmark performance measurement and evaluation. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity, or for a donor-specified period(s), as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term, and capital volatility, the Board of Trustees believes a moderate risk strategy is prudent.

Under this policy, as approved by the Board of Trustees and routinely reviewed, the endowment assets are intended to maximize real total return over the long term (rolling five (5) year periods) while minimizing the risk of not achieving returns over any twelve (12) month period through the diversification of investments within the prescribed classes. Real total return is defined as the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation by the U.S. Consumer Price Index. Actual returns in any given year may vary from this amount.

The Society’s investment manager targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As approved by its Investment Committee, the Society has in recent years, including 2020 and 2019, appropriated for distribution approximately four-point seven five percent (4.75%) of its endowment fund’s year-end fair value over the prior three (3) years through the preceding year-end and adjusted for significant new gifts to the endowment. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at the total return less the spending policy. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Split interest agreements:

The Society is the beneficiary of various split interest agreements as follows:

Beneficial Interest in Perpetual Trust - The Society records a beneficial interest in a perpetual trust, at the fair value of the assets contributed to the trust, at the time the Society is notified of the trust’s existence. Annual changes to the market value of the assets are recognized as a component of the change in the value of split interest agreements with donor restrictions.

Charitable Remainder Trusts - The Society records a receivable for charitable remainder trust agreements for which the Society is a beneficiary, but not the trustee of the assets. These trusts are created by donors, independent of the Society, and are neither in the possession of nor under the control of the Society. The trusts are administered by outside fiscal agents as designated by the donor. The receivable is recorded at the present value of the anticipated residual interest in the trust and discounted at the rate commensurate with the risks involved. Upon termination of the trusts, the Society will receive a specified portion of the remaining trust assets.

OLD DARTMOUTH HISTORICAL SOCIETY
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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Split interest agreements - continued:

Charitable Gift Annuities - The Society records assets received under charitable gift annuity agreements, included in investments, at the fair market value of the assets when the assets are received by the Society as trustee. Under charitable gift annuity contracts, the Society receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally the life of the donor. In conjunction with these gifts, the Society records a liability, included in liability under split-interest agreements, equal to the present value of future cash flows expected to be paid to the income beneficiaries based upon the actuarial expected lives of the beneficiaries. The assets to fund these liabilities to donors are included as investments and are maintained in a separate and distinct fund. The discount rate used to calculate the present value of the obligations was three percent (3%) at December 31, 2020 and 2019. The excess of contributed assets over the annuity liability is recorded as contribution revenue without donor restrictions. The liabilities are adjusted annually for changes in the life expectancy of the income beneficiary, amortization of the discount, and other changes in the estimates of future payments. The resulting changes are recorded as a change in the value of the split interest agreements without donor restrictions. Upon the donor's death, the remaining liability is recognized as contribution revenue without donor restrictions.

Pooled Life Income Fund - The Society manages a pooled life income fund, included in investments, which is divided into units based on contributions from donors. Donors are assigned a specific number of units based on the proportion of the fair market value of the contribution to the total fair market value of the fund. The donor receives a portion of the actual income earned on those units, included in liability under split-interest agreements, until his or her death. At that time, the value of the units assigned to the donor will be available to the Society without restriction.

Revenue recognition:

The Society's significant revenue streams are as follows:

Admissions – The Society recognizes admissions revenue for entry and visitation of the museum galleries at the agreed-upon price at a point in time.

Membership – The Society recognizes membership revenue that includes certain tangible benefits to membership that are quantified separately. The assigned value to the benefits received from membership of the Society is recognized ratably over the membership term, which is generally one (1) year. In addition, the cost of membership includes an unconditional contribution to the Society which is recognized when received.

Programs – The Society recognizes program revenue at an amount that reflects consideration which the Society expects to be entitled to in exchange for transferring goods or services to the patron. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts may vary. Revenue may be recognized ratably over time or at a point in time based on the specific contract provisions.

OLD DARTMOUTH HISTORICAL SOCIETY
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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Revenue recognition - continued:

Contributions – The Society recognizes unconditional contributions as revenues in the period received and they are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Unconditional contributions include promises to give, those that do not include a measurable performance-related or other barrier or are those in which the Society has limited discretion over how the contribution should be spent. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Society has limited discretion over how the contribution should be spent, and where there exists a right of return or release of future obligations, are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met. Contributions of publicly traded securities are recorded at their fair value at the time of donation. It is the Society’s policy to convert contributions of marketable securities to cash as soon as practical and prudent, and record them at their estimated fair value at the date of donation. Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate adjusted for a market risk premium or the credit worthiness of each donor. Amortization of the discounts is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

In-kind goods and services – The Society recognizes in-kind goods and services revenue at a point in time when contributions of assets other than cash are received. Goods and services received are recorded at their estimated fair value at the date received.

Government and private grants and contracts – The Society recognizes revenue from government and private grants and contracts as either exchange transactions (if the resource provider receives commensurate benefit) or conditional contributions. Such revenue is recognized over the period of the performance as qualified allowable costs are incurred. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant or other conditions are satisfied. Government grants and contracts are subject to audit by federal and state agencies. For performance reporting contracts, the grantor pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Society will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Society recognizes revenue over time when the performance obligations are met and delivered to the grantor. There are no significant contract assets at December 31, 2020 and 2019.

Generally, revenues from sources other than contributions are reported as increases in net assets without donor restrictions.

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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Remaining performance obligations:

The Society does not disclose the value of unsatisfied performance obligations for contracts with an original contract term of one (1) year or less, or for variable consideration allocated to the unsatisfied performance obligation of a series of services. The Society’s remaining performance obligations not subject to the practical expedients were not significant at December 31, 2020 and 2019.

Income taxes:

The Society is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation. The Society is also exempt from Massachusetts income tax. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Society qualify for a Federal charitable contribution deduction.

The Society will file not-for-profit tax returns in the U.S. federal jurisdiction and the Commonwealth of Massachusetts where they operate and solicit funds. The Internal Revenue Service (IRS) and the Commonwealth of Massachusetts have not requested examination of open tax years of 2019, 2018 and 2017. The Commonwealth of Massachusetts has a statute of limitations of three (3) years. The Society’s U.S. federal and Commonwealth of Massachusetts income tax returns prior to December 31, 2017 are closed. The Society is subject to a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At December 31, 2020, the Society believes that it has no significant uncertain tax positions within any of its open tax years.

Collections:

The collections, which were acquired through purchases and contributions since the Society’s inception, are not recognized as assets on the Statements of Financial Position. The Society, by vote of its Board of Trustees, has adopted a formal Collections Management Policy (hereinafter “Collections Policy”) that is consistent with that recommended by the American Alliance of Museums, its national accreditation organization. Purchases of collection items are recorded as decreases in net assets without restrictions in the year in which the items are acquired, or in net assets with restrictions if the assets used to purchase the items are restricted by donors. The Society provides the resources to ensure the collections are protected and preserved. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. The value of items of collection received is not reported as contributions or accessions in the Statements of Activities. Accessions of objects totaled \$26,253 and \$27,095 for the years ended December 31, 2020 and 2019, respectively.

The Collections Policy requires the net proceeds from the sale of deaccessioned objects of the collection be placed in a separate restricted acquisitions fund in the name of the original donor to be used exclusively for the acquisition of new collections items or for “direct care” or preservation of the collections. The Society defines direct care to be 1.) object conservation treatment; 2.) testing and analysis related to object treatment; 3.) materials and supplies related to object treatment; 4.) contract services related to object treatment; 5.) activities to stabilize and ensure existing conditions are not worsened or acute deterioration will not begin; and 6.) appropriate packing, crating, and shipping of newly acquired collection items. Expenditures that do not meet these criteria may not be funded with the proceeds from the deaccession of objects of the collection. The Society sold artifacts, figureheads, and prints in 2020 and 2019 from its collections that were properly deaccessioned. The net proceeds from these sales were \$2,299 and \$6,305 for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Fair value of financial instruments – definition and measurement:

The Society measures certain assets and liabilities in accordance with FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. As such, fair value is defined as the price that would be received upon sale of an asset, or paid upon transfer of a liability, in an orderly transaction between market participants at the measurement date and in the principal, or most advantageous, market for that asset or liability. The fair value is calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the Society.

ASC Topic 820 establishes a hierarchy prioritizing the inputs used in measuring fair value into three (3) levels based on the extent to which inputs are observable in the market. Each fair value measurement is reported in one of the three (3) levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. The three (3) levels of the fair value framework are as follows:

Level I – Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments generally included in Level I include listed equity and debt securities publicly traded on a stock exchange.

Level II – Pricing inputs are based on quoted prices for similar instruments in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of model-based valuation methodologies. Instruments generally included in Level II are less liquid and may include restricted equity securities and over-the-counter derivatives including corporate bonds and loans as well as public company equity securities with legal restrictions.

Level III – Pricing inputs are generally unobservable for these instruments and include situations where there is little or no market activity for the instrument. The inputs into the determination of fair value require significant management judgment and reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models or similar techniques.

The measurement’s level for any qualifying assets and liabilities within this framework is based upon the lowest level of any input that is significant to the fair value measurement. Most investments classified in Level II and III consist of shares or units of investment funds as opposed to direct investments in the funds’ underlying holdings, which may be marketable. The Society reports transfers between levels as of the end of the reporting period. The classification of investments in the fair value hierarchy is not necessarily an indication of risks, liquidity, or degree of difficulty in estimating the fair value of each investment’s underlying assets and liabilities.

Risks and uncertainties:

The fair values of the Society’s financial instruments have been determined at a specific point in time based on relevant market information as well as information about the financial instrument. Estimates of fair value are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

OLD DARTMOUTH HISTORICAL SOCIETY
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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Risks and uncertainties - continued:

The Society may invest in various types of investment securities in accordance with its formal investment policy monitored by its Board of Trustees. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Operating activities:

Changes in net assets without donor restrictions are classified as either operating activities or non-operating activities. Non-operating activities include investment income (interest and dividend income as well as realized and unrealized gains and losses on investments) reduced by the annual approved investment income draw to support operations, funds released from net assets with donor restrictions to support capital spending, comprehensive campaign activities, the loss on the sale of long-lived assets, depreciation charges not integral to the operations of the Society, and comprehensive collection activities. The measure of operating activities includes a percentage of investment income pursuant to the spending policy as determined and approved on an annual basis by the Board of Trustees. All other activities that are deemed by the administration to be ongoing, major, and central to operations are reported as operating revenues and expenses.

In-kind contributions:

Contributions of goods and services are recognized when provided by individuals or organizations whose specialized skills would need to be purchased if not provided by donation, or would create or enhance long-lived assets. Such skills include professional services. Contributed goods and services are reflected as contributions at their estimated fair market value at date of receipt if an objective basis exists for recording and assigning value to such donations.

Functional allocation of expenses:

The costs of providing the various programs and the administration of the Society have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses from operating activities that are allocated include facility related, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, collection preservation, education programming, membership, and fundraising, which are allocated based on the basis of time and effort estimates.

Reclassifications:

Certain reclassifications have been made to the 2019 financial statements to conform to the current period's financial statement presentation. These reclassifications have no effect on previously reported results of operations or net assets.

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Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Advertising and marketing expense:

The Society reports advertising and marketing expenses as incurred. Advertising and marketing expenses, which may include significant promotional expense for exhibit openings, for the years ended December 31, 2020 and 2019 totaled \$52,089 and \$68,450, respectively.

Subsequent events:

Subsequent events are transactions or events that occur after the Statement of Financial Position date but before the financial statements are issued or available to be issued. The Society has evaluated subsequent events through April 26, 2021, which is the date the financial statements were available to be issued.

2. Funds held in agency capacity:

Agency funds include funds entrusted to the Society for specific purposes, as follows:

Howland Cemetery Maintenance Fund – Represents funds invested in a certificate of deposit currently earning approximately one half of one percent (0.50%) interest, which had a balance of \$30,717 and \$30,669 as of December 31, 2020 and 2019, respectively. These funds must be used for cemetery maintenance in accordance with the donor’s wishes.

3. Pledges receivable:

Capital campaign and operations pledges receivable as of December 31 are presented as net assets with donor restrictions if expected to be collected in more than one (1) year. These unconditional promises to give are to be received by the Society for years subsequent to December 31. The following schedule summarizes pledges receivable at December 31:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 123,168	\$ 88,351
From one to five years	<u>150,742</u>	<u>930,364</u>
	273,910	1,018,715
Less: discount to net present value	<u>(5,538)</u>	<u>(36,593)</u>
Net pledges receivable	<u>\$ 268,372</u>	<u>\$ 982,122</u>
Current portion of pledges receivable	\$ 123,168	\$ 88,351
Pledges receivable, long-term	<u>145,204</u>	<u>893,771</u>
Total pledges receivable, net	<u>\$ 268,372</u>	<u>\$ 982,122</u>

OLD DARTMOUTH HISTORICAL SOCIETY
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Notes to Financial Statements

3. Pledges receivable - continued:

The allowance for uncollectible pledges at December 31, 2020 and 2019 was \$-.

Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted rate of approximately one-point five percent (1.5%). Of the total pledges receivable, \$210,872 and \$995,564 represent outstanding pledges from Trustees of the Society as of December 31, 2020 and 2019, respectively.

4. Land, buildings, and equipment:

Land, buildings, and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 220,731	\$ 220,731
Buildings and improvements	27,660,345	27,532,355
Furniture, equipment, and vehicles	1,722,606	1,719,975
Custodial program and equipment	<u>43,010</u>	<u>43,010</u>
	29,646,692	29,516,071
Less: accumulated depreciation	<u>(15,687,112)</u>	<u>(14,720,892)</u>
Total land, buildings and equipment, net	<u>\$ 13,959,580</u>	<u>\$ 14,795,179</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$966,220 and \$1,001,294, respectively.

Certain of the furniture, fixtures, and equipment were funded by the Federal Department of Education and the Federal government retains a reversionary interest in these long-lived assets. Amounts are not considered material to the Society's financial statements.

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Notes to Financial Statements

5. Long-term investments:

Long-term investments are reported at fair value and consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 468,986	\$ 575,962
Domestic equities:		
Consumer discretionary	972,792	781,453
Consumer staples	485,971	503,264
Energy	22,753	162,983
Financials	541,653	854,993
Healthcare	1,064,251	901,763
Industrials	723,641	744,503
Information technologies	2,377,819	1,567,256
Materials	132,624	200,395
Real estate	88,006	83,180
Telecommunication services	693,114	425,440
Utilities	230,257	106,526
Mutual funds:		
Domestic fixed income (5-10 Years)	2,019,235	1,747,905
Domestic equities	30,457	28,671
International equities – developed markets	3,720,577	3,217,945
International equities – emerging markets	1,335,868	1,112,496
International fixed income (5-10 Years)	<u>2,056,466</u>	<u>1,699,355</u>
Total long-term investments	<u>\$ 16,964,470</u>	<u>\$ 14,714,090</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities at December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 177,763	\$ 63,697	\$ 241,460
Investment fees	(74,129)	(26,562)	(100,691)
Net unrealized gains	1,007,682	361,079	1,368,761
Net realized losses on sales	<u>(70,075)</u>	<u>(25,110)</u>	<u>(95,185)</u>
Net investment return	<u>\$ 1,041,241</u>	<u>\$ 373,104</u>	<u>\$ 1,414,345</u>

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Notes to Financial Statements

5. Long-term investments – continued:

The following schedule summarizes the investment return and its classification in the Statement of Activities at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 317,271	\$ 69,739	\$ 387,010
Investment fees	(36,083)	(7,932)	(44,015)
Net unrealized loss	891,774	196,021	1,087,795
Net realized gain on sales	<u>887,790</u>	<u>195,145</u>	<u>1,082,935</u>
Net investment loss	<u>\$ 2,060,752</u>	<u>\$ 452,973</u>	<u>\$ 2,513,725</u>

There are no unfunded commitments associated with long-term investments as of December 31, 2020 and 2019. Investments with daily liquidity generally do not require any notice prior to withdrawal and there are no required redemptions or lock-ups with definitive expiration dates.

6. Endowments:

The Society’s endowments consist of individual endowment sub-funds for a variety of purposes with donor restrictions as well as board designated endowments. Net assets associated with endowment funds (hereinafter “Fund”) are classified and reported based on the existence or absence of donor-imposed restrictions as well as sub-funds without donor restrictions for operational purposes.

Interpretation of relevant law:

The Society’s Board has interpreted the Commonwealth of Massachusetts Uniform Prudent Management of Institutional Funds Act (hereinafter “UPMIFA”), adopted June 30, 2009, as allowing the Society to appropriate for expenditure or accumulate as much of an endowment fund as the Society determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Society.

In making a determination to appropriate or accumulate the Society shall act in good faith with the care that an ordinarily prudent organization in a like position would exercise under similar circumstances and shall consider, if relevant, all of the following factors:

- The duration and preservation of the fund
- The purposes of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

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Notes to Financial Statements

6. Endowments – continued:

Funds with deficiencies:

From time to time, the fair value of 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. The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, there were no deficits required to be reported as decreases in net assets with donor restrictions at December 31, 2020 and 2019. To the extent that deficiencies result from unfavorable market fluctuations that have occurred, subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

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 endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to achieve a total rate of return that exceeds the rate of inflation and meets or exceeds the investment return objectives of the Society’s funds and reserves while assuming a moderate level of investment risk. See Note 1, *Investments and Endowment Matters*, for further detail on the Society’s investment strategies.

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, such as interest and dividends. The Society targets a diversified asset allocation among various financial instruments and asset categories and uses multiple investment strategies to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy:

The Society has a policy for each endowment allowing that annually the Board of Trustees will appropriate and expend all or part of the income (defined as income from interest, dividends, and other ordinary income, plus net realized gains). If little or no income is produced in a given year, up to five percent (5%) of the past three (3) years’ average year-end fair value of the fund may be spent in accordance with the purpose of the Fund, taking into account the recommendations of the Investment Advisory Committee to the Finance Committee.

The Society has, in recent years, appropriated for distribution approximately four-point seven five percent (4.75%) of its endowment fund’s average year-end fair value, adjusted for new significant gifts, over the prior three (3) years through the preceding year-end. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at the total return less the spending policy. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Notes to Financial Statements

6. Endowments – continued:

Spending policy and how the investment objectives relate to spending policy - continued:

Based on its spending policy, a portion of the Society’s cumulative net realized gains and net appreciation is allocated to operations in accordance with the Society’s investment policies and procedures. For the years ended December 31, 2020 and 2019, the Board approved funding for operations of \$671,493 and \$616,384, respectively. Of these amounts, \$177,140 and \$111,073 were the investment earning amounts allowed to be expended from accumulated investment earnings on the endowment fund with donor restrictions for the years ended December 31, 2020 and 2019, respectively, with the balance of the Board approved “draw” from unrestricted endowment investment earnings.

Changes to endowment net assets for the year ended December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	<u>\$12,062,934</u>	<u>\$ 2,651,156</u>	<u>\$14,714,090</u>
Endowment investment return:			
Interest and dividends	177,763	63,697	241,460
Investment fees	(74,129)	(26,562)	(100,691)
Net appreciation (realized and unrealized)	<u>937,607</u>	<u>335,969</u>	<u>1,273,576</u>
Total endowment investment return	<u>1,041,241</u>	<u>373,104</u>	<u>1,414,345</u>
Contributions	3,322	1,452,504	1,455,826
Other changes and reclasses	(121,053)	172,755	51,702
Appropriation of endowment for expenditure	<u>(494,353)</u>	<u>(177,140)</u>	<u>(671,493)</u>
Endowment net assets, December 31, 2020	<u>\$12,492,091</u>	<u>\$ 4,472,379</u>	<u>\$16,964,470</u>

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Notes to Financial Statements

6. Endowments – continued:

Changes to endowment net assets for the year ended December 31, 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	<u>\$10,453,468</u>	<u>\$ 1,842,380</u>	<u>\$12,295,848</u>
Endowment investment return:			
Interest and dividends	317,271	69,739	387,010
Investment fees	(36,083)	(7,932)	(44,015)
Net appreciation (realized and unrealized)	<u>1,779,564</u>	<u>391,166</u>	<u>2,170,730</u>
Total endowment investment return	<u>2,060,752</u>	<u>452,973</u>	<u>2,513,725</u>
Contributions	-	493,148	493,148
Other changes and reclasses	54,025	(26,272)	27,753
Appropriation of endowment for expenditure	<u>(505,311)</u>	<u>(111,073)</u>	<u>(616,384)</u>
Endowment net assets, December 31, 2019	<u>\$12,062,934</u>	<u>\$ 2,651,156</u>	<u>\$14,714,090</u>

The endowment investment return is allocated between operations and non-operational activities per the spending policy in the Statements of Activities for the years ended December 31 as follows:

	<u>2020</u>	<u>2019</u>
Allocated to operations	\$ 671,493	\$ 616,384
Allocated to non-operational activities	<u>742,852</u>	<u>1,897,341</u>
Net investment return	<u>\$ 1,414,345</u>	<u>\$ 2,513,725</u>

7. Charitable remainder trusts receivable:

The Society is the beneficiary of numerous irrevocable charitable trusts and gift annuities. These assets have been donated to the Society for investment in return for payments to the donor(s) or their designee(s) and are largely held by third party trustees on the Society’s behalf. Upon the satisfaction of the terms of each trust or annuity, the Society will receive the balance of the invested assets. These assets are then added to the endowment per the donor’s direction. For gift annuities, the related annuity liability is valued using U.S. Internal Revenue Service (IRS) tables at the net present value each year. See Note 1 for the discount rate used.

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7. Charitable remainder trusts receivable - continued:

For the years ended December 31, 2020 and 2019, there were no contributions to the charitable remainder trusts received. The change in the fair value of annuities, included in the change of split-interest agreements in the Statements of Activities, was an increase of \$6,926 and \$3,410 for the years ended December 31, 2020 and 2019, respectively.

The following are the invested assets and annuity obligations at December 31:

	<u>2020</u>	<u>2019</u>
Fair value of charitable remainder trust	\$ 515,833	\$ 503,116
Annuity obligations	<u>(74,459)</u>	<u>(81,385)</u>
Total charitable remainder trusts receivable, net	<u>\$ 441,374</u>	<u>\$ 421,731</u>

8. Beneficial interest in perpetual trust:

The Society is the beneficiary of a trust (hereinafter “Trust”) created by a donor, the assets of which are not in the possession of the Society but are held with a third-party investment custodian and are invested in accordance with the Trust document. The Society has legally enforceable rights and claims to such assets, including the right to their respective interest in the Trust’s income therefrom. Net realized and unrealized gains and losses related to the beneficial interest in the Trust is reported as changes in net assets with donor restrictions based on explicit donor stipulations. Distributions from the Trust as determined by the investment custodian have been approximately \$34,000 annually.

9. Deferred revenue, contract liabilities, and conditional contributions:

The Society recognizes deferred grant revenue and refundable advances largely related to conditional contributions. The contributions are conditional upon the Society spending the grant funds on the specific program purposes as outlined in the grant proposal and agreement. The Society recognizes contract liabilities on grant funds advanced on exchange contracts. The contract liability totaled \$61,178 and \$568,524 at December 31, 2020 and 2019, respectively.

10. Demand note payable – line-of-credit:

The Society has a demand note payable with a financial institution with a maximum line-of-credit availability of \$850,000. Interest on the note’s outstanding balance is computed at the financial institution’s variable prime lending rate (4.25% and 4.75% at December 31, 2020 and 2019, respectively) with a floor of three-point five percent (3.5%). The note is collateralized by all business assets of the Society excluding endowment investments, real property, and the items of the collection. The line-of-credit is subject to annual administrative covenants with the financial institution.

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11. Long-term note payable:

Long-term note payable consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable to the U.S. Small Business Administration under the Economic Injury Disaster Loan program, original amount of \$150,000, dated May 2020, fully amortizing, secured by certain business assets, 2.75% fixed interest, payable in three hundred sixty (360) monthly installments of \$641 of principal and interest beginning May 2021. Due in May 2050.	\$ 150,000	\$ -
Less: current portion of long-term debt	(2,326)	(-)
Long-term debt, net of current portion	<u>\$ 147,674</u>	<u>\$ -</u>

The following are maturities of long-term debt for the next five (5) years and in the aggregate:

2021	\$ 2,326
2022	3,570
2023	3,670
2024	3,772
2025	3,877
Thereafter	<u>132,785</u>
Total long-term debt	<u>\$ 150,000</u>

Interest on the line-of-credit and long-term note payable totaled \$89 and \$7,837 for the years ended December 31, 2020 and 2019, respectively.

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12. Net assets with donor restrictions:

The Society has recognized revenue related to grants and contributions that are restricted as to purpose or the expiration of time. In addition, donors have endowed the Society with funds that are restricted for specific purpose. The following is a detail of the nature of the restrictions on net assets at December 31:

	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trusts	\$ 766,095	\$ 683,923
Restricted for acquisition and conservation	1,970,036	1,176,749
Time restricted - split interest agreements	515,833	503,116
Restricted for education	542,285	523,038
Restricted for apprenticeship	326,651	294,601
General endowment	281,561	271,568
Restricted for library	180,045	173,655
Restricted for building and grounds	158,764	153,129
Restricted for visitor services	60,566	58,417
Restricted for capital expenditures and programs	-	53,671
Subject to the passage of time	145,204	893,771
Restricted for various programs and functions	<u>163,841</u>	<u>189,041</u>
Total net assets with donor restrictions	<u>\$ 5,110,881</u>	<u>\$ 4,974,679</u>

Releases from donor restrictions, by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor, consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
<u>Operational:</u>		
Released for program purposes	\$ 30,000	\$ 80
Release of accumulated earnings	<u>177,140</u>	<u>111,073</u>
Total releases for operational activities	<u>207,140</u>	<u>111,153</u>
<u>Non-operational:</u>		
Released for campaign and capital expenditures	166,443	394,320
Released for payments and changes in split interest agreements and time (net of appreciation)	<u>762,571</u>	<u>(95,804)</u>
Total releases for non-operational activities	<u>929,014</u>	<u>298,516</u>
<u>Accession:</u>		
Released for acquisition of collections	<u>26,253</u>	<u>27,095</u>
Total releases from donor restrictions	<u>\$ 1,162,407</u>	<u>\$ 436,764</u>

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13. Significant conditional grant:

The Society was granted a Paycheck Protection Program Loan (hereinafter “PPP1 Loan”) dated April 20, 2020 in the amount of \$384,055 under the *Coronavirus Aid, Relief, and Economic Security Act* (hereinafter “CARES Act”). The Paycheck Protection Program provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The PPP1 Loan and accrued interest are forgivable after eight (8) or twenty-four (24) weeks with formal review and approval by the U.S. Small Business Administration (SBA) as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rents, and utilities and also maintains its payroll levels. The Society used the PPP1 Loan proceeds for purposes consistent with the CARES Act during 2020 and met the conditions for SBA forgiveness of the PPP1 Loan which was formally forgiven March 23, 2021. Accordingly, the Society recognized grant revenue in the amount of \$384,055 during its year ended December 31, 2020.

14. Financial instruments reported at fair value:

The asset or liability’s fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Domestic and international equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual fund equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual fund fixed income – Valued at the closing price reported on the active market on which the individual securities are traded. This investment class invests in U.S. Treasuries, securities, and diversified fixed income strategies, which invest in corporate credits including bank loans as well as high yield and investment grade bonds. The redemption period of these investments is generally daily. There are no unfunded commitments related to this investment class.

Money market funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Perpetual and charitable trusts – Valued at the current market value of the remainder interest in the underlying assets using observable market inputs based on its beneficial interest in the trust discounted to a single present value using market interest rates of approximately three percent (3%).

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14. Financial instruments reported at fair value – continued:

Fair value of assets at December 31, 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level I)</u>	<u>Significant Other Observable Inputs (Level II)</u>	<u>Significant Unobservable Inputs (Level III)</u>
Domestic equity securities	\$ 7,332,881	\$ 7,332,881	\$ -	\$ -
Mutual funds:				
Domestic equity securities	30,457	30,457	-	-
International equity securities	5,056,445	5,056,455	-	-
Domestic fixed income	2,019,235	2,019,235	-	-
International fixed income	2,056,466	2,056,466	-	-
Cash and money market funds	<u>468,986</u>	<u>468,986</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>\$16,964,470</u>	<u>\$16,964,470</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual and charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,281,928</u>

Fair value of assets at December 31, 2019 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level I)</u>	<u>Significant Other Observable Inputs (Level II)</u>	<u>Significant Unobservable Inputs (Level III)</u>
Domestic equity securities	\$ 6,331,756	\$ 6,331,756	\$ -	\$ -
Mutual funds:				
Domestic equity securities	28,671	28,671	-	-
International equity securities	4,330,441	4,330,441	-	-
Domestic fixed income	1,747,905	1,747,905	-	-
International fixed income	1,699,355	1,699,355	-	-
Cash and money market funds	<u>575,962</u>	<u>575,962</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>\$14,714,090</u>	<u>\$14,714,090</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual and charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,039</u>

There were no significant transfers in or out of the levels of the fair value hierarchy during the years ended December 31, 2020 and 2019. There were no changes in valuation techniques for the years ended December 31, 2020 and 2019. None of the investments held at December 31, 2020 and 2019 have restrictions limiting daily redemption of holdings or requiring advance notice of redemption.

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14. Financial instruments reported at fair value – continued:

Following is a detail of assets measured at fair value on a recurring basis using significant unobservable inputs (Level III) to develop the fair value annually for the year ended December 31:

	<u>2020</u>	<u>2019</u>
<u>Perpetual and charitable trusts:</u>		
Balance, beginning of year	\$ 1,187,039	\$ 1,043,507
Total gains realized in non-operational income	<u>94,889</u>	<u>143,532</u>
Balance, end of year	<u>\$ 1,281,928</u>	<u>\$ 1,187,039</u>

Certain administrators of these perpetual and charitable trusts receivable provide an annual valuation representing the Society’s allocation in the trusts but without significant basis for the composition of the underlying trust interests. Accordingly, the fair value of underlying assets, when known, is used to approximate the discounted cash flows projected to be received. The Society considers the measurement of its beneficial interest in the perpetual and charitable trusts to be a Level III measurement within the fair value measurement hierarchy because, even though that measurement is based on the unadjusted fair value of the underlying trust assets reported by the trustee, the Society will not receive those assets or have the ability to direct the trustee to redeem them in the near term.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Financial instruments such as those above involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded on the Statement of Financial Position. For the Society, market risk represents the potential loss due to the decrease in the value of financial instruments and credit risk represents the maximum potential loss due to possible nonperformance of contract terms by obligors or counter parties.

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15. Disaggregation of revenue from contracts:

The following table disaggregates the Society’s revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

<u>Satisfied over time:</u>	<u>2020</u>	<u>2019</u>
Membership fees	\$ 126,364	\$ 167,417
Program revenue	7,110	302,996
Museum store receipts	133,912	290,813
Admissions	128,365	533,372
Rental income	13,028	166,135
Miscellaneous earned income	<u>225,053</u>	<u>35,113</u>
Total revenue from contracts satisfied over time	<u>\$ 633,832</u>	<u>\$ 1,495,846</u>
 <u>Satisfied at a point in time:</u>	 <u>2020</u>	 <u>2019</u>
Contributions and support	\$ 3,893,610	\$ 3,860,831
Collection acquisition income	<u>7,450</u>	<u>104,255</u>
Total revenue from contracts satisfied at a point in time	<u>\$ 3,901,060</u>	<u>\$ 3,965,086</u>

16. Liquidity:

The Society is substantially supported by grants, contributions, and member support for its curatorial operations, educational programming, and scholarly endeavors. In addition, the Society collects admission fees to the Museum and its patrons provide support at its Museum store. The Board of Trustees also approved a monthly draw from the endowment earnings of approximately fifty-six thousand dollars (\$56,000), which helps to support its liquidity requirements. With the exception of the limited seasonality to its operations, the diversity of revenue streams tends to provide for relatively consistent cash flows throughout the year. This reasonably aligns with the Society’s expectation that its financial assets, which consist largely of cash and cash equivalents, short-term investments, accounts and grants receivable, will be available to meet its general expenditures, liabilities, and other obligations as they come due. Because of the consistency of its cash flows throughout the year, the Society considers it prudent to maintain at least forty-five (45) days of cash availability.

As part of the Society’s management plan to ensure adequate liquidity to provide for routine operations, the Society maintains a working capital line-of-credit with a maximum availability of eight hundred fifty thousand dollars (\$850,000) to help manage unanticipated liquidity needs. In recent years, the line-of-credit has been largely unutilized as management has successfully managed cash requirements to align with actual cash flows. Also, in January 2021, the Society was granted a second Paycheck Protection Program Loan (hereinafter “PPP2 Loan”) in the amount of \$429,545 under the Coronavirus Aid, Relief, and Economic Security Act (hereinafter “CARES Act”). The PPP2 Loan is expected to provide significant enhancement to working capital as the Society manages program staffing, reduced operating capacity, and enhanced safety protocols during the COVID-19 pandemic. See related discussion at Note 10 and Note 26.

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17. Availability of financial assets:

The Society’s liquid resources available to meet operational requirements, that is without donor or other restrictions limiting their use, within one (1) year of the Statement of Financial Position as of December 31, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 901,847	\$ 568,519
Accounts receivable, collected within one year	280,333	121,542
Pledges receivable, net, collected within one year	123,168	88,351
Distributions from beneficial assets held by others	34,000	34,000
Endowment spending-rate appropriations	<u>647,943</u>	<u>671,493</u>
Total financial assets	<u>1,987,291</u>	<u>1,483,905</u>
Less: Donor restricted for specific programs	<u>(115,000)</u>	<u>(85,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,872,291</u>	<u>\$ 1,398,905</u>

These amounts are reduced by amounts not available for general use because of contractual or donor-imposed restrictions. The Society’s endowment funds consist of donor-restricted endowments and funds designated by its Board of Trustees as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. The endowment investments with donor restrictions are not available for general expenditure. Although the Society has a quasi-endowment of twelve point five million dollars (\$12,500,000), it does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual Board of Trustee approved endowment draw for operations. Accordingly, amounts not available include amounts set aside for long-term investing in the quasi-endowment. However, the Board of Trustees could appropriate additional amounts from its quasi-endowment if necessary.

18. Museum store activities:

The Society operates a museum store within the exhibit facility offering unique merchandise complementary to visitor interests and the museum experience. Gross revenue and expenses consisted of the following for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Museum store revenues	\$ 133,912	\$ 290,813
Less: Museum store expenses	<u>(166,609)</u>	<u>(242,834)</u>
Museum store (loss) income, net	<u>\$ (32,697)</u>	<u>\$ 47,979</u>

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19. Related party transactions:

The Society received significant support from one (1) member of the Board of Trustees of the Society totaling \$1,580,795 for the year ended December 31, 2019. Thirty-five (35) and thirty-four (34) other members of the Board of Trustees of the Society contributed a total of \$568,959 and \$633,199 in support for the years ended December 31, 2020 and 2019, respectively.

20. Retirement plans:

The Society offers a tax-deferred savings plan (hereinafter “Plan”) which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 403(b). The Plan is administered by Teacher’s Insurance and Annuity Association and College Retirement Equities Fund (hereinafter “TIAA – CREF”). Employees may provide tax-deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limit. The Plan covers all employees who have worked more than one thousand (1,000) hours cumulatively and after one (1) year of continuous employment. The Society provides an employer match contribution, to all employees who are at least over twenty-one (21) years of age, that is equal to fifty percent (50%) of the employee’s elective deferral up to a maximum of two percent (2%).

The Society offers a tax-deferred savings plan (hereinafter “Discretionary Plan”) which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 403(b). The Discretionary Plan is also administered by TIAA – CREF. The Discretionary Plan covers all employees over age twenty-one (21) who normally work forty (40) hours per week, after two (2) years of continuous employment. The Discretionary Plan allows the Society to make discretionary contributions to all eligible employees as determined annually by the Board of Trustees. The Society made no contributions to the Discretionary Plan in 2020 and 2019. Total pension expense for both plans for the years ended December 31, 2020 and 2019 was \$28,591 and \$24,881, respectively.

21. Operating lease commitments:

The Society leases office equipment under operating leases for periods of up to sixty-three (63) months which expire at various dates through July 2025 with monthly lease rents of between \$98 and \$223. The Society also leases additional collection exhibition space under a sixty (60) month operating lease which expires in March 2020 with a monthly lease rent of \$1,667. In addition, the Society leases collection storage under a thirty (36) month operating lease which expires in October 2022 with base monthly lease rents of \$3,870.

Minimum future lease payments under the leases above, for the remainder of the lease terms outstanding and in the aggregate, as of December 31, 2020, are as follows:

2021	\$ 73,208
2022	16,940
2023	1,698
2024	1,176
2025	<u>686</u>

Total future minimum lease payments \$ 93,708

Lease expense for the years ended December 31, 2020 and 2019 totaled \$73,431 and \$36,488, respectively.

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22. Contributed goods and services:

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Society’s programs; principally membership development, fundraising, and educational programs. The Society estimates that it received \$295,212 and \$818,990 in donated goods and services for the years ended December 31, 2020 and 2019, respectively, which meet the criteria for recording in the financial statements and, accordingly, are included in revenue and expense in the Statements of Activities.

In addition, the Society estimates it received an additional \$10,000 and \$50,000 of donated services for the years ended December 31, 2020 and 2019, respectively, that do not meet the criteria for recording and are, therefore, excluded from the accompanying financial statements.

23. Concentration of credit and economic risk:

The Society maintains its cash and cash equivalents at various financial institutions in accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. Certain of these financial institutions are also insured by the Massachusetts Depositors Insurance Fund (DIF) that insures all deposits above the federally insured limits.

Approximately thirty-seven percent (37%) and eighty-seven percent (87%) of total grants and pledges receivable are from one (1) donor at December 31, 2020 and 2019, respectively. Approximately eleven percent (11%) and seventeen percent (17%) of total revenue and support is from one (1) donor at December 31, 2020 and 2019, respectively.

24. Commitments and contingencies:

The Society receives a portion of its funding from government agencies. These contracts are subject to contractual provisions governing the programs, most of which are subject to interpretation. These contracts provide the oversight agencies the right to audit the Society and their sub-recipients and could result in the recapture of revenue previously reported by the Society. Any disallowed claims resulting from such audits could become a liability of the Society. The ultimate determination of amounts received under these programs is generally based on allowable costs reported to and auditable by the funding agencies. Until such audits have been completed, if any, and a final settlement is reached, there exists a contingency to refund all amounts received in excess of allowable costs. In the opinion of management, the results of such audits, if any, would not have a material effect on the Society’s financial position or results of operations at December 31, 2020 and 2019.

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24. Commitments and contingencies - continued:

As such, the Society operates in a heavily regulated environment. The operations of the Society are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, the following:

- U.S. Institute of Museum and Library Services
- U.S. Department of Interior, National Park Service
- U.S. Department of Housing and Urban Development, Community Development Block Grant
- U.S. Department of Health and Human Services, Small Business Administration
- National Endowment for the Humanities
- Massachusetts Cultural Council
- Massachusetts Development Finance Agency
- Massachusetts Historical Commission

These administrative directives, rules, and regulations are subject to change by act of the United States Congress, act of the state or local legislature, or an administrative change mandated by the United States federal agencies or Commonwealth of Massachusetts agencies noted above. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the change. Additionally, contractual funding may decrease or be withdrawn during contract periods with little notice.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (hereinafter “COVID-19”) a pandemic. Following this, on March 23, 2020, the Governor of the Commonwealth of Massachusetts ordered all non-essential businesses and organizations to close immediately. This included the Society’s museum galleries and supporting operations. The Governor had ordered arts and cultural institutions to remain closed until July 9, 2020 when the museum galleries reopened at a significantly reduced capacity and with enhanced safety protocols. Currently, it remains uncertain as to changes in the manner of program operations mandated by the Commonwealth of Massachusetts over time to ensure proper safety protocols are maintained in response to the COVID-19 pandemic to protect the patrons of the museum as well as its volunteers and employees. While management expects the pandemic to negatively impact its business, results of operations, and financial position, the related financial impact cannot be reasonably determined at this time.

25. Effect of new accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This update establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Among other things in the amendments in ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1.) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and 2.) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASU No. 2016-02 is effective for the Society’s year ending December 31, 2022 and is not expected to have a material impact on the Society’s financial statements.

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25. Effect of new accounting pronouncements - continued:

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This amendment clarifies and improves current not-for-profit organization guidance related to the presentation and disclosure of contributed nonfinancial assets in the financial statements. This includes reporting contributed nonfinancial assets separately from other revenue and support in the Society’s statement of activities. It also provides for expanded disclosure of qualitative information on how contributed nonfinancial assets are utilized in the Society’s programs; a breakout of the types of assets contributed; the Society’s policy on the asset’s use or monetization; donor restrictions, if any; and valuation considerations used to develop the fair value of contributed support amounts recorded. The amendment is effective for the Society’s year ending December 31, 2022. Management is currently evaluating the impact of ASU No. 2020-07 on the Society’s financial statements.

Other recent accounting pronouncements issued by the Financial Accounting Standards Board (FASB) did not or are not believed by management to have a material impact on the Society’s present or future financial statements.

26. Subsequent event:

The Society was granted a second Paycheck Protection Program Loan (hereinafter “PPP2 Loan”) dated January 22, 2021 in the amount of \$429,545 under the *Coronavirus Aid, Relief, and Economic Security Act* (hereinafter “CARES Act”). The Paycheck Protection Program provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The PPP2 Loan and accrued interest are forgivable after eight (8) or twenty-four (24) weeks with formal review and approval by the U.S. Small Business Administration (SBA) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rents, and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight (8) or twenty-four (24) week period. The unforgiven portion of the PPP2 Loan is payable over two (2) years and bears fixed interest at a rate of one percent (1.00%) per annum. The PPP2 Loan provides for a six (6) month deferral of payments, payable monthly, commencing on July 22, 2021. The Society intends to use the proceeds for purposes consistent with the CARES Act. While the Society believes that its use of the loan proceeds will meet the conditions for forgiveness, it cannot be assured that the PPP2 Loan will be forgiven, in full or in part. The PPP2 Loan matures on January 22, 2023 and is classified as current, as the unused and unforgiven portion is expected to be repaid within the next year.

***INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



***Independent Auditors' Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Old Dartmouth Historical Society (also known as "The New Bedford Whaling Museum") (a Massachusetts not-for-profit organization) (hereinafter "Society"), which comprise the Statement of Financial Position as of December 31, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2021.

Internal control over financial reporting:

In planning and performing our audit of the financial statements, we considered Old Dartmouth Historical Society's internal control over financial reporting (hereinafter "internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
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Compliance and other matters:

As part of obtaining reasonable assurance about whether Old Dartmouth Historical Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Allan Smith and Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
April 26, 2021