

**ATLANTA HISTORICAL SOCIETY, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**with  
INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

### **Board of Trustees of Atlanta Historical Society, Inc.**

We have audited the accompanying consolidated financial statements of Atlanta Historical Society, Inc. and Subsidiary (the "Organization") (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlanta Historical Society, Inc. and Subsidiary as of June 30, 2016 and 2015, and the consolidated changes in net assets and cash flows for the years then ended in conformity with GAAP.

*Smith + Howard*

December 5, 2016

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 16,260,106	\$ 13,952,794
Investments	60,122,273	66,904,360
Pledges receivable, net	14,480,955	5,474,857
Other receivables	119,383	96,812
Merchandise inventory	190,998	193,669
Prepaid expenses	525,682	456,681
Property and equipment, net	40,716,776	31,254,162
Irrevocable charitable remainder trust, net of present value	4,744,136	4,773,714
Irrevocable beneficial interest trusts	<u>7,365,146</u>	<u>7,902,689</u>
 Total Assets	 <u>\$ 144,525,455</u>	 <u>\$ 131,009,738</u>

**LIABILITIES AND NET ASSETS**

Financing agreements	\$ 1,844,583	\$ 4,942,820
Accounts payable and accrued expenses	1,682,150	1,276,707
Interest rate swap liability	34,509	62,068
Deferred dues and other revenue	<u>738,552</u>	<u>666,968</u>
 Total Liabilities	 <u>4,299,794</u>	 <u>6,948,563</u>
 Net assets		
Unrestricted	70,372,274	66,807,417
Temporarily restricted	48,339,203	39,202,031
Permanently restricted	<u>21,514,184</u>	<u>18,051,727</u>
 Total Net Assets	 <u>140,225,661</u>	 <u>124,061,175</u>
	 <u>\$ 144,525,455</u>	 <u>\$ 131,009,738</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

	<b>2016</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
Revenue, gains and other support:				
Contributions	\$ 1,856,040	\$ 1,846,240	\$ 4,000,000	\$ 7,702,280
Grants	548,918	18,874,625	-	19,423,543
Admissions	1,009,272	-	-	1,009,272
Membership dues	298,851	-	-	298,851
Program service fees	185,528	-	-	185,528
Merchandise sales	1,322,090	2,506	-	1,324,596
Rental income	1,002,302	-	-	1,002,302
Investment loss	(2,048,720)	(130,574)	-	(2,179,294)
Change in irrevocable charitable remainder trust	-	(29,578)	-	(29,578)
Changes in irrevocable beneficial interest trusts	-	-	(537,543)	(537,543)
Net assets released from restrictions	<u>11,426,047</u>	<u>(11,426,047)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>15,600,328</u>	<u>9,137,172</u>	<u>3,462,457</u>	<u>28,199,957</u>
Expenses and other gains:				
Expenses:				
Program services:				
Library, archival, museum and horticultural collections	1,975,141	-	-	1,975,141
Programs, education and interpretation	1,115,648	-	-	1,115,648
Facility and security services	3,667,005	-	-	3,667,005
Auxiliary services	<u>1,710,113</u>	<u>-</u>	<u>-</u>	<u>1,710,113</u>
Total program services	8,467,907	-	-	8,467,907
Support services:				
Administration	2,370,443	-	-	2,370,443
Development	475,060	-	-	475,060
Communications	<u>749,620</u>	<u>-</u>	<u>-</u>	<u>749,620</u>
Total support services	<u>3,595,123</u>	<u>-</u>	<u>-</u>	<u>3,595,123</u>
Total expenses	12,063,030	-	-	12,063,030
Other gain:				
Gain on interest rate swap	<u>(27,559)</u>	<u>-</u>	<u>-</u>	<u>(27,559)</u>
Total other gain	<u>(27,559)</u>	<u>-</u>	<u>-</u>	<u>(27,559)</u>
Total expenses and other gain	<u>12,035,471</u>	<u>-</u>	<u>-</u>	<u>12,035,471</u>
Increase in net assets	3,564,857	9,137,172	3,462,457	16,164,486
Net assets:				
Beginning of year	<u>66,807,417</u>	<u>39,202,031</u>	<u>18,051,727</u>	<u>124,061,175</u>
End of year	<u>\$ 70,372,274</u>	<u>\$ 48,339,203</u>	<u>\$ 21,514,184</u>	<u>\$ 140,225,661</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2015**

	<b>2015</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
Revenue, gains and other support:				
Contributions	\$ 1,648,709	\$ 5,954,512	\$ -	\$ 7,603,221
Grants	116,922	5,783,305	-	5,900,227
Admissions	1,002,293	-	-	1,002,293
Membership dues	308,469	-	-	308,469
Program service fees	201,207	-	-	201,207
Merchandise sales	1,119,412	-	-	1,119,412
Rental income	754,876	-	-	754,876
Investment income	542,847	424,304	-	967,151
Other income	1,353,500	-	-	1,353,500
Changes in irrevocable beneficial interest trusts	-	-	(4,729)	(4,729)
Net assets released from restrictions	1,916,494	(1,916,494)	-	-
	<u>8,964,729</u>	<u>10,245,627</u>	<u>(4,729)</u>	<u>19,205,627</u>
Total revenue, gains and other support				
Expenses and other gains:				
Expenses:				
Program services:				
Library, archival, museum and horticultural collections	1,842,054	-	-	1,842,054
Programs, education and interpretation	1,125,811	-	-	1,125,811
Facility and security services	3,618,599	-	-	3,618,599
Auxiliary services	1,676,817	-	-	1,676,817
	<u>8,263,281</u>	<u>-</u>	<u>-</u>	<u>8,263,281</u>
Total program services				
Support services:				
Administration	2,149,395	-	-	2,149,395
Development	470,264	-	-	470,264
Communications	592,703	-	-	592,703
	<u>3,212,362</u>	<u>-</u>	<u>-</u>	<u>3,212,362</u>
Total support services				
Total expenses	11,475,643	-	-	11,475,643
Other gain:				
Gain on interest rate swap	(121,117)	-	-	(121,117)
	<u>(121,117)</u>	<u>-</u>	<u>-</u>	<u>(121,117)</u>
Total other gain				
Total expenses and other gain	11,354,526	-	-	11,354,526
Increase (decrease) in net assets	(2,389,797)	10,245,627	(4,729)	7,851,101
Net assets:				
Beginning of year	69,197,214	28,956,404	18,056,456	116,210,074
End of year	<u>\$ 66,807,417</u>	<u>\$ 39,202,031</u>	<u>\$ 18,051,727</u>	<u>\$ 124,061,175</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 16,164,486	\$ 7,851,101
Adjustments to reconcile increase in net assets to net cash required by operating activities		
Depreciation	1,207,450	1,113,451
Capital campaign contributions	(3,135,429)	(6,196,831)
Bad debt expense	17,407	-
Estimated fair value of donated investments	(11,267,053)	(578,407)
Endowment pledge	(4,000,000)	-
Net realized and unrealized losses on investments	3,754,355	332,795
Gain on interest rate swap	(27,559)	(121,117)
Change in irrevocable charitable remainder trust	29,578	(4,773,714)
Change in irrevocable beneficial interest trusts	537,543	4,729
Changes in operating assets and liabilities:		
Pledges receivable	(5,023,505)	1,040,691
Other receivables	(22,571)	(25,304)
Merchandise inventory	2,671	(23,018)
Prepaid expenses	(69,001)	(30,240)
Accounts payable and accrued expenses	(609,048)	214,207
Deferred dues and other revenue	71,584	49,177
Net cash required by operating activities	<u>(2,369,092)</u>	<u>(1,142,480)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(9,655,573)	(5,726,693)
Proceeds from sales of investments	4,674,125	6,595,470
Purchases of investments	<u>(1,646,393)</u>	<u>(1,588,546)</u>
Net cash required by investing activities	<u>(6,627,841)</u>	<u>(719,769)</u>
Cash flows from financing activities:		
Proceeds from capital campaign contributions	14,402,482	6,775,238
Borrowings under financing agreements	1,900,000	799,064
Repayments under financing agreements	<u>(4,998,237)</u>	<u>(899,065)</u>
Net cash provided by financing activities	<u>11,304,245</u>	<u>6,675,237</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
(Continued)		
Net increase in cash and cash equivalents	2,307,312	4,812,988
Cash and cash equivalents at beginning of year	<u>13,952,794</u>	<u>9,139,806</u>
Cash and cash equivalents at end of year	<u>\$ 16,260,106</u>	<u>\$ 13,952,794</u>
 <b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 193,803</u>	<u>\$ 178,781</u>

**Non-Cash Investing Activity:**

At June 30, 2016 and 2015, accounts payable and accrued expenses included \$1,014,491 and \$565,901, respectively, of construction payables related to ongoing construction in progress.

The accompanying notes are an integral part of these consolidated financial statements.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The Atlanta Historical Society, Inc. (the "Society") mission is to connect people, history, and culture through its collections, facilities, programs, exhibitions, and publications, and research facility.

The Atlanta History Center is a 33-acre intown experience featuring award-winning exhibitions in the Atlanta History Museum, four historic houses, archives/special libraries in the Kenan Research Center, 22 acres of gardens, interactive activities, museum theatre and a variety of year-round adult and family programs.

MMH/AHS, LLC (the "Subsidiary") also operates the Margaret Mitchell House, located at Atlanta History Center's Midtown campus, approximately 5 miles from the Atlanta History Center Buckhead campus. The building is a turn-of-the-century, three-story, Tudor Revival building and is listed on the National Register of Historic Places. The Margaret Mitchell House features the apartment where Margaret Mitchell wrote *Gone With the Wind*, and showcases two permanent exhibitions – The Making of a Film Legend: *Gone With the Wind* and Margaret Mitchell: A Passion for Character, the Margaret Mitchell House gift shop, and temporary exhibitions. The Margaret Mitchell House presents a variety of lectures and book signings with award-winning authors, creative youth writing classes, and community events throughout the year.

Admission and program service fees are received for certain of these activities. Auxiliary operations maintained by the Society include a museum shop and facility rentals. Additional sources of revenue include contributions and grants from governmental agencies and private donors and membership dues from Society members.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and its wholly owned Subsidiary. The accounts of the Subsidiary include all the activities from August 1, 2004, the date of its contribution to the Society. All significant inter-organization accounts and transactions have been eliminated in consolidation. The Society and the Subsidiary are together referred to herein as the "Organization."

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. The assets, liabilities and net assets of the Organization are reported in three self-balancing categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Organization and its purposes.
- Temporarily restricted net assets are resources that are used by the Organization and limited by donor-imposed restrictions that either expire by the passage of time or can be removed by actions of the Organization (see Note 6).
- Permanently restricted net assets are resources that are used by the Organization and limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization (see Note 7). Permanently restricted net assets are adjusted for unrealized gains and losses on permanently restricted investments; interest, dividends and realized gains and losses are recognized as temporarily restricted or unrestricted investment income, depending on donor-imposed restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Endowment Fund

FASB requires the following consolidated financial statement disclosure for the Organization for the years ended June 30, 2016 and 2015.

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Endowment Fund (Continued)

- Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (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 Organization.
- (7) The investment policies of the Organization.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner to attain an average annual real total return, net of investment management fees, of at least 5% over the long term. The annual real return should equal or exceed the spending rate indicated in the Organization's spending policy described below. Actual returns in any given year may vary from this amount.

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

- Spending Policy

The Organization has a spending policy approved by the Organization's Board of Trustees that is designed to ensure that the real value of both the funds and of the spending stream is maintained over time. To this end, spending for each fiscal year will be increased by an amount equal to the previous calendar year's rate of Consumer Price Inflation (CPI), plus one percent. In the event this amount exceeds 6% of the market value of the fund as of December 31 of the previous calendar year, spending will be limited to this latter amount.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Endowment Fund (Continued)

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ 49,795,692	\$ 12,299,349	\$ 10,149,038	\$ 72,244,079
Cash contributions	15,000	479,158	-	494,158
Investment fees	(240,885)	(58,121)	-	(299,006)
Investment return:				
Income	812,040	282,344	-	1,094,384
Net depreciation	(269,194)	(63,601)	-	(332,795)
Used in operations	<u>(4,672,012)</u>	<u>(1,624,448)</u>	<u>-</u>	<u>(6,296,460)</u>
Endowment net assets, June 30, 2015	45,440,641	11,314,681	10,149,038	66,904,360
Cash contributions	17,800	476,115	-	493,915
Investment fees	(207,124)	(75,554)	-	(282,678)
Investment return:				
Income	844,445	308,033	-	1,152,478
Net depreciation	(2,750,893)	(1,003,462)	-	(3,754,355)
Used in operations	<u>(3,193,020)</u>	<u>(1,198,427)</u>	<u>-</u>	<u>(4,391,447)</u>
Endowment net assets, June 30, 2016	<u>\$ 40,151,849</u>	<u>\$ 9,821,386</u>	<u>\$ 10,149,038</u>	<u>\$ 60,122,273</u>

Permanently restricted net assets in the endowment fund above do not include a \$4,000,000 endowment pledge receivable at June 30, 2016.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and pledges receivable. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk.

Investments

Investments are carried at fair value. The investment return of the Organization includes interest and dividends and realized and unrealized gains and losses. Investment income (interest and dividends) and gains and losses on investments carried at fair value are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Income is recognized from interest and dividends as earned. The Organization maintains master investment accounts for its endowment net assets. Investment income and gains and losses are allocated annually to the individual net assets based on the relationship of the fair value of each fund to the total fair value of the master investment accounts, as adjusted for additions to or deductions from the individual net assets.

Recent Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update No. 2015-07 ("ASU 2015-07"), *"Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)."* ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For non-public business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Organization elected to adopt ASU 2015-07 as of and for the year ended June 30, 2016. Accordingly, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Values Measured on Recurring Basis

The FASB issued a pronouncement on fair value measurement defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements.

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

*Level 1* - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

*Level 3* - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Total net assets (liabilities) at fair value classified within Level 3 were \$12,074,773 and \$12,614,335, as of June 30, 2016 and 2015, respectively. At June 30, 2016, level 3 assets consist of irrevocable beneficial interest trusts, an irrevocable charitable remainder trust and an interest rate swap liability. Such amounts were approximately 8% and 10% of total assets as of June 30, 2016 and 2015, respectively.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Fair Value Measurement (Continued)

The table below represents fair value measurement hierarchy of the Organization's net assets (liabilities) at fair value as of June 30:

	<u>Fair Value</u>	<u>2016</u> <u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 531,275	\$ 531,275	\$ -	\$ -	\$ -
Common stocks - domestic	18,324,769	18,324,769	-	-	-
Fixed income mutual fund	12,305,904	12,305,904	-	-	-
Mutual fund	4,217,917	4,217,917	-	-	-
Alternative investments	24,742,408	-	-	-	24,742,408
Total investments	<u>60,122,273</u>	<u>35,379,865</u>	<u>-</u>	<u>-</u>	<u>24,742,408</u>
Irrevocable beneficial interest trusts	7,365,146	-	-	7,365,146	-
Irrevocable charitable remainder trust	4,744,136	-	-	4,744,136	-
Interest rate swap liability	(34,509)	-	-	(34,509)	-
	<u>\$ 72,197,046</u>	<u>\$ 35,379,865</u>	<u>\$ -</u>	<u>\$ 12,074,773</u>	<u>\$ 24,742,408</u>

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Fair Value Measurement (Continued)

		<u>2015</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 467,827	\$ 467,827	\$ -	\$ -	\$ -
Common stocks - domestic	18,986,972	18,986,972	-	-	-
Fixed income mutual fund	12,440,997	12,440,997	-	-	-
Mutual fund	6,039,824	6,039,824	-	-	-
Alternative investments	28,643,686	-	-	-	28,643,686
Certificate of deposit	325,054	325,054	-	-	-
Total investments	<u>66,904,360</u>	<u>38,260,674</u>	<u>-</u>	<u>-</u>	<u>28,643,686</u>
Irrevocable beneficial interest trusts	7,902,689	-	-	7,902,689	-
Irrevocable charitable remainder trust	4,773,714	-	-	4,773,714	-
Interest rate swap liability	(62,068)	-	-	(62,068)	-
	<u>\$ 79,518,695</u>	<u>\$ 38,260,674</u>	<u>\$ -</u>	<u>\$ 12,614,335</u>	<u>\$ 28,643,686</u>

Fair values for investments are determined by reference to quoted market prices, market transactions and other relevant information.

(\*) Certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 3 Measurements

*Beneficial Interest in Perpetual Trusts and Charitable Remainder Trust*

Fair value for the irrevocable beneficial interests in perpetual trusts and irrevocable charitable remainder trust are measured using the fair value of the assets held in the trust as reported by the respective trustees as of June 30, 2016. The Organization considers the measurement of its beneficial interest in these trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustees, the Organization does not have the ability to direct the trustees to value or redeem them.

*Interest Rate Swap*

The interest rate swap dealer determines fair values for the interest rate swap liability by constructing mid-market forward curves with available market data from external and internal sources. Once constructed, the mid-market forward curves generate a nominal amount for each of a transaction's expected future payments. The interest rate swap dealer discounts those expected future payments at the respective zero rate, and the sum of all discounted payments equals fair value of the interest rate swap. The interest rate swap dealer does not account for nonperformance risk in their determination of the fair value. Management of the Organization finds this risk to be negligible.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 3 Measurements (Continued)

The following is a summary of key inputs used to determine the fair value for the interest rate swap agreement as of June 30, 2016:

	<b>Variable Rate Curve</b>	<b>Fixed Rate</b>	<b>Discount Rate</b>
Interest Rate Swap Agreement	LIBOR	2.90%	Avg of LIBOR curve

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2016 and 2015:

Balance, June 30, 2014	\$ 7,724,234
Irrevocable charitable remainder trust	4,773,714
Market gains and changes in fair value	<u>116,387</u>
Balance, June 30, 2015	12,614,335
Market losses and changes in fair value	<u>(539,562)</u>
Balance, June 30, 2016	<u>\$ 12,074,773</u>

Investments Measured at NAV per Share or Equivalent

The significant unobservable inputs used in the fair value measurement of the Organization's alternative investments are subject to market risks resulting from changes in the market value of its investments. Investments measured at NAV per share or equivalent may be sold at amounts different than the NAV per share due to various restriction and redemptive requirements as described below.

<b>Category</b>	<b>Fair Value at June 30, 2016</b>	<b>Fair Value at June 30, 2015</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Commingled funds (a)	\$ 1,186,757	\$ -	\$ -	- Any time after first year	30 days
Commodities	-	1,464,327	-	N/A	None
Emerging markets (b)	4,284,594	5,408,419	-	Monthly	None
International equities (c)	13,098,060	14,286,842	-	Monthly	None
Private equity funds (d)	6,172,997	7,484,098	-	Quarterly	45 days
	<u>\$ 24,742,408</u>	<u>\$ 28,643,686</u>	<u>\$ -</u>		

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments Measured at NAV per Share or Equivalent (Continued)

- (a) This class of investments consists of a number of commingled funds investing in U.S. and International equities, derivatives and limited partnerships.
- (b) This class of investments consists of one fund where the investment strategy is to achieve long-term capital appreciation from investing in a portfolio of equity securities issued by companies listed in or whose primary business operations are located in emerging markets.
- (c) This class of investments consists of an investment in a fund of funds which invests in a diversified portfolio of international equities.
- (d) This class of investments includes an investment which the objective is to seek capital appreciation through investing in certain private investment funds. The investments are a mix of different sectors and markets.

Merchandise Inventory

Merchandise inventory represents inventory in the museum store; such inventory is valued at the lower of cost or market, with cost determined using the specific identification method.

Property and Equipment

Property and equipment acquired or constructed with unrestricted operating or temporarily restricted resources are transferred to unrestricted net assets in the year the assets are placed in service. Purchased property and equipment is carried at cost. Costs associated with constructed property, primarily construction costs and related labor costs, are included in construction in process until the property is placed in service. Donated property and equipment are recorded at estimated fair value as of the date received.

Costs associated with permanent exhibitions, including design, development, procurement and construction costs, are capitalized. Such costs do not include additions to collections. The Organization expenses the costs associated with nonpermanent exhibits the first time the exhibit is shown on public display. Nonpermanent exhibit costs incurred prior to public display are included in other assets.

Property and equipment are depreciated over their estimated useful lives using the straight-line method.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impairment

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Organization evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2016 and 2015.

Derivative Financial Instruments

The Organization accounts for derivative financial instruments in accordance with GAAP, which requires that all derivative instruments be recorded on the consolidated statements of financial position at their respective fair values.

The Organization uses an interest rate swap agreement in the management of interest rate risk and carries this derivative instrument on the consolidated statements of financial position at fair value. The interest rate swap agreement effectively fixes the interest rate on a portion of variable rate borrowings under the Organization's note payable (see Note 5). The initial fair value and subsequent changes in the fair value of the agreement are reported as a gain or loss in the accompanying consolidated statement of activities and changes in net assets.

Historical Collections

The Organization's historical buildings and collections are essential in enabling the Organization to fulfill its mission and purpose. The Organization's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are regularly performed.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Historical Collections (Continued)

The Organization carries its historical buildings and collections at no value. The cost of purchased historical buildings or collections is reported as an expense. Contributed historical buildings or collections are not valued. During 2016 and 2015, approximately \$25,000 and \$64,000, respectively, was charged to the Organization for the purchase of historical collections, and is included in library, archival, museum, and horticultural collections on the accompanying consolidated statement of activities and changes in net assets.

Betterments and improvements to historical buildings are capitalized and carried at cost. Except for betterments and improvements to historical buildings, expenditures for restoration, stabilization and reconstruction are charged to expense when incurred.

Recognition of Revenue

Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

The Organization recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted operating net assets and presented in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Except for contributions of historical buildings or collections, the Organization recognizes contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recognition of Revenue (Continued)

The Organization receives grants from governmental agencies and private donors. Grants from governmental agencies primarily relate to the study and research of the museum and archival collection of the Organization.

Admissions revenue to tour the museum and other collections of the Organization is recognized upon the commencement of each tour. The Organization receives advance payments for membership dues, which are deferred and recognized ratably as revenue over the one-year period to which the dues relate. Sales from the museum stores are recognized when the goods are sold. Program service fees primarily relate to educational and family programs and lectures and are recorded as revenue at the time of the program or lecture. Rental income, which primarily relates to the rental of facilities at the museum, including a ballroom and restaurant for events and parties, is recorded as revenue at the time of the event. Management fees primarily relate to monthly fees collected for the storage and maintenance of collections in addition to expenses incurred relating to those collections such as compensation and utilities. Revenue is recognized as services are provided.

Split Interest Agreements

The Organization is the beneficiary of certain irrevocable beneficial interest trusts held and administered by third parties. When the trusts were established, the Organization recorded an asset and contribution revenue, in the appropriate class of net assets, at either fair value of the trusts, if known, or the present value of the estimated future cash receipts from the trusts. The carrying value of the assets is adjusted annually for changes in fair value of the trusts or changes in the estimates of future receipts. Distributions associated with such trusts are recognized as investment income when earned.

The Organization is also the beneficiary of an irrevocable charitable remainder trust. The agreement has been established by a donor whereby the Organization will receive the fair value of trust assets upon the termination of the trusts. Trust assets are maintained by third-party trustees. At June 30, 2016 and 2015, the trust is recorded at the present value of the estimated future benefit to be received, which totaled \$4,744,136 and \$4,773,714, respectively. The trust is reported in temporarily restricted net assets on the accompanying consolidated statement of financial position. Significant assumptions used in valuing these trusts are the discount rate of 6% and life expectancy of donors under IRS Publication 1457.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Goods and Services

Donated goods, such as materials, equipment or other assets, are reported as contributions at their estimated fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded as contributions at their estimated fair values in the period the services are performed. These services totaled approximately \$215,000 and \$95,000 for the years ended June 30, 2016 and 2015, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fund-Raising Expenses

Fund-raising expenses are reflected as development expenses in the accompanying consolidated statement of activities and changes in net assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$175,000 and \$257,000 for the years ended June 30, 2016 and 2015, respectively.

Concentrations

During 2016 and 2015, 74% and 73%, respectively, of the Organization's net contributions and grants were received from three donors. At June 30, 2016 and 2015, 79% and 73%, respectively, of the Organization's net pledges receivable were due from three and one donor, respectively. In general, the Organization does not find itself dependent upon any one donor.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Tax Status

The Subsidiary is treated as a partnership for federal and state income tax purposes. Since the Society is the sole member of the Subsidiary, all income, losses and tax credits from the Subsidiary's activities are reported on the Society's income tax returns.

The Society qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501 (c) (3). Income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In the opinion of management, the Society had no significant taxable unrelated business income during 2016 or 2015. Additionally, in the opinion of management, the activities of the Subsidiary are not subject to unrelated business taxable income. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying consolidated financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the years ending before June 30, 2013.

Use of Estimates

The Organization prepares its consolidated financial statements in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

The components of investment income (loss) for 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Investment income, including income from beneficial interest trusts	\$ 1,575,061	\$ 1,299,946
Net realized and unrealized losses on investments	<u>(3,754,355)</u>	<u>(332,795)</u>
	<u>\$ (2,179,294)</u>	<u>\$ 967,151</u>

The investment income (loss) for fiscal 2016 and 2015 is included in unrestricted and temporarily restricted investment income (loss) in the accompanying consolidated statement of activities and changes in net assets. Such investment income (loss) also includes interest income, primarily associated with cash and cash equivalents.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 3 - PLEDGES RECEIVABLE**

At June 30, pledges receivable were as follows:

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ 10,632,223	\$ 5,964,487
Endowment	4,000,000	-
Other	<u>555,802</u>	<u>160,422</u>
	15,188,025	6,124,909
Less discount for present value	<u>(707,070)</u>	<u>(650,052)</u>
	<u>\$ 14,480,955</u>	<u>\$ 5,474,857</u>

The estimated future cash flows are as follows for years ending June 30:

2017	\$ 11,034,691
2018	931,667
2019	716,667
2020	505,000
2021	500,000
Thereafter	<u>1,500,000</u>
	<u>\$ 15,188,025</u>

At June 30, 2016 and 2015, the allowance for uncollectible pledges was not significant.

At June 30, 2016 and 2015, pledges receivable were discounted to their present values using an interest rate of 3%.

Conditional Pledges

At June 30, 2015, the Organization had conditional pledges of \$16,200,000 benefiting the move and restoration of the Cyclorama to the Atlanta History Center. The Cyclorama is a panoramic painting which depicts the Battle of Atlanta. Since 1921, the painting has been on display in Grant Park. The painting is the property of the City of Atlanta and will remain the property of the City of Atlanta after the move to the Atlanta History Center. During 2016, the Organization met the conditions of all aforementioned pledges, and there were no outstanding conditional pledges as of June 30, 2016.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<b>Life (in Years)</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Land		\$ 3,630,565	\$ 3,630,565
Buildings and improvements	15 – 40	43,850,484	35,092,053
Grounds improvements	15	2,052,553	2,052,553
Furnishings and fixtures	10	378,292	378,292
Office furniture and equipment	7	189,777	189,777
Computers and equipment	5 – 10	448,205	-
Other equipment	5 – 10	1,373,792	1,373,792
Vehicles	5	9,987	9,987
Permanent exhibitions	5 – 10	7,083,559	7,083,559
Construction in progress		<u>8,861,739</u>	<u>7,398,311</u>
		67,878,953	57,208,889
Less accumulated depreciation		<u>(27,162,177)</u>	<u>(25,954,727)</u>
		<b><u>\$40,716,776</u></b>	<b><u>\$31,254,162</u></b>

Construction in progress consisted of capital expenditures related to the development of the master site plan, development of the site for the Cyclorama, and renovation and improvement of the gardens and grounds.

Depreciation expense totaled \$1,207,450 and \$1,113,451 in 2016 and 2015, respectively.

**NOTE 5 - FINANCING AGREEMENTS**

The Organization has two line of credit agreements with a financial institution in the amounts of \$800,000 and \$500,000. The agreements carry interest at the rate of LIBOR plus 0.90%, (an effective rate of 1.36% at June 30, 2016) and are secured by certain investments of the Organization. Interest payments are due monthly and the unpaid principal is due at the end of the term of the agreements, which expire in February 2017. There were no outstanding borrowings at June 30, 2016 and 2015.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 - FINANCING AGREEMENTS (Continued)**

The Organization has a \$5,500,000 non-revolving master borrowing loan. Interest is payable monthly at LIBOR plus 0.90%. At June 30, 2015, outstanding borrowings totaled \$4,942,820. In November 2015, the loan was refinanced with a note payable in the amount of \$1,900,000 and a maturity date of November 30, 2020. The note bears interest at the LIBOR rate plus 1.00% (an effective rate of 1.46% at June 30, 2016). The note is secured by certain investments of the Organization. At June 30, 2016, the note had an outstanding balance of \$1,844,583.

During 2011, the Organization entered into an interest rate swap agreement, which converted \$5,275,287 of the \$5,500,000 non-revolving loan to a 2.72% fixed rate liability. At June 30, 2015, the interest rate swap had a current notional principal amount of \$5,042,821. In November 2015, the terms of the agreement were renegotiated with an original notional amount of \$1,900,000 and a maturity date of November 30, 2020. The notional amount as of June 30, 2016 was \$1,852,500. Under the new swap agreement, the Organization pays interest at a fixed rate of 2.90%, and receives interest at the rate of LIBOR plus 1.00% (an effective rate of 1.46% at June 30, 2016).

The Organization is subject to certain financial and non-financial covenants on all of its agreements. The Organization was in compliance with these covenants for the years ended June 30, 2016 and 2015.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2016 and 2015, the components of temporarily restricted net assets were as follows:

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ 42,177,889	\$ 33,549,448
Irrevocable charitable remainder trust	4,744,136	4,773,714
Exhibits, research projects and special programs	<u>1,417,178</u>	<u>878,869</u>
	<u>\$ 48,339,203</u>	<u>\$ 39,202,031</u>

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Net assets were released from donor restrictions during fiscal 2016 and 2015 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ 9,915,644	\$ 945,392
Exhibits, research projects and special programs	<u>1,510,403</u>	<u>971,102</u>
	<u>\$ 11,426,047</u>	<u>\$ 1,916,494</u>

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

At June 30, 2016 and 2015, the components of permanently restricted net assets were as follows:

	<u>2016</u>	<u>2015</u>
General operating purposes	\$ 10,149,038	\$ 10,149,038
Garden endowment fund	4,000,000	-
Irrevocable beneficial interest trusts	<u>7,365,146</u>	<u>7,902,689</u>
	<u>\$ 21,514,184</u>	<u>\$ 18,051,727</u>

**NOTE 8 - RETIREMENT PLANS**

The Organization has a contributory defined contribution retirement plan covering all full-time employees. The Organization contributes to the plan a sum equivalent to 2% of each eligible employee's salary. All such contributions are fully vested in each participant's account when made. During 2016 and 2015, employer contributions totaled approximately \$79,000 and \$66,000, respectively.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 9 - COMMITMENTS**

The Organization has entered into construction contracts for capital improvements. The Organization's remaining commitment for construction contracts entered into was approximately \$9,200,000 and \$2,400,000 as of June 30, 2016 and 2015, respectively. Subsequent to year end, the Organization entered into construction contracts with a contract value of approximately \$12,350,000. Additionally, the Organization contracts for certain maintenance and consulting services. The remaining commitments for these contracts totaled approximately \$1,800,000 and \$2,500,000 at June 30, 2016 and 2015, respectively, and will be paid out over the five year terms of the contracts.

**NOTE 10 - RENTAL INCOME**

The Organization has five agreements to lease commercial space. The lease agreement terms range from 5 to 20 years with various monthly rental rates which escalate annually. One of the leases has a tenant improvement allowance of \$200,000, which is to be deducted from the base rent over the lease term. Future minimum rental income under the operating leases for years ending June 30 is as follows:

2017	\$ 248,499
2018	257,369
2019	262,285
2020	276,481
2021	246,780
Thereafter	<u>1,821,242</u>
	<u>\$ 3,112,656</u>