

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

**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, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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, 2020 and 2019, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with GAAP.

Smith + Howard

December 1, 2020

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,041,057	\$ 5,640,635
Investments	68,527,248	74,025,971
Pledges receivable, net	3,877,564	3,733,267
Other receivables	45,952	111,469
Merchandise inventory	215,194	207,008
Prepaid expenses	595,736	478,851
Property and equipment, net	56,243,690	56,620,158
Irrevocable charitable remainder trust, net of present value	5,138,510	5,149,073
Irrevocable beneficial interest trusts	<u>7,832,300</u>	<u>8,363,911</u>
 Total Assets	 <u>\$ 148,517,251</u>	 <u>\$ 154,330,343</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,225,625	\$ 1,458,977
Deferred membership dues and customer deposits	<u>1,310,559</u>	<u>1,136,093</u>
 Total Liabilities	 <u>2,536,184</u>	 <u>2,595,070</u>
 Net assets		
Without donor restrictions	94,041,113	99,070,847
With donor restrictions	<u>51,939,954</u>	<u>52,664,426</u>
 Total Net Assets	 <u>145,981,067</u>	 <u>151,735,273</u>
	 <u>\$ 148,517,251</u>	 <u>\$ 154,330,343</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>
Revenue, gains and other support:			
Contributions	\$ 2,260,916	\$ 588,389	\$ 2,849,305
Grants	1,293,924	3,091,699	4,385,623
Admissions	1,102,403	-	1,102,403
Membership dues	362,446	-	362,446
Program service fees	199,021	-	199,021
Merchandise sales	1,538,257	-	1,538,257
Less cost of goods sold	<u>(296,066)</u>	<u>-</u>	<u>(296,066)</u>
Net merchandise sales	1,242,191	-	1,242,191
Rental income	992,024	-	992,024
Net investment return	(1,672,256)	(233,988)	(1,906,244)
Change in irrevocable charitable remainder trust	-	(10,563)	(10,563)
Changes in irrevocable beneficial interest trusts	-	(531,611)	(531,611)
Net assets released from restrictions	<u>3,628,398</u>	<u>(3,628,398)</u>	<u>-</u>
Total revenue, gains and other support	<u>9,409,067</u>	<u>(724,472)</u>	<u>8,684,595</u>
Expenses:			
Program services:			
Collections	8,345,191	-	8,345,191
Exhibition	293,573	-	293,573
Programs	716,840	-	716,840
Education	588,116	-	588,116
Visitor services	1,018,504	-	1,018,504
Auxiliary	<u>848,017</u>	<u>-</u>	<u>848,017</u>
Total program services	<u>11,810,241</u>	<u>-</u>	<u>11,810,241</u>
Support services:			
Management and general	1,484,786	-	1,484,786
Fundraising	582,692	-	582,692
Marketing	<u>561,082</u>	<u>-</u>	<u>561,082</u>
Total support services	<u>2,628,560</u>	<u>-</u>	<u>2,628,560</u>
Total expenses	<u>14,438,801</u>	<u>-</u>	<u>14,438,801</u>
Change in net assets	(5,029,734)	(724,472)	(5,754,206)
Net assets:			
Beginning of year	<u>99,070,847</u>	<u>52,664,426</u>	<u>151,735,273</u>
End of year	<u>\$ 94,041,113</u>	<u>\$ 51,939,954</u>	<u>\$ 145,981,067</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, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u> <u>All Funds</u>
Revenue, gains and other support:			
Contributions	\$ 2,514,706	\$ 1,467,015	\$ 3,981,721
Grants	280,914	739,168	1,020,082
Admissions	1,489,964	-	1,489,964
Membership dues	398,282	-	398,282
Program service fees	279,386	-	279,386
Merchandise sales	1,901,168	-	1,901,168
Less cost of goods sold	<u>(412,701)</u>	<u>-</u>	<u>(412,701)</u>
Net merchandise sales	1,488,467	-	1,488,467
Rental income	1,265,906	-	1,265,906
Net investment return	1,451,977	1,235,964	2,687,941
Change in irrevocable charitable remainder trust	-	89,495	89,495
Changes in irrevocable beneficial interest trusts	-	181,011	181,011
Net assets released from restrictions	<u>27,564,735</u>	<u>(27,564,735)</u>	<u>-</u>
Total revenue, gains and other support	<u>36,734,337</u>	<u>(23,852,082)</u>	<u>12,882,255</u>
Expenses:			
Program services:			
Collections	7,184,225	-	7,184,225
Exhibition	336,617	-	336,617
Programs	1,422,530	-	1,422,530
Education	612,113	-	612,113
Visitor services	1,013,516	-	1,013,516
Auxiliary	<u>958,822</u>	<u>-</u>	<u>958,822</u>
Total program services	<u>11,527,823</u>	<u>-</u>	<u>11,527,823</u>
Support services:			
Management and general	1,763,991	-	1,763,991
Fundraising	627,546	-	627,546
Marketing	<u>611,298</u>	<u>-</u>	<u>611,298</u>
Total support services	<u>3,002,835</u>	<u>-</u>	<u>3,002,835</u>
Total expenses	<u>14,530,658</u>	<u>-</u>	<u>14,530,658</u>
Change in net assets	22,203,679	(23,852,082)	(1,648,403)
Net assets:			
Beginning of year	<u>76,867,168</u>	<u>76,516,508</u>	<u>153,383,676</u>
End of year	<u>\$ 99,070,847</u>	<u>\$ 52,664,426</u>	<u>\$ 151,735,273</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services						Total	Management and General	Fundraising	Marketing	Total
	Collections	Exhibitions	Programs	Education	Visitor Services	Auxiliary					
Personnel	\$ 1,781,534	\$ 74,507	\$ 403,410	\$ 544,682	\$ 528,307	\$ 716,752	\$ 4,049,192	\$ 841,996	\$ 491,137	\$ 300,031	\$ 5,682,356
Occupancy	2,074,010	-	4,091	-	388,742	43,099	2,509,942	34,989	341	-	2,545,272
Exhibitions and collections	646,884	196,126	1,768	-	-	-	844,778	-	1,227	-	846,005
Advertising	67,737	250	25,000	-	-	2,279	95,266	-	-	36,946	132,212
Professional services	131,651	928	15,925	-	3,875	5,660	158,039	162,609	-	422	321,070
Travel	3,957	566	2,033	1,475	301	-	8,332	372	890	1,710	11,304
Information technology	197,069	9,556	28,431	38,387	71,321	54,470	399,234	115,225	58,984	121,347	694,790
Other program expenses	22,079	855	211,822	3,034	1,577	285	239,652	2,266	6,919	27,054	275,891
Office expenses	130,975	10,378	24,360	456	22,038	25,322	213,529	169,232	21,578	73,065	477,404
Subscriptions and dues	7,966	407	-	82	2,343	150	10,948	20,018	1,616	507	33,089
Interest	-	-	-	-	-	-	-	1,357	-	-	1,357
Depreciation	3,281,329	-	-	-	-	-	3,281,329	136,722	-	-	3,418,051
	<u>\$ 8,345,191</u>	<u>\$ 293,573</u>	<u>\$ 716,840</u>	<u>\$ 588,116</u>	<u>\$ 1,018,504</u>	<u>\$ 848,017</u>	<u>\$ 11,810,241</u>	<u>\$ 1,484,786</u>	<u>\$ 582,692</u>	<u>\$ 561,082</u>	<u>\$ 14,438,801</u>

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

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services						Management and General	Fundraising	Marketing	Total	
	Collections	Exhibitions	Programs	Education	Visitor Services	Auxiliary					Total
Personnel	\$ 1,648,737	\$ 87,176	\$ 520,579	\$ 554,850	\$ 493,560	\$ 790,094	\$ 4,094,996	\$ 1,022,811	\$ 533,644	\$ 450,341	\$ 6,101,792
Occupancy	2,076,772	1,630	19,852	10,489	433,204	70,206	2,612,153	53,418	10,023	9,097	2,684,691
Exhibitions and collections	347,290	175,520	42,087	-	-	-	564,897	-	904	-	565,801
Advertising	13,338	56,920	45,750	-	-	675	116,683	-	-	81,693	198,376
Professional services	153,233	600	60,252	-	425	8,358	222,868	251,386	-	8,250	482,504
Travel	14,480	1,351	973	3,188	346	970	21,308	933	-	15	22,256
Information technology	155,626	4,946	29,535	31,480	49,335	48,662	319,584	76,538	52,158	31,749	480,029
Other program expenses	51,943	131	633,997	7,742	3,039	383	697,235	3,080	4,067	175	704,557
Office expenses	256,007	7,398	58,860	4,257	31,304	39,378	397,204	240,896	25,038	29,125	692,263
Subscriptions and dues	8,701	945	474	107	2,303	96	12,626	13,974	1,712	853	29,165
Interest	-	-	10,171	-	-	-	10,171	-	-	-	10,171
Depreciation	2,458,098	-	-	-	-	-	2,458,098	100,955	-	-	2,559,053
	<u>\$ 7,184,225</u>	<u>\$ 336,617</u>	<u>\$ 1,422,530</u>	<u>\$ 612,113</u>	<u>\$ 1,013,516</u>	<u>\$ 958,822</u>	<u>\$ 11,527,823</u>	<u>\$ 1,763,991</u>	<u>\$ 627,546</u>	<u>\$ 611,298</u>	<u>\$ 14,530,658</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,754,206)	\$ (1,648,403)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	3,418,051	2,559,053
Capital campaign contributions	(2,000,000)	(431,080)
Bad debt expense (credit)	9,098	(5,998)
Changes in pledge present value discount	(70,707)	(121,879)
Net realized and unrealized (gains) losses on investments	4,081,815	(809,824)
Change in irrevocable charitable remainder trust	10,563	(89,495)
Change in irrevocable beneficial interest trusts	531,611	(181,011)
Changes in operating assets and liabilities:		
Pledges receivable	(82,688)	30,711
Other receivables	65,517	30,492
Merchandise inventory	(8,186)	55,742
Prepaid expenses	(116,885)	114,774
Accounts payable and accrued expenses	(150,660)	597,859
Deferred membership dues and customer deposits	174,466	145,964
Net cash provided by operating activities	<u>107,789</u>	<u>246,905</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(3,124,275)	(6,068,251)
Proceeds from sales of investments	3,503,619	4,183,606
Purchases of investments	<u>(2,086,711)</u>	<u>(2,897,555)</u>
Net cash required by investing activities	<u>(1,707,367)</u>	<u>(4,782,200)</u>
Cash flows from financing activities:		
Proceeds from capital contributions	2,000,000	2,130,819
Repayments under financing agreements	<u>-</u>	<u>(457,683)</u>
Net cash provided by financing activities	<u>2,000,000</u>	<u>1,673,136</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
(Continued)		
Change in cash and cash equivalents	400,422	(2,862,159)
Cash and cash equivalents at beginning of year	<u>5,640,635</u>	<u>8,502,794</u>
Cash and cash equivalents at end of year	<u>\$ 6,041,057</u>	<u>\$ 5,640,635</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u>\$ 1,357</u>	<u>\$ 219,938</u>
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Non-Cash Investing Activity:

At June 30, 2020, accounts payable and accrued expenses included \$82,692 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, 2020 AND 2019

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 in-town 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, Cyclorama 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. 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, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (Topic 606)

Effective July 1, 2019, the Organization adopted ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) and the related ASUs, which provided new guidance for revenue recognized from contracts with customers and replaced the previously existing revenue recognition guidance. ASU 2014-09 requires that revenue be recognized at an amount the Organization is entitled to upon transferring control of goods or services to customers, as opposed to when risks and rewards transfer to a customer. The Organization adopted ASU 2014-09 using the full retrospective approach.

The Organization adopted ASU 2014-09 using the full retrospective approach. The adoption of ASU 2014-09 did not have a significant impact on the Organization’s consolidated financial statements. No changes were required to previously reported revenues or the beginning net asset balance as a result of the adoption of ASU 2014-09, nor were any contract assets or contract liabilities created upon adoption of the standard. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”

Effective July 1, 2019, the Organization also adopted ASU 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the Organization’s financial position, results of operations and cash flows as of and for the year ended June 30, 2020.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 two self-balancing categories as follows:

- Net assets without donor restrictions are resources that are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.
- Net assets with donor restrictions are resources that are subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

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, 2020 and 2019.

- Classification of net assets

Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All funds added to investment accounts which do not have any donor restrictions are treated as a quasi-endowment. The quasi-endowment follows the Organization's spending policy and are used to provide operating support.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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) in the State of Georgia 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 net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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.

- 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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- 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, the Organization will target annual spending equal to or less than 5% of the trailing thirty-six-month average market value, calculated per the calculation date of March 31st.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 44,545,363	\$ 29,956,835	\$ 74,502,198
Collection of cash contributions	32,040	1,201,710	1,233,750
Net investment return	1,657,692	899,920	2,557,612
Used in operations	<u>(2,765,998)</u>	<u>(1,501,591)</u>	<u>(4,267,589)</u>
Endowment net assets, June 30, 2019	43,469,097	30,556,874	74,025,971
Collection of cash contributions	145,907	219,540	365,447
Net investment return	(1,456,594)	(813,526)	(2,270,120)
Used in operations	<u>(2,306,077)</u>	<u>(1,287,973)</u>	<u>(3,594,050)</u>
Endowment net assets, June 30, 2020	<u>\$ 39,852,333</u>	<u>\$ 28,674,915</u>	<u>\$ 68,527,248</u>

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. At June 30, 2020, deficiencies of this nature exist in three donor restricted endowments which has an original gift value of \$7,712,697, and a current fair value of \$7,063,841 and a deficiency of \$648,856. At June 30, 2019, deficiencies of this nature exist in one donor restricted endowment which has an original gift value of \$3,704,333, and a current fair value of \$3,520,482 and a deficiency of \$183,851 and is reported in net assets with donor restrictions.

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 net assets without donor restrictions unless their use is restricted for purpose or 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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 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 assets at fair value classified within Level 3 were \$12,970,810 and \$13,512,984, as of June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, Level 3 assets consist of irrevocable beneficial interest trusts and an irrevocable charitable remainder trust. Such amounts were approximately 9% of total assets as of June 30, 2020 and 2019.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 assets at fair value as of June 30:

	2020				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 466,998	\$ 466,998	\$ -	\$ -	\$ -
Common stocks - domestic	22,668,869	22,668,869	-	-	-
Fixed income mutual fund	12,891,517	12,891,517	-	-	-
Mutual fund	5,922,184	5,922,184	-	-	-
Alternative investments	<u>26,577,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,577,680</u>
Total investments	<u>68,527,248</u>	<u>41,949,568</u>	<u>-</u>	<u>-</u>	<u>26,577,680</u>
Irrevocable beneficial interest trusts	7,832,300	-	-	7,832,300	-
Irrevocable charitable remainder trust	<u>5,138,510</u>	<u>-</u>	<u>-</u>	<u>5,138,510</u>	<u>-</u>
	<u>\$ 81,498,058</u>	<u>\$ 41,949,568</u>	<u>\$ -</u>	<u>\$ 12,970,810</u>	<u>\$ 26,577,680</u>
	2019				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 901,257	\$ 901,257	\$ -	\$ -	\$ -
Common stocks - domestic	21,278,383	21,278,383	-	-	-
Fixed income mutual fund	14,209,948	14,209,948	-	-	-
Mutual fund	6,536,306	6,536,306	-	-	-
Alternative investments	<u>31,100,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,100,077</u>
Total investments	<u>74,025,971</u>	<u>42,925,894</u>	<u>-</u>	<u>-</u>	<u>31,100,077</u>
Irrevocable beneficial interest trusts	8,363,911	-	-	8,363,911	-
Irrevocable charitable remainder trust	<u>5,149,073</u>	<u>-</u>	<u>-</u>	<u>5,149,073</u>	<u>-</u>
	<u>\$ 87,538,955</u>	<u>\$ 42,925,894</u>	<u>\$ -</u>	<u>\$ 13,512,984</u>	<u>\$ 31,100,077</u>

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Fair Value Measurement (Continued)

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.

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, 2020 and 2019. 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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 Measurements (Continued)

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, 2020 and 2019:

Balance, June 30, 2018	\$ 13,248,407
Market gains and changes in fair value	<u>264,577</u>
Balance, June 30, 2019	13,512,984
Market gains and changes in fair value	<u>(542,174)</u>
Balance, June 30, 2020	<u>\$ 12,970,810</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.

Category	Fair Value at June 30, 2020	Fair Value at June 30, 2019	Redemption Frequency (if currently eligible)	Redemption Notice Period
Commingled funds (a)	\$ 1,984,823	\$ 3,166,779	Any time after first year	30 days
Emerging markets (b)	2,884,022	3,052,658	Monthly	None
International equities (c)	13,324,133	15,844,047	Monthly	None
Private equity funds (d)	<u>8,384,702</u>	<u>9,036,593</u>	Quarterly	45 days
	<u>\$ 26,577,680</u>	<u>\$ 31,100,077</u>		

- (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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Measured at NAV per Share or Equivalent (Continued)

- (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 donor restricted net assets are transferred to net assets without donor restrictions 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, 2020 AND 2019

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, 2020 and 2019.

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.

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 2020 and 2019, approximately \$527,000 and \$395,000, respectively, was charged to the Organization for the purchase of historical collections.

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue

Contributions and grants - 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 by 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 their 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. Amortization of the discounts on unconditional pledges is included in contributions in the accompanying consolidated statement of activities and changes in net assets. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If release of the restrictions occurs at the same time as meeting conditional grants, the Organization records the contribution as without donor restriction.

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 restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying consolidated statement of activities and changes in net assets as net assets released from restrictions.

The Organization recognizes contributions of property and equipment as without donor restricted 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 and other assets that must be used to acquire long-term assets are recognized as with donor 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.

Admissions - Admissions revenue is associated with tickets sold for entry to the Organization. Admissions revenue ticket price is based upon established levels for individuals and groups. The Organization primarily recognizes revenue for admissions at point of sale.

Membership dues – Membership dues pertaining to all membership categories are recognized as revenue ratably over the term of the membership period, up to 12 months. Amounts not yet earned by the end of fiscal year are reported as deferred dues.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue

Merchandise sales - Revenue related to merchandise sales activities is primarily recognized at point of sale as the merchandise has been provided in full by the Organization.

Rental income and program service fees – These revenues are generated from venue rental, educational classes, and other items. The revenue from these activities are recognized at a point in time once performance obligations are satisfied. Amounts not earned by the end of the fiscal year are reported as customer deposits.

In April 2020, the Organization obtained a Small Business Administration (“SBA”) loan under the Paycheck Protection Program (“PPP”) totaling \$1,108,973. The PPP loan bears interest at 1% and beginning in December 2020, requires monthly payments of principal and interest through May 2022, at which time the outstanding balance is due in full. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “Cares Act”), the Organization may apply for PPP loan proceeds used within twenty-four weeks of funding receipt to be forgiven with the lending institution, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act. The Organization intends for the loan to be forgiven and has treated the loan as a conditional grant under ASU 2018-08.

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, 2020 and 2019, the trust is recorded at the present value of the estimated future benefit to be received, which totaled \$5,138,510 and \$5,149,073, respectively. The trust is reported in net assets with donor restrictions 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, 2020 AND 2019

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 \$1,400 and \$42,000 for the years ended June 30, 2020 and 2019, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation which are allocated on a square footage basis, as well as certain salaries and wages, benefits, payroll taxes, office expenses, information technology, and occupancy which are allocated on the basis of estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$132,000 and \$198,000 for the years ended June 30, 2020 and 2019, respectively.

Concentrations

During 2020 and 2019, 46% and 20%, respectively, of the Organization's net contributions and grants were received from one donor. At June 30, 2020 and 2019, 50% and 73%, of the Organization's net pledges receivable were due from one and two donors, respectively. In general, the Organization does not find itself dependent upon any one donor.

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

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 2019 or 2018. 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, 2017.

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.

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 - INVESTMENTS

The components of investment income for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Investment income, including income from beneficial interest trusts	\$ 2,175,571	\$ 1,878,117
Net realized and unrealized gains on investments	<u>(4,081,815)</u>	<u>809,824</u>
	<u>\$ (1,906,244)</u>	<u>\$ 2,687,941</u>

The investment income for fiscal years 2020 and 2019 is included in without donor restricted and with donor restricted investment income in the accompanying consolidated statement of activities and changes in net assets. Such investment income also includes interest income, primarily associated with cash and cash equivalents.

NOTE 3 - PLEDGES RECEIVABLE

At June 30, pledges receivable were as follows:

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 2,200,891	\$ 2,676,170
Other	<u>1,824,343</u>	<u>1,275,474</u>
	4,025,234	3,951,644
Less discount for present value	<u>(147,670)</u>	<u>(218,377)</u>
	<u>\$ 3,877,564</u>	<u>\$ 3,733,267</u>

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

2021	\$ 2,519,953
2022	525,000
2023	500,000
2024	<u>480,281</u>
	<u>\$ 4,025,234</u>

At June 30, 2020 and 2019, the allowance for uncollectible pledges was not significant.

At June 30, 2020 and 2019, pledges receivable were discounted to their present values using an interest rate of 3%.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	Life		
	(in Years)	2020	2019
Land		\$ 3,630,565	\$ 3,630,565
Buildings and improvements	15 – 40	57,785,086	57,754,961
Grounds improvements	15	5,082,541	3,614,220
Furnishings and fixtures	10	358,850	378,292
Office furniture and equipment	7	187,969	189,769
Computers and equipment	5 – 10	1,218,197	1,186,424
Other equipment	5 – 10	1,476,595	1,482,047
Vehicles	5	-	9,987
Permanent exhibitions	5 – 10	17,428,267	19,690,485
Construction in progress		<u>2,702,939</u>	<u>1,366,618</u>
		89,871,009	89,303,368
Less accumulated depreciation		<u>(33,627,319)</u>	<u>(32,683,210)</u>
		<u>\$ 56,243,690</u>	<u>\$ 56,620,158</u>

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 1.17% at June 30, 2020) and are secured by certain investments of the Organization. The agreements expire on November 30, 2020 and March 25, 2021, at which time the Organization intent is to renew the lines of credit. There were no outstanding borrowings at June 30, 2020 and 2019.

The Organization has a non-revolving borrowing loan with a financial institution in the amount of \$3,200,000. The loan matures on August 26, 2024 and accrues interest at LIBOR plus 1.3%. The loan is secured by certain investments of the Organization. There were no outstanding borrowings at June 30, 2020 and 2019.

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, 2020 and 2019.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 - CONTRACT LIABILITIES

The following table provides details of the Organization's contract liabilities at June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract Liabilities - Unearned Income:			
Customer deposits	\$ 1,061,321	\$ 843,723	\$ 771,090
Deferred membership dues	<u>249,238</u>	<u>292,370</u>	<u>219,039</u>
	<u>\$ 1,310,559</u>	<u>\$ 1,136,093</u>	<u>\$ 990,129</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions are restricted for the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital improvements	\$ 8,491,940	\$ 7,349,914
Exhibits, research projects and special program	<u>1,802,289</u>	<u>1,244,655</u>
	<u>10,294,229</u>	<u>8,594,569</u>
Subject to the passage of time:		
Irrevocable charitable remainder trust	<u>5,138,510</u>	<u>5,149,073</u>
Subject to spending policy and appropriation:		
Investment in perpetuity (including accumulated amounts above original gift amount of \$17,861,734 in 2020 and 2019), which, once appropriated, is expendable to support:		
General operating purposes	11,241,087	11,852,916
Capital improvements	<u>17,433,828</u>	<u>18,703,958</u>
	<u>28,674,915</u>	<u>30,556,874</u>
Not subject to spending policy or appropriation:		
Irrevocable beneficial interest trust	<u>7,832,300</u>	<u>8,363,910</u>
Total net assets with donor restrictions	<u>\$ 51,939,954</u>	<u>\$ 52,664,426</u>

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions during fiscal 2020 and 2019 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 2,643,742	\$ 24,711,726
Exhibits, research projects and special programs	<u>1,100,311</u>	<u>2,853,009</u>
	<u>\$ 3,744,053</u>	<u>\$ 27,564,735</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 2020 and 2019, employer contributions totaled approximately \$84,000.

NOTE 9 - RENTAL INCOME

The Organization has four 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:

2021	\$ 174,780
2022	162,321
2023	165,511
2024	168,796
2025	161,180
Thereafter	<u>779,434</u>
	<u>\$ 1,612,022</u>

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 - LIQUIDITY

Financial assets available for general expenditure, that is without donor or other restrictions limited their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,041,057	\$ 5,640,635
Investments	68,527,248	74,025,971
Pledges	3,877,564	3,733,267
Other receivables	<u>45,952</u>	<u>111,469</u>
	78,491,821	83,511,342
Less endowment distributions not appropriated for the following year	(64,871,987)	(70,431,921)
Less other restricted funds	<u>(10,294,229)</u>	<u>(8,594,569)</u>
	<u>\$ 3,325,605</u>	<u>\$ 4,484,852</u>

As part of the Organization's liquidity management, it has implemented a practice to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit, as mentioned in Note 5. Additionally, the Organization has a quasi-endowment of approximately \$39,800,000 which is the portion of the endowment without donor restrictions. Although the Organization does not intend to spend from its quasi-endowment, other than amounts appropriated for general expenditure as permitted under the Organization's spending policy as described in Note 1, amounts from its quasi-endowment could be made available if necessary.

NOTE 11 - SIGNIFICANT EVENTS

During 2020 and through the date of this report, the Organization has experienced a disruption of normal business operations caused from COVID-19. The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.