

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Atlanta Historical Society, Inc. and Subsidiaries (the "Organization") (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Smith and Howard

December 6, 2022

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,784,834	\$ 7,999,187
Investments	72,321,720	90,462,468
Pledges receivable, net	1,980,639	2,474,981
Note receivable	15,000,000	15,000,000
Other receivables	139,516	61,303
Merchandise inventory	167,661	148,862
Prepaid expenses	330,133	516,269
Property and equipment, net	51,455,610	54,265,102
Irrevocable charitable remainder trust, net of present value	5,479,649	6,264,345
Irrevocable beneficial interest trusts	<u>8,216,567</u>	<u>9,690,274</u>
 Total Assets	 <u>\$ 165,876,329</u>	 <u>\$ 186,882,791</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,251,711	\$ 1,417,616
Deferred membership dues and customer deposits	<u>1,374,064</u>	<u>1,537,105</u>
 Total Liabilities	 <u>2,625,775</u>	 <u>2,954,721</u>
 Net assets		
Without donor restrictions	107,153,765	121,434,537
With donor restrictions	<u>56,096,789</u>	<u>62,493,533</u>
 Total Net Assets	 <u>163,250,554</u>	 <u>183,928,070</u>
	 <u>\$ 165,876,329</u>	 <u>\$ 186,882,791</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	<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	\$ 2,288,663	\$ 675,126	\$ 2,963,789
Grants	89,038	3,668,175	3,757,213
Admissions	822,488	-	822,488
Membership dues	274,245	-	274,245
Program service fees	84,482	-	84,482
Merchandise sales	1,918,358	-	1,918,358
Less cost of goods sold	<u>(267,684)</u>	<u>-</u>	<u>(267,684)</u>
Net merchandise sales	1,650,674	-	1,650,674
Rental income	1,638,752	-	1,638,752
Net investment loss	(9,560,131)	(5,503,815)	(15,063,946)
Change in irrevocable charitable remainder trust	-	(784,696)	(784,696)
Changes in irrevocable beneficial interest trusts	-	(1,473,704)	(1,473,704)
Gain on the sale of property rights	1,132,500	-	1,132,500
Net assets released from restrictions	<u>2,977,830</u>	<u>(2,977,830)</u>	<u>-</u>
Total revenue, gains and other support	<u>1,398,541</u>	<u>(6,396,744)</u>	<u>(4,998,203)</u>
Expenses:			
Program services:			
Collections	8,494,620	-	8,494,620
Exhibition	260,670	-	260,670
Programs	1,385,102	-	1,385,102
Education	558,444	-	558,444
Visitor services	760,621	-	760,621
Auxiliary	<u>1,041,909</u>	<u>-</u>	<u>1,041,909</u>
Total program services	<u>12,501,366</u>	<u>-</u>	<u>12,501,366</u>
Support services:			
Management and general	1,752,933	-	1,752,933
Fundraising	809,776	-	809,776
Marketing	<u>615,238</u>	<u>-</u>	<u>615,238</u>
Total support services	<u>3,177,947</u>	<u>-</u>	<u>3,177,947</u>
Total expenses	<u>15,679,313</u>	<u>-</u>	<u>15,679,313</u>
Change in net assets	(14,280,772)	(6,396,744)	(20,677,516)
Net assets:			
Beginning of year	<u>121,434,537</u>	<u>62,493,533</u>	<u>183,928,070</u>
End of year	<u>\$ 107,153,765</u>	<u>\$ 56,096,789</u>	<u>\$ 163,250,554</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	<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	\$ 1,765,323	\$ 1,718,939	\$ 3,484,262
Grants	361,373	2,910,275	3,271,648
Paycheck protection program grant	1,109,087	-	1,109,087
Admissions	544,126	-	544,126
Membership dues	316,822	-	316,822
Program service fees	27,023	-	27,023
Merchandise sales	937,246	-	937,246
Less cost of goods sold	<u>(143,113)</u>	<u>-</u>	<u>(143,113)</u>
Net merchandise sales	794,133	-	794,133
Rental income	884,691	-	884,691
Net investment return	13,543,306	8,285,100	21,828,406
Change in irrevocable charitable remainder trust	-	1,125,836	1,125,836
Changes in irrevocable beneficial interest trusts	-	1,857,974	1,857,974
Gain on the sale of property	16,500,000	-	16,500,000
Net assets released from restrictions	<u>5,344,545</u>	<u>(5,344,545)</u>	<u>-</u>
Total revenue, gains and other support	<u>41,190,429</u>	<u>10,553,579</u>	<u>51,744,008</u>
Expenses:			
Program services:			
Collections	8,046,092	-	8,046,092
Exhibition	89,893	-	89,893
Programs	708,758	-	708,758
Education	474,650	-	474,650
Visitor services	784,282	-	784,282
Auxiliary	<u>767,615</u>	<u>-</u>	<u>767,615</u>
Total program services	<u>10,871,290</u>	<u>-</u>	<u>10,871,290</u>
Support services:			
Management and general	1,742,745	-	1,742,745
Fundraising	551,565	-	551,565
Marketing	<u>631,405</u>	<u>-</u>	<u>631,405</u>
Total support services	<u>2,925,715</u>	<u>-</u>	<u>2,925,715</u>
Total expenses	<u>13,797,005</u>	<u>-</u>	<u>13,797,005</u>
Change in net assets	27,393,424	10,553,579	37,947,003
Net assets:			
Beginning of year	<u>94,041,113</u>	<u>51,939,954</u>	<u>145,981,067</u>
End of year	<u>\$ 121,434,537</u>	<u>\$ 62,493,533</u>	<u>\$ 183,928,070</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services						Management and General	Fundraising	Marketing	Total	
	Collections	Exhibitions	Programs	Education	Visitor Services	Auxiliary					Total
Personnel	\$ 1,662,540	\$ 28,411	\$ 527,661	\$ 344,097	\$ 270,895	\$ 834,896	\$ 3,668,500	\$ 1,073,524	\$ 650,901	\$ 284,194	\$ 5,677,119
Occupancy	2,319,598	2,811	9,559	2,561	379,137	81,485	2,795,151	47,252	4,945	2,198	2,849,546
Exhibitions and collections	161,252	153,304	24,926	-	-	-	339,482	-	-	-	339,482
Advertising	124,240	250	3,560	-	-	-	128,050	-	-	134,235	262,285
Professional services	188,427	836	10,516	5,650	4,496	23,146	233,071	111,893	9,411	30,772	385,147
Travel	10,260	807	-	7,853	8	431	19,359	1,198	-	-	20,557
Information technology	213,362	2,518	46,763	30,495	63,338	80,178	436,654	146,167	88,199	79,871	750,891
Other program expenses	26,254	40,495	592,569	167,484	7,268	876	834,946	12,497	34,951	12,630	895,024
Office expenses	74,962	30,642	169,548	244	31,479	20,592	327,467	186,915	18,591	66,388	599,361
Subscriptions and dues	8,001	596	-	60	4,000	305	12,962	19,082	2,778	4,950	39,772
Depreciation	3,705,724	-	-	-	-	-	3,705,724	154,405	-	-	3,860,129
	<u>\$ 8,494,620</u>	<u>\$ 260,670</u>	<u>\$ 1,385,102</u>	<u>\$ 558,444</u>	<u>\$ 760,621</u>	<u>\$ 1,041,909</u>	<u>\$ 12,501,366</u>	<u>\$ 1,752,933</u>	<u>\$ 809,776</u>	<u>\$ 615,238</u>	<u>\$ 15,679,313</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services						Total	Management and General	Fundraising	Marketing	Total
	Collections	Exhibitions	Programs	Education	Visitor Services	Auxiliary					
Personnel	\$ 1,565,769	\$ 22,975	\$ 461,182	\$ 419,307	\$ 348,388	\$ 659,802	\$ 3,477,423	\$ 1,163,302	\$ 457,289	\$ 319,745	\$ 5,417,759
Occupancy	2,017,794	456	9,157	8,326	342,271	29,979	2,407,983	65,486	9,296	6,349	2,489,114
Exhibitions and collections	175,379	61,997	22,524	-	-	-	259,900	21,277	-	-	281,177
Advertising	29,576	-	500	-	-	236	30,312	-	-	41,407	71,719
Professional services	549,818	378	91,145	6,893	5,727	13,155	667,116	99,692	7,517	5,256	779,581
Travel	2,802	-	144	96	-	19	3,061	-	-	-	3,061
Information technology	162,861	1,878	37,688	39,523	58,569	59,646	360,165	111,742	62,786	197,168	731,861
Other program expenses	11,518	-	68,025	43	1,505	-	81,091	19,987	5,816	803	107,697
Office expenses	67,004	921	18,094	341	26,299	4,778	117,437	102,772	6,595	60,677	287,481
Subscriptions and dues	8,352	1,288	299	121	1,523	-	11,583	14,356	2,266	-	28,205
Interest	-	-	-	-	-	-	-	164	-	-	164
Depreciation	3,455,219	-	-	-	-	-	3,455,219	143,967	-	-	3,599,186
	<u>\$ 8,046,092</u>	<u>\$ 89,893</u>	<u>\$ 708,758</u>	<u>\$ 474,650</u>	<u>\$ 784,282</u>	<u>\$ 767,615</u>	<u>\$ 10,871,290</u>	<u>\$ 1,742,745</u>	<u>\$ 551,565</u>	<u>\$ 631,405</u>	<u>\$ 13,797,005</u>

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (20,677,516)	\$ 37,947,003
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,860,129	3,599,187
Capital campaign contributions	(1,000)	(1,478,432)
Gain on disposal of property and equipment	-	(16,500,000)
Contribution into endowment	-	(2,000,000)
Bad debt expense (credit)	3,899	(1,546)
Changes in pledge present value discount	(42,318)	(62,325)
Net realized and unrealized (gains) losses on investments	17,390,373	(19,840,724)
Change in irrevocable charitable remainder trust	784,696	(1,125,835)
Change in irrevocable beneficial interest trusts	1,473,704	(1,857,974)
Changes in operating assets and liabilities:		
Pledges receivable	(322,284)	1,466,454
Other receivables	(78,213)	(15,351)
Merchandise inventory	(18,799)	66,332
Prepaid expenses	186,136	79,467
Accounts payable and accrued expenses	(165,905)	191,991
Deferred membership dues and customer deposits	(163,041)	226,546
	2,229,861	694,793
Net cash provided by operating activities		
Cash flows from investing activities:		
Acquisition of property and equipment	(1,050,636)	(2,120,599)
Proceeds from sale of property	-	2,000,000
Proceeds from sales of investments	4,096,043	3,809,054
Purchases of investments	(3,345,666)	(5,903,550)
	(300,259)	(2,215,095)
Net cash required by investing activities		
Cash flows from financing activities:		
Proceeds from capital contributions	499,045	1,478,432
Proceeds from endowment contributions	357,000	2,000,000
	856,045	3,478,432
Net cash provided by financing activities		

(Continued)

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
(Continued)		
Change in cash and cash equivalents	2,785,647	1,958,130
Cash and cash equivalents at beginning of year	<u>7,999,187</u>	<u>6,041,057</u>
Cash and cash equivalents at end of year	<u>\$ 10,784,834</u>	<u>\$ 7,999,187</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 164</u>
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Non-Cash Investing Activity:

During the year ending June 30, 2021, the Organization sold property and equipment for \$17,000,000. As part of the sale, the Organization issued a note receivable in the amount of \$15,000,000.

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

In March 2021, the Society formed Made By Us, LLC (“MBU”) as a collaboration of nonpartisan history and civic organizations to educate youth civic participation.

MMH/AHS, LLC (“MMH”) also operates the Atlanta History Center-Midtown that includes Margaret Mitchell House, which contains the apartment where Margaret Mitchell wrote her Pulitzer Prize-Winning novel *Gone With the Wind*, along with exhibition galleries, a museum shop and commercial row, which contains a temporary exhibition gallery, lecture and event space. Both locations offer author lectures and other programs, summer camps and community activation events.

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 Subsidiaries. All significant inter-organization accounts and transactions have been eliminated in consolidation. The Society, MMH and MBU 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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard

During the year ended June 30, 2022, the Organization adopted Accounting Standards Update (“ASU”) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity’s programs and other activities. The Organization applied ASU 2020-07 on a retrospective basis. For the years ended June 30, 2022 and 2021, adoption of this ASU had no impact on the consolidated financial statements.

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, 2022 and 2021.

- 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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

- 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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- 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, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 39,852,333	\$ 28,674,915	\$ 68,527,248
Collection of cash contributions	1,026,960	3,422,089	4,449,049
Net investment return	13,357,624	7,937,601	21,295,225
Used in operations	<u>(2,389,264)</u>	<u>(1,419,790)</u>	<u>(3,809,054)</u>
Endowment net assets, June 30, 2021	51,847,653	38,614,815	90,462,468
Collection of cash contributions	770,834	617,238	1,388,072
Net investment loss	(9,757,390)	(6,002,569)	(15,759,959)
Used in operations	<u>(2,333,397)</u>	<u>(1,435,464)</u>	<u>(3,768,861)</u>
Endowment net assets, June 30, 2022	<u>\$ 40,527,700</u>	<u>\$ 31,794,020</u>	<u>\$ 72,321,720</u>

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, 2022, deficiencies of this nature exist in four donors' restricted endowments which has an original gift value of \$9,712,697, and a current fair value of \$8,665,369 and a deficiency of \$1,047,328 and is reported in net assets with donor restrictions. At June 30, 2021, no deficiencies of this nature exist.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

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.

Note Receivable

In November 2020, the Organization sold property to a third party for a total of \$17,000,000. In conjunction with this sale, the Organization issued a note receivable to the third party for \$15,000,000. This note receivable bears interest at 2.00% per annum, with an annual escalation of 0.25% until the interest rate reaches 3.00%, where it will remain until maturity. Unpaid principal and accrued interest are payable in full at the earlier of November 16, 2027, or the date in which the third party commences demolition on the existing property.

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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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:

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.

Basis of Fair Value Measurement

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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:

	<u>Fair Value</u>	<u>Level 1</u>	<u>2022</u>		<u>NAV (*)</u>
			<u>Level 2</u>	<u>Level 3</u>	
Temporary cash	\$ 392,205	\$ 392,205	\$ -	\$ -	\$ -
Common stocks - domestic	44,811,523	44,811,523	-	-	-
Fixed income mutual fund	14,928,777	14,928,777	-	-	-
Mutual fund	2,111,377	2,111,377	-	-	-
Alternative investments	10,077,838	-	-	-	10,077,838
Total investments	<u>72,321,720</u>	<u>62,243,882</u>	<u>-</u>	<u>-</u>	<u>10,077,838</u>
Irrevocable beneficial interest trusts	8,216,567	-	-	8,216,567	-
Irrevocable charitable remainder trust	5,479,649	-	-	5,479,649	-
	<u>\$ 86,017,936</u>	<u>\$ 62,243,882</u>	<u>\$ -</u>	<u>\$ 13,696,216</u>	<u>\$ 10,077,838</u>
			<u>2021</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 351,359	\$ 351,359	\$ -	\$ -	\$ -
Common stocks - domestic	31,970,535	31,970,535	-	-	-
Fixed income mutual fund	16,473,877	16,473,877	-	-	-
Mutual fund	7,343,432	7,343,432	-	-	-
Alternative investments	34,323,265	-	-	-	34,323,265
Total investments	<u>90,462,468</u>	<u>56,139,203</u>	<u>-</u>	<u>-</u>	<u>34,323,265</u>
Irrevocable beneficial interest trusts	9,690,274	-	-	9,690,274	-
Irrevocable charitable remainder trust	6,264,345	-	-	6,264,345	-
	<u>\$ 106,417,087</u>	<u>\$ 56,139,203</u>	<u>\$ -</u>	<u>\$ 15,954,619</u>	<u>\$ 34,323,265</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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Fair Value Measurement (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, 2022 and 2021. 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.

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, 2022	Fair Value at June 30, 2021	Redemption Frequency (if currently eligible)	Redemption Notice Period
Commingled funds	(a)	\$ -	\$ 3,067,500	Any time after first year	30 days
Emerging markets	(b)	2,184,600	4,004,245	Monthly	None
International equities	(c)	7,893,238	17,823,080	Monthly	None
Private equity funds	(d)	-	9,428,440	Quarterly	45 days
		<u>\$ 10,077,838</u>	<u>\$ 34,323,265</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 an investment in a fund of funds which invests in a diversified portfolio of international equities.
- (c) 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.
- (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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021.

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 2022 and 2021, approximately \$131,000 and \$107,000 respectively, was charged to the Organization for the purchase of historical collections.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical Collections (Continued)

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 - 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.

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

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.

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, 2022 and 2021, the trust is recorded at the present value of the estimated future benefit to be received, which totaled \$5,479,649 and \$6,264,345, 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.

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 were not material to the consolidated financial statements for the years ended June 30, 2022 or 2021.

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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$262,000 and \$72,000 for the years ended June 30, 2022 and 2021, respectively.

Concentrations

During 2022 and 2021, 25% and 71%, respectively, of the Organization's net contributions and grants were received from one donor and three donors, respectively. At June 30, 2022 and 2021, 68% of the Organization's net pledges receivable were due from two donors. In general, the Organization does not find itself dependent upon any one donor.

Income Tax Status

The Subsidiaries are treated as a partnership for federal and state income tax purposes. Since the Society is the sole member of the Subsidiaries, all income, losses and tax credits from the Subsidiaries' 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 2022 or 2021. Additionally, in the opinion of management, the activities of the Subsidiaries 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, 2019.

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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - INVESTMENTS

The components of investment income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Investment income, including income from beneficial interest trusts	\$ 2,326,427	\$ 1,987,681
Net realized and unrealized gains (losses) on investments	<u>(17,390,373)</u>	<u>19,840,725</u>
	<u><u>\$ (15,063,946)</u></u>	<u><u>\$ 21,828,406</u></u>

The investment income for fiscal years 2022 and 2021 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>2022</u>	<u>2021</u>
Capital improvements	\$ 1,668,596	\$ 1,943,179
Other	<u>356,820</u>	<u>627,147</u>
	2,025,416	2,570,326
Less allowance for doubtful accounts	(1,750)	(10,000)
Less discount for present value	<u>(43,027)</u>	<u>(85,345)</u>
	<u><u>\$ 1,980,639</u></u>	<u><u>\$ 2,474,981</u></u>

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

2023	\$ 1,529,570
2024	<u>495,846</u>
	<u><u>\$ 2,025,416</u></u>

At June 30, 2022 and 2021, pledges receivable were discounted to their present values using an interest rate of 3%.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	Life (in Years)	2022	2021
Land		\$ 3,130,565	\$ 3,130,565
Buildings and improvements	15 – 40	59,084,894	58,710,505
Grounds improvements	15	5,519,392	5,423,301
Furnishings and fixtures	10	1,238,867	1,238,867
Office furniture and equipment	7	187,969	187,969
Computers and equipment	5 – 10	1,731,561	1,385,451
Other equipment	5 – 10	1,575,175	1,476,595
Permanent exhibitions	5 – 10	18,689,215	18,672,692
Construction in progress		<u>541,188</u>	<u>422,243</u>
		91,698,826	90,648,188
Less accumulated depreciation		<u>(40,243,216)</u>	<u>(36,383,086)</u>
		<u>\$ 51,455,610</u>	<u>\$ 54,265,102</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 Prime Rate minus 1.00%, (an effective rate of 4.50% at June 30, 2022) and are secured by certain investments of the Organization. The agreements expire on March 24, 2023. There were no outstanding borrowings at June 30, 2022 and 2021.

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 1.30%. The loan is secured by certain investments of the Organization. There were no outstanding borrowings at June 30, 2022 and 2021.

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, 2022 and 2021.

NOTE 6 - CONTRACT LIABILITIES

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

	2022	2021	2020
Contract Liabilities - Unearned Income:			
Customer deposits	\$ 1,216,437	\$ 1,363,074	\$ 1,061,321
Deferred membership dues	<u>157,627</u>	<u>174,031</u>	<u>249,238</u>
	<u>\$ 1,374,064</u>	<u>\$ 1,537,105</u>	<u>\$ 1,310,559</u>

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Capital improvements	\$ 6,653,137	\$ 5,100,329
Exhibits, research projects and special program	<u>3,953,416</u>	<u>2,823,770</u>
	<u>10,606,553</u>	<u>7,924,099</u>
Subject to the passage of time:		
Irrevocable charitable remainder trust	<u>5,479,649</u>	<u>6,264,345</u>
Subject to spending policy and appropriation:		
Investment in perpetuity (including accumulated amounts above original gift amount of \$19,861,734 in 2022 and 2021, which once appropriated, is expendable to support):		
General operating purposes	10,941,095	12,785,440
Capital improvements	<u>20,852,925</u>	<u>25,829,375</u>
	<u>31,794,020</u>	<u>38,614,815</u>
Not subject to spending policy or appropriation:		
Irrevocable beneficial interest trust	<u>8,216,567</u>	<u>9,690,274</u>
Total net assets with donor restrictions	<u>\$ 56,096,789</u>	<u>\$ 62,493,533</u>

Net assets were released from donor restrictions during fiscal 2022 and 2021 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Capital improvements	\$ 144,311	\$ 3,765,425
Exhibits, research projects and special programs	<u>2,833,519</u>	<u>1,579,120</u>
	<u>\$ 2,977,830</u>	<u>\$ 5,344,545</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 2022 and 2021, employer contributions totaled approximately \$62,000.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - RENTAL INCOME

The Organization has four agreements to lease commercial space. The lease agreement terms range from 5 to 10 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:

2023	\$ 257,236
2024	263,463
2025	217,757
2026	<u>112,510</u>
	<u>\$ 850,966</u>

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,784,834	\$ 7,999,187
Investments	72,321,720	90,462,468
Pledges	1,980,639	2,474,981
Other receivables	<u>139,516</u>	<u>61,303</u>
	85,226,709	100,997,939
Less endowment distributions not appropriated for the following year	(68,647,859)	(86,788,607)
Less other restricted funds	<u>(10,606,553)</u>	<u>(7,924,099)</u>
	<u>\$ 5,972,297</u>	<u>\$ 6,285,233</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 \$40,500,000 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.

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOANS

In March 2021, the Organization obtained a second SBA loan under the PPP in the amount of \$1,109,087. The PPP loan bears interest at 1% and may require repayment under certain circumstances. Under the terms of the Coronavirus Aid, Relief, and Economic Securities Act (the Cares Act”), the Organization may apply for PPP loan proceeds used within a specific time period 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. Initial repayments of the loan amount are deferred until the date the SBA remits the loan forgiveness funds to the lending institution, or until 10 months after the end of the forgiveness coverage period if the Organization does not apply for forgiveness. The Organization is treating the loan as a conditional grant under ASU 2018-08 and recorded the entire PPP loan amount as revenue as the Organization utilized the funds for eligible expenses during 2021. On July 1, 2022, the Organization received notice the loan had been forgiven.