

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

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with GAAP.

*Smith + Howard*

December 3, 2019

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,640,635	\$ 8,502,794
Investments	74,025,971	74,502,198
Pledges receivable, net	3,733,267	5,335,840
Other receivables	111,469	141,961
Merchandise inventory	207,008	262,750
Prepaid expenses	478,851	593,625
Interest rate swap asset	-	5,929
Property and equipment, net	56,620,158	53,110,960
Irrevocable charitable remainder trust, net of present value	5,149,073	5,059,578
Irrevocable beneficial interest trusts	<u>8,363,911</u>	<u>8,182,900</u>
 Total Assets	 <u>\$ 154,330,343</u>	 <u>\$ 155,698,535</u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	\$ 1,458,977	\$ 867,047
Financing agreements	-	457,683
Deferred dues and other revenue	<u>1,136,093</u>	<u>990,129</u>
 Total Liabilities	 <u>2,595,070</u>	 <u>2,314,859</u>
 Net assets		
Without donor restrictions	99,070,847	76,867,168
With donor restrictions	<u>52,664,426</u>	<u>76,516,508</u>
 Total Net Assets	 <u>151,735,273</u>	 <u>153,383,676</u>
	 <u>\$ 154,330,343</u>	 <u>\$ 155,698,535</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 Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 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	11,527,823	-	11,527,823
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 ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2018**

	<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	\$ 1,902,481	\$ 4,463,371	\$ 6,365,852
Grants	286,141	3,565,272	3,851,413
Admissions	1,100,559	-	1,100,559
Membership dues	344,671	-	344,671
Program service fees	277,329	-	277,329
Merchandise sales	1,439,378	-	1,439,378
Less cost of goods sold	<u>(421,611)</u>	<u>-</u>	<u>(421,611)</u>
Net merchandise sales	1,017,767	-	1,017,767
Rental income	1,273,429	-	1,273,429
Net investment return	3,137,120	2,338,824	5,475,944
Other income	414,400	-	414,400
Change in irrevocable charitable remainder trust	-	(2,300)	(2,300)
Changes in irrevocable beneficial interest trusts	-	124,138	124,138
Net assets released from restrictions	<u>2,659,257</u>	<u>(2,659,257)</u>	<u>-</u>
Total revenue, gains and other support	<u>12,413,154</u>	<u>7,830,048</u>	<u>20,243,202</u>
Expenses:			
Program services:			
Collections	5,835,936	-	5,835,936
Exhibition	631,501	-	631,501
Programs	1,273,885	-	1,273,885
Education	474,930	-	474,930
Visitor services	794,024	-	794,024
Auxiliary	<u>880,800</u>	<u>-</u>	<u>880,800</u>
Total program services	9,891,076	-	9,891,076
Support services:			
Management and general	1,647,675	-	1,647,675
Fundraising	585,336	-	585,336
Marketing	<u>650,308</u>	<u>-</u>	<u>650,308</u>
Total support services	<u>2,883,319</u>	<u>-</u>	<u>2,883,319</u>
Total expenses	12,774,395	-	12,774,395
Change in net assets	(361,241)	7,830,048	7,468,807
Net assets:			
Beginning of year	<u>77,228,409</u>	<u>68,686,460</u>	<u>145,914,869</u>
End of year	<u>\$ 76,867,168</u>	<u>\$ 76,516,508</u>	<u>\$ 153,383,676</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	<u>2,458,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,458,098</u>	<u>100,955</u>	<u>-</u>	<u>-</u>	<u>2,559,053</u>
	<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 FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	Program Services							Management and General	Fundraising	Marketing	Total
	Collections	Exhibitions	Programs	Education	Visitor Services	Auxiliary	Total				
Personnel	\$ 1,537,788	\$ 130,943	\$ 414,775	\$ 427,967	\$ 324,318	\$ 731,815	\$ 3,567,606	\$ 992,813	\$ 424,464	\$ 401,583	\$ 5,386,466
Occupancy	1,945,955	3,027	11,864	9,892	386,614	66,539	2,423,891	51,974	10,093	10,981	2,496,939
Exhibitions and collections	77,914	377,765	9,223	-	-	-	464,902	-	355	-	465,257
Advertising	50,000	41,048	35,495	-	-	2,476	129,019	-	-	96,742	225,761
Professional services	42,865	50,341	79,628	-	-	13,744	186,578	248,433	-	44,183	479,194
Travel	8,760	1,721	113	3,559	499	3,381	18,033	5	330	228	18,596
Information technology	87,696	7,788	40,750	20,148	39,100	38,477	233,959	65,043	41,416	24,963	365,381
Other program expenses	27,056	5,633	584,084	10,774	2,634	1,342	631,523	1,804	97,233	79	730,639
Office expenses	120,418	13,235	72,014	2,441	38,708	22,179	268,995	190,283	10,124	67,270	536,672
Subscriptions and dues	25,396	-	96	149	2,151	847	28,639	18,790	1,321	4,279	53,029
Interest	-	-	25,843	-	-	-	25,843	-	-	-	25,843
Depreciation	<u>1,912,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,912,088</u>	<u>78,530</u>	<u>-</u>	<u>-</u>	<u>1,990,618</u>
	<u>\$ 5,835,936</u>	<u>\$ 631,501</u>	<u>\$ 1,273,885</u>	<u>\$ 474,930</u>	<u>\$ 794,024</u>	<u>\$ 880,800</u>	<u>\$ 9,891,076</u>	<u>\$ 1,647,675</u>	<u>\$ 585,336</u>	<u>\$ 650,308</u>	<u>\$ 12,774,395</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,648,403)	\$ 7,468,807
Adjustments to reconcile increase in net assets to net cash provided (required) by operating activities		
Depreciation	2,559,053	1,990,618
Capital campaign contributions	(431,080)	(2,342,487)
Contribution into endowment	-	(3,704,333)
Bad debt credit	(5,998)	(522)
Changes in pledge present value discount	(121,879)	(140,674)
Net realized and unrealized gains on investments	(809,824)	(3,550,453)
Change in irrevocable charitable remainder trust	(89,495)	2,300
Change in irrevocable beneficial interest trusts	(181,011)	(124,138)
Changes in operating assets and liabilities:		
Pledges receivable	30,711	(657,777)
Other receivables	30,492	(52,315)
Merchandise inventory	55,742	(72,942)
Prepaid expenses	114,774	(43,216)
Accounts payable and accrued expenses	597,859	(1,571,910)
Deferred dues and other revenue	145,964	55,259
Net cash provided (required) by operating activities	<u>246,905</u>	<u>(2,743,783)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(6,068,251)	(5,886,989)
Proceeds from sales of investments	4,183,606	3,998,340
Purchases of investments	<u>(2,897,555)</u>	<u>(5,241,930)</u>
Net cash required by investing activities	<u>(4,782,200)</u>	<u>(7,130,579)</u>
Cash flows from financing activities:		
Proceeds from capital campaign contributions	2,130,819	3,165,759
Proceeds from endowment contributions	-	3,751,435
Repayments under financing agreements	<u>(457,683)</u>	<u>(1,291,900)</u>
Net cash provided by financing activities	<u>1,673,136</u>	<u>5,625,294</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
(Continued)		
Change in cash and cash equivalents	(2,862,159)	(4,249,068)
Cash and cash equivalents at beginning of year	<u>8,502,794</u>	<u>12,751,862</u>
Cash and cash equivalents at end of year	<u>\$ 5,640,635</u>	<u>\$ 8,502,794</u>

**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the year for interest	<u>\$ 219,938</u>	<u>\$ 145,322</u>
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**Non-Cash Investing Activity:**

At June 30, 2018, accounts payable and accrued expenses included \$195,454 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, 2019 AND 2018**

**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 and a variety of year-round adult and family programs.

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

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

Principles of Consolidation

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

Basis of Accounting

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

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

New Accounting Policy

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a nonprofit’s liquidity and availability of resources, expenses and investment returns, and cash flows. Main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of the underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. The Organization has elected to adopt ASU 2016-14 as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. The Organization opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption.

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.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Endowment Fund

FASB requires the following consolidated financial statement disclosure for the Organization for the years ended June 30, 2019 and 2018.

- 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.

- 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.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

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

- Strategies Employed for Achieving Objectives

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

- Spending Policy

The Organization has a spending policy approved by the Organization's Board of Trustees that is designed to ensure that the real value of both the funds and of the spending stream is maintained over time. To this end, 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.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Endowment Fund (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 43,847,692	\$ 25,860,463	\$ 69,708,155
Collection of cash contributions	16,585	3,734,850	3,751,435
Net investment return	3,351,997	1,782,107	5,134,104
Used in operations	<u>(2,670,911)</u>	<u>(1,420,585)</u>	<u>(4,091,496)</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	<u>\$ 43,469,097</u>	<u>\$ 30,556,874</u>	<u>\$ 74,025,971</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. 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 at June 30, 2019 and is reported in net assets with donor restrictions.



**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Concentration of Credit Risk

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

Investments

Investments are carried at fair value. The investment return of the Organization includes interest and dividends and realized and unrealized gains and losses. Investment income (interest and dividends) and gains and losses on investments carried at fair value are recorded as increases or decreases in 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.

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:

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$13,512,984 and \$13,248,407, as of June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, Level 3 assets consist of irrevocable beneficial interest trusts, an irrevocable charitable remainder trust and an interest rate swap asset. Such amounts were approximately 9% of total assets as of June 30, 2019 and 2018.

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>2019</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  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Fair Value Measurement (Continued)

	<u>Fair Value</u>	<u>Level 1</u>	<u>2018</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Temporary cash	\$ 187,041	\$ 187,041	\$ -	\$ -	\$ -	-
Common stocks - domestic	21,878,254	21,878,254	-	-	-	-
Fixed income mutual fund	14,846,367	14,846,367	-	-	-	-
Mutual fund	6,510,115	6,510,115	-	-	-	-
Alternative investments	<u>31,080,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,080,421</u>
Total investments	<u>74,502,198</u>	<u>43,421,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,080,421</u>
Irrevocable beneficial interest & trusts	8,182,900	-	-	8,182,900	-	-
Irrevocable charitable remainder trust	5,059,578	-	-	5,059,578	-	-
Interest rate swap asset	<u>5,929</u>	<u>-</u>	<u>-</u>	<u>5,929</u>	<u>-</u>	<u>-</u>
	<u>\$ 87,750,605</u>	<u>\$ 43,421,777</u>	<u>\$ -</u>	<u>\$ 13,248,407</u>	<u>\$ 31,080,421</u>	<u>-</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.

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, 2019 and 2018. 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**  
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**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, 2019 and 2018:

Balance, June 30, 2017	\$ 13,119,913
Market gains and changes in fair value	<u>128,494</u>
Balance, June 30, 2018	13,248,407
Market gains and changes in fair value	<u>264,577</u>
Balance, June 30, 2019	<u>\$ 13,512,984</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.

<u>Category</u>	<u>Fair Value at June 30, 2019</u>	<u>Fair Value at June 30, 2018</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Commingled funds (a)	\$ 3,166,779	\$ 3,154,336	Any time after first year	30 days
Emerging markets (b)	3,052,658	2,920,992	Monthly	None
International equities (c)	15,844,047	16,306,366	Monthly	None
Private equity funds (d)	<u>9,036,593</u>	<u>8,698,727</u>	Quarterly	45 days
	<u>\$ 31,100,077</u>	<u>\$ 31,080,421</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**  
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**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**  
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**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, 2019 and 2018.

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 2019 and 2018, approximately \$395,000 and \$41,000, respectively, was charged to the Organization for the purchase of historical collections, and is included in library, archival, museum, and horticultural collections on the accompanying consolidated statement of activities and changes in net assets.

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

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recognition of Revenue

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

The Organization recognizes contributions and grants as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, the respective donor restricted net assets are reclassified to net assets without donor restrictions and presented in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Except for contributions of historical buildings or collections, the Organization recognizes contributions of property and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

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

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recognition of Revenue (Continued)

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

Split Interest Agreements

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

The Organization is also the beneficiary of an irrevocable charitable remainder trust. The agreement has been established by a donor whereby the Organization will receive the fair value of trust assets upon the termination of the trusts. Trust assets are maintained by third-party trustees. At June 30, 2019 and 2018, the trust is recorded at the present value of the estimated future benefit to be received, which totaled \$5,149,073 and \$5,059,578, 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**  
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**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 \$42,000 and \$129,000 for the years ended June 30, 2019 and 2018, 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 \$198,000 and \$226,000 for the years ended June 30, 2019 and 2018, respectively.

Concentrations

During 2019 and 2018, 20% and 36% of the Organization's net contributions and grants was received from one donor. At June 30, 2019 and 2018, 73% and 63%, 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 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**  
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**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, 2016.

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.

Reclassification

Certain items in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - INVESTMENTS**

The components of investment income for 2019 and 2018 were as follows:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Investment income, including income from beneficial interest trusts	\$ 1,878,117	\$ 1,925,491
Net realized and unrealized gains on investments	<u>809,824</u>	<u>3,550,453</u>
	<u><u>\$ 2,687,941</u></u>	<u><u>\$ 5,475,944</u></u>

The investment income for fiscal years 2019 and 2018 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><b>2019</b></u>	<u><b>2018</b></u>
Capital improvements	\$ 2,676,170	\$ 4,887,500
Other	<u>1,275,474</u>	<u>788,596</u>
	3,951,644	5,676,096
Less discount for present value	<u>(218,377)</u>	<u>(340,256)</u>
	<u><u>\$ 3,733,267</u></u>	<u><u>\$ 5,335,840</u></u>

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

2020	\$ 1,871,363
2021	575,000
2022	525,000
2023	500,000
2024	<u>480,281</u>
	<u><u>\$ 3,951,644</u></u>

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 - PLEDGES RECEIVABLE (Continued)**

At June 30, 2019 and 2018, the allowance for uncollectible pledges was not significant.

At June 30, 2019 and 2018, pledges receivable were discounted to their present values using an interest rate of 3%.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<b>Life</b>		
	<b>(in Years)</b>	<b>2019</b>	<b>2018</b>
Land		\$ 3,630,565	\$ 3,630,565
Buildings and improvements	15 – 40	57,754,961	43,915,138
Grounds improvements	15	3,614,220	2,052,553
Furnishings and fixtures	10	378,292	378,292
Office furniture and equipment	7	189,769	189,777
Computers and equipment	5 – 10	1,186,424	448,205
Other equipment	5 – 10	1,482,047	1,373,792
Vehicles	5	9,987	9,987
Permanent exhibitions	5 – 10	19,690,485	10,276,374
Construction in progress		<u>1,366,618</u>	<u>20,960,436</u>
		89,303,368	83,235,119
Less accumulated depreciation		<u>(32,683,210)</u>	<u>(30,124,159)</u>
		<u><u>\$56,620,158</u></u>	<u><u>\$53,110,960</u></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 3.30% at June 30, 2019) and are secured by certain investments of the Organization. Interest payments are due monthly and the unpaid principal is due at the end of the term of the agreements. The agreements expire in March 2020. There were no outstanding borrowings at June 30, 2019 and 2018.

The Organization had a note payable with an original maturity date of November 30, 2020. The note bore interest at the LIBOR rate plus 1.00%. The note was secured by certain investments of the Organization. The outstanding balance on the note was paid off during the year ending June 30, 2019.

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
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**NOTE 5 - FINANCING AGREEMENTS (Continued)**

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, 2019 and 2018.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following:

	<u>2019</u>	<u>2018</u>
<b>Subject to expenditure for specified purpose:</b>		
Capital improvements	\$ 7,349,914	\$ 31,900,230
Exhibits, research projects and special program	<u>1,244,655</u>	<u>1,635,000</u>
	<u>8,594,569</u>	<u>33,535,230</u>
 <b>Subject to the passage of time:</b>		
Irrevocable charitable remainder trust	<u>5,149,073</u>	<u>5,059,578</u>
 <b>Subject to spending policy and appropriation:</b>		
Investment in perpetuity (including accumulated amounts above original gift amount of \$17,861,734 in 2019 and 2018), which, once appropriated, is expendable to support:		
General operating purposes	11,852,916	11,837,048
Capital improvements	<u>18,703,958</u>	<u>17,901,752</u>
	<u>30,556,874</u>	<u>29,738,800</u>
 <b>Not subject to spending policy or appropriation:</b>		
Irrevocable beneficial interest trust	<u>8,363,910</u>	<u>8,182,900</u>
 Total net assets with donor restrictions	<u>\$ 52,664,426</u>	<u>\$ 76,516,508</u>

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
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**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets were released from donor restrictions during fiscal 2019 and 2018 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Capital improvements	\$ 24,711,726	\$ 97,489
Exhibits, research projects and special programs	<u>2,853,009</u>	<u>2,561,768</u>
	<u>\$ 27,564,735</u>	<u>\$ 2,659,257</u>

**NOTE 7 - 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 2019 and 2018, employer contributions totaled approximately \$84,000 and \$85,000, respectively.

**NOTE 8 - 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:

2020	\$ 204,481
2021	174,780
2022	162,321
2023	165,511
2024	168,796
Thereafter	<u>940,614</u>
	<u>\$ 1,816,503</u>

**ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 - 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:

Cash and cash equivalents	\$ 5,640,635
Investments	74,025,971
Pledges	3,733,267
Other receivables	<u>111,469</u>
	83,511,342
Less endowment distributions not appropriated for the following year	(70,431,921)
Less other restricted funds	<u>(8,594,569)</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 \$43,700,000 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.