

**FAIRFIELD HISTORICAL SOCIETY, INC.**  
**(Fairfield Museum and History Center)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**



**Fairfield Museum**  
AND HISTORY CENTER

**Fairfield Historical Society, Inc.**  
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Rolleri & Sheppard CPAS, LLP  
John M. Rolleri, CPA, CFE  
Ryan C. Sheppard, CPA, CFF

## **REPORT OF INDEPENDENT AUDITOR**

To the Board of Directors of the  
Fairfield Historical Society, Inc.

### **Opinion**

We have audited the accompanying financial statements of Fairfield Historical Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield Historical Society, Inc. as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield Historical Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Fairfield Historical Society, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield Historical Society, Inc.'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.

## **Report on Summarized Comparative Information**

We have previously audited Fairfield Historical Society, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Rolleri & Sheppard CPAS, LLP***

Rolleri & Sheppard CPAS, LLP  
Fairfield, Connecticut  
September 21, 2022

**Fairfield Historical Society, Inc.**  
**Statement of Financial Position**  
**June 30, 2022**  
**(With comparative totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	June 30, 2022	June 30, 2021
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and equivalents	\$ 571,784	\$ -	\$ 571,784	\$ 477,280
Investment income receivable	1,582	-	1,582	1,582
Promises to give, net	37,500	133,062	170,562	157,723
Prepaid and other current assets	30,212	-	30,212	10,514
Museum store inventory	18,745	-	18,745	19,464
Total current assets	659,823	133,062	792,885	666,563
<b>Noncurrent assets:</b>				
Cash and equivalents	-	-	-	215,534
Promises to give, net	959,625	-	959,625	998,637
Long-term investments	4,847,053	2,223,897	7,070,950	8,779,372
Beneficial interest in a perpetual trust	-	868,429	868,429	1,079,161
Collections (Note 2)	-	-	-	-
Land, buildings and equipment, net	2,788,307	-	2,788,307	2,903,823
Total noncurrent assets	8,594,985	3,092,326	11,687,311	13,976,527
Total assets	<u>\$ 9,254,808</u>	<u>\$ 3,225,388</u>	<u>\$ 12,480,196</u>	<u>\$ 14,643,090</u>
<b>LIABILITIES AND NET ASSETS:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 5,299	\$ -	\$ 5,299	\$ 10,580
Other accrued liabilities	180,245	-	180,245	255,050
Short-term note payable	-	-	-	136,745
Interfund (receivable) payable	168,198	(168,198)	-	-
Total current liabilities	353,742	(168,198)	185,544	402,375
<b>Net assets:</b>				
Without donor restrictions				
Undesignated	1,265,706	-	1,265,706	958,235
Designated by the board for endowment	4,847,053	-	4,847,053	6,209,850
Invested in property and equipment	2,788,307	-	2,788,307	2,903,823
With donor restrictions				
Perpetual in nature	-	1,541,263	1,541,263	1,776,880
Purpose restrictions	-	1,852,323	1,852,323	2,391,927
Total net assets	8,901,066	3,393,586	12,294,652	14,240,715
Total liabilities and net assets	<u>\$ 9,254,808</u>	<u>\$ 3,225,388</u>	<u>\$ 12,480,196</u>	<u>\$ 14,643,090</u>

See report of independent auditor and accompanying notes to the financial statements.

**Fairfield Historical Society, Inc.**  
**Statement of Activities**  
**For the year ended June 30, 2022**  
**(With comparative totals for 2021)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total June 30, 2022</u>	<u>Total June 30, 2021</u>
<b>Revenues, gains and other support from operations:</b>				
Town appropriation	\$ 60,000	\$ -	\$ 60,000	\$ 50,000
Contributions and grants	287,209	237,441	524,650	555,876
Membership dues	34,285	-	34,285	26,735
Interest and dividends	65,570	49,305	114,875	97,225
Realized and unrealized gains (losses) from investment activities	(1,110,620)	(447,269)	(1,557,889)	2,050,454
Distributions from and change in value of beneficial interests in assets held by others	-	(210,732)	(210,732)	189,371
Museum program and operations	94,892	-	94,892	59,525
Museum store sales	22,580	-	22,580	17,231
Special events	41,340	-	41,340	20,934
Donated equipment and services	8,929	-	8,929	6,141
Donated rent	48,000	-	48,000	44,000
Rent	151,067	-	151,067	70,780
Other income	136,580	-	136,580	112,528
Total revenues, gains and other support from operations	<u>(160,168)</u>	<u>(371,255)</u>	<u>(531,423)</u>	<u>3,300,800</u>
<b>Net assets released from restriction:</b>				
Satisfaction of primary program restrictions	288,481	(288,481)	-	-
Investment earnings released under trust agreement	66,180	(66,180)	-	-
Investment earnings released	49,305	(49,305)	-	-
Total	<u>243,798</u>	<u>(775,221)</u>	<u>(531,423)</u>	<u>3,300,800</u>
<b>Expenses and losses:</b>				
Museum services	954,435	-	954,435	763,402
Management and general	249,597	-	249,597	177,938
Fundraising	210,608	-	210,608	181,361
Total expenses and losses	<u>1,414,640</u>	<u>-</u>	<u>1,414,640</u>	<u>1,122,701</u>
Change in net assets from operations	<u>(1,170,842)</u>	<u>(775,221)</u>	<u>(1,946,063)</u>	<u>2,178,099</u>
Net assets at beginning of year	10,071,908	4,168,807	14,240,715	12,062,616
Net assets at end of year	<u>\$ 8,901,066</u>	<u>\$ 3,393,586</u>	<u>\$ 12,294,652</u>	<u>\$ 14,240,715</u>

See report of independent auditor and accompanying notes to the financial statements.

**Fairfield Historical Society, Inc.**  
**Statements of Cash Flows**  
**For the years ended June 30, 2022 and June 30, 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,946,063)	\$ 2,178,099
Adjustments to reconcile net assets to cash provided (used) by operating activities:		
Depreciation	115,517	115,115
Loan forgiveness from PPP loan program	(136,745)	(111,600)
(Increase) decrease in promises to give	26,173	(33,577)
(Increase) decrease in prepaid assets	(19,698)	1,705
Decrease in museum store inventory	719	4,025
Increase (decrease) in accounts payable	(5,281)	414
Increase (decrease) in other accrued liabilities	(74,805)	63,048
Realized and unrealized (gains) losses on long term investments	1,783,206	(2,226,969)
Total adjustments	<u>1,689,086</u>	<u>(2,187,839)</u>
Net cash used by operating activities	<u>(256,977)</u>	<u>(9,740)</u>
<b>Cash flows from investing activities:</b>		
Purchase of land, building and equipment	-	(11,727)
Proceeds from sale of equipment	-	5,402
Proceeds from sales and maturities from investments	543,601	8,304,579
Purchase of investments	(282,432)	(8,304,581)
Board designated transfer to investments	(44,000)	(22,532)
Investment income designated for restricted funds	(49,305)	(54,587)
Endowment transfer to operating account	87,791	150,935
Investment activity not impacting cash	95,827	(65,434)
Net cash provided by investing activities	<u>351,481</u>	<u>2,055</u>
<b>Cash flows from financing activities:</b>		
Proceeds from note payable	-	136,745
Net cash provided by financing activities	<u>-</u>	<u>136,745</u>
Net increase in cash and cash equivalents	94,504	129,060
Cash, cash equivalents and restricted cash - July 1	<u>477,280</u>	<u>348,220</u>
Cash, cash equivalents and restricted cash - June 30	<u>\$ 571,784</u>	<u>\$ 477,280</u>
<b>Supplemental disclosures of cash flow information:</b>		
Donated equipment and services	<u>\$ 8,929</u>	<u>\$ 6,141</u>
Donated rent	<u>\$ 48,000</u>	<u>\$ 44,000</u>

See report of independent auditor and accompanying notes to the financial statements.

Fairfield Historical Society, Inc.  
Statement of Functional Expenses  
For the year ended June 30, 2022  
(With comparative totals for 2021)

	Museum Services	Management and General	Fund Raising	June 30, 2022	June 30, 2021
Advertising	\$ 12,288	\$ -	\$ -	\$ 12,288	\$ 5,545
Education and programs	47,257	-	-	47,257	26,692
Equipment lease	1,495	423	267	2,185	1,716
Facilities maintenance and repair	15,658	4,430	2,797	22,885	25,465
Insurance	28,193	7,977	5,035	41,205	37,734
Membership and development	-	-	14,639	14,639	5,485
Miscellaneous	19,975	5,655	3,568	29,198	18,892
Museum store cost of goods sold	12,865	-	-	12,865	8,269
Office supplies and postage	15,099	4,314	2,156	21,569	10,115
Professional fees	32,123	9,089	5,738	46,950	55,136
Rent	32,842	9,292	5,866	48,000	44,000
Salary and employee benefits	606,689	171,649	108,376	886,714	690,852
Special events	-	-	38,952	38,952	6,682
Town owned property management	23,400	6,620	4,180	34,200	34,200
Utilities	27,516	7,785	4,915	40,216	36,803
Total expenses before depreciation	875,400	227,234	196,489	1,299,123	1,007,586
Depreciation	79,035	22,363	14,119	115,517	115,115
Total expenses	\$ 954,435	\$ 249,597	\$ 210,608	\$ 1,414,640	\$ 1,122,701

See report of independent auditor and accompanying notes to the financial statements.



**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(See Report of Independent Auditor)**

**NOTE 1 - ORGANIZATION**

The Fairfield Historical Society, Inc. (dba Fairfield Museum and History Center), (the "Society") is located in the Town of Fairfield, Connecticut, and is incorporated under the laws of the State of Connecticut as a non-profit, non-stock corporation qualified under Section 501(c)(3) of the Internal Revenue Code. The mission of the Society is primarily educational in nature. Chartered in 1903, the Society's mission is to collect, preserve, interpret and display items and information of historic significance pertaining to the Town of Fairfield and surrounding regions; provide dissemination and availability of its collections to the public; encourage their use for research and education; and present special educational programs and exhibits. The Society operates the Fairfield Museum and History Center which includes a museum, special collection library, and educational facilities. The Society also owns and operates Ogden House, an 18<sup>th</sup> century historic residence, and additionally furthers its mission through an agreement with the Town of Fairfield to manage and restore various historic structures owned by the Town.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Prior Year Summarized Financial Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Contributions**

The Society reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(See Report of Independent Auditor)**

The Society reports gifts as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In June 2018, the Financial Accounting Standards Board (the "FASB") issued FASB Accounting Standards Update ("ASU") 2018-08: *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification ("ASC") Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The overall impact to the financial statements was not material.

In May 2014, the FASB issued FASB ASU 2014-09: *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue. This guidance includes the required steps to achieve the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Society adopted this guidance as of July 1, 2020. The overall impact of the adoption of FASB ASU 2014-09 to the financial statements was not material.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions include depreciable lives of long-lived assets, allocation of functional expenses and discount factors used to record long term contributions to name a few. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Accounts are guaranteed by the FDIC up to \$250,000 per financial institution. As of June 30, 2022 the Society had \$6,705 in uninsured balances. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant risk in maintaining accounts with the financial institutions.

**Promises to Give and Allowance for Doubtful Accounts**

Promises to give are stated net of an allowance for doubtful accounts and valuation discount. The Society estimates the allowance based on its historical experience of the relationship between actual bad debts and receivables.

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(See Report of Independent Auditor)**

**Fair Value of Financial Instruments**

The carrying value of cash, receivables, and accounts payable approximate their fair value due to the short maturity of these instruments.

Investments consists of common stock, fixed income securities, real estate, and commodities mutual funds that are stated at fair value. Fair value is determined using quoted market prices, and gains or losses from changes in fair value are recognized in the statement of activities and changes in net assets in the period of change.

Contributed securities are recorded at their fair market value at date of receipt. It is the policy of the Organization to sell donated securities upon their receipt.

**Beneficial Interests in Perpetual Trusts**

The Society has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to us; however, we will never receive the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

**Museum Store Inventory**

Museum store inventory represents items held for resale. These items are primarily books and other items related to the mission of the Society. The inventory is stated at the lower of cost or market, using the average cost method. Reserves for slow moving and obsolete items have been established.

**Land, Buildings, Equipment and Accumulated Depreciation**

Land, buildings and equipment, are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by the Society. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets of three to forty years.

**Collections**

The Society's collections, which were acquired through purchases and contributions since the Society's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items were acquired. Contributed collection items are not reflected on the financial statements.

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(See Report of Independent Auditor)**

Collections held at the Fairfield Museum and History Center include a 14,000-volume special collection library, extensive photographic holdings and approximately 20,000 artifacts that document regional life, culture, and fine arts. The Society's Board of Directors adheres to the American Association of Museum's *Code of Ethics for Museum* and recognizes that assets derived from the sale of de-accessioned collections items are restricted to the acquisition or direct care of collections.

**Tax Exempt Status**

The Society is a nonprofit entity exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Periods ending June 30, 2020 and subsequent remain subject to examination by applicable taxing authorities.

**Functional Expenses**

Functional expenses have been allocated between program services and supporting services based upon analysis of personnel time, square footage utilized by each of the respective functions as well as direct expenses that are directly associated with the function.

**Advertising**

It is the policy of the Society to expense advertising as incurred.

**Description of Programs**

The Society offers a wide array of educational programs to its members and non-members including school programs, adult enrichment and special educational events and activities for families.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

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

Cash and cash equivalents	\$ 571,784
Promises to give, net	37,500
Investments and investment cash	4,847,053
	<u>\$ 5,456,337</u>

The endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$4,847,053 is subject to an annual spending rate of 4 percent as described in Note 5. Although management do not intend to spend from this board-designated endowment

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
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(other than the annual income draw described in Note 5 which is appropriated for general expenditures approved by the Board as part of the annual operating budget), those amounts could be made available if necessary.

As part of management's liquidity management plan, they invest cash in excess of daily requirements in short-term investments and money market funds.

**NOTE 4 – PROMISES TO GIVE**

As of June 30, 2022, contributors to the Society have unconditionally promised to give \$1,000,000. Long-term promises have been discounted at 1%, which the Society assumes to be its risk-free rate of return rate.

The promised contributions are due as follows:

Within one year	\$ 170,562
One to five years	1,000,000
More than five years	<u>-</u>
Sub-total	1,170,562
Less: present value component	(30,000)
Less: allowance for doubtful accounts	<u>(10,375)</u>
Promises to give, net	<u><u>\$ 1,130,187</u></u>

There is one promise to give at June 30, 2022 that represents 85% of the total.

**NOTE 5 - INVESTMENTS**

The Society's endowment consists of six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported on existence or absence of donor-imposed restrictions.

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Acts (SPMIFA) as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Society classifies permanently restricted net assets as the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is not classified in permanently restricted net assets but is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination or accumulates donor-restricted endowment funds:

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(See Report of Independent Auditor)**

- a) The duration and preservation of the fund
- b) The purposes of the Society and the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and the appreciation of investments
- f) Other resources of the Society
- g) The investment policies of the Society

The following represents endowment net assets, excluding the perpetual trust assets, composition by type of fund as of June 30, 2022:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Board-designated funds	\$ 4,847,053	\$ -	\$ 4,847,053
Donor Restricted			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	672,834	672,834
Accumulated investment gains	-	1,551,063	1,551,063
Total Funds	<u>\$ 4,847,053</u>	<u>\$ 2,223,897</u>	<u>\$ 7,070,950</u>

**Fairfield Historical Society, Inc.**  
**Notes to Financial Statements**  
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Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,209,849	\$ 2,785,326	\$ 8,995,175
Investment return:			
Investment income	106,329	49,305	155,634
Investment Fees	(20,506)	(9,494)	(30,000)
Net appreciation (Realized and unrealized)	<u>(1,110,708)</u>	<u>(513,450)</u>	<u>(1,624,158)</u>
Total investment return	(1,024,885)	(473,639)	(1,498,524)
Appropriation of endowment assets for expenditure	(381,911)	(87,790)	(469,701)
Other changes:			
Board designated transfer to endowment	44,000	-	44,000
Endowment net assets, end of year	<u>\$ 4,847,053</u>	<u>\$ 2,223,897</u>	<u>\$ 7,070,950</u>

Endowment net assets are classified as follows:

With donor restrictions:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 672,834</u>
The portion of perpetual endowment funds with purpose restriction	<u>\$ 1,551,063</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2022 there were no deficiencies of this nature.

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**Investment Detail**

The Society carries its investments at fair value using valuations from publicly quoted sources for investment securities or level 1 observable inputs as defined under FASB ASC Topic 820.

**Return Objectives and Risk Parameters**

The Society's finance committee oversees an investment program for the Endowment which seeks to achieve the spending policy goals while maintaining acceptable risk levels. The investment approach will emphasize maintaining a well-diversified investment program through the long-term allocation of Endowment assets among asset classes. The Committee will select and delegate investment discretion to professional investment managers to implement the asset allocation.

The Endowment's primary objective is to preserve the real (inflation-adjusted) purchasing power of the Endowment while providing a relatively predictable, constant and stable stream of earnings for spending. The Endowment seeks to earn an average annual total return, net of investment management fees, equal to inflation plus 5%. Inflation will be measured by the Consumer Price Index (CPI).

The Endowment's investment objective and spending policy are based on total return, which is the sum of interest, dividends and capital appreciation. Therefore, capital appreciation may be realized to meet spending requirements if current income falls short of the amount determined by the Museum's spending policy. However, asset allocation decisions should consider the need for current income.

**Strategies Employed for Achieving Objectives**

The Board of Directors employs a finance committee who works with the Society to develop and implement an investment policy that encompasses and accommodates both current operating and long-term financial requirements. The committee will identify and select investment managers to implement the strategic asset

allocation. The investment managers will act as fiduciaries and operate with discretion within parameters established by the Society's investment policies. This discretion includes implementing a diversified investment approach incorporating various investments styles and strategies involving public equity and fixed income asset classes.

The investments in each of the asset classes will be of different varieties, including individual publicly traded securities, open-end mutual funds, closed-end mutual funds, and exchange-traded funds. Managers may also utilize private funds but only with the consent of the Committee before investment.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Society's primary investment goal is the generation of maximum long-term total return net of fees on its assets within levels of risk determined to be prudent by the Finance Committee. In order to preserve the real purchasing power of the endowment, the annual spending rate is calculated to be equal to or less than the long-term real rate of return from the Endowment. The spending rate is approved annually by the Society's Board and is calculated at 4% of the rolling average of the last three years of the Endowment's value at June



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30. While short-term obligations may temporarily alter this approach, the long-term objective is to limit spending to 4%

**NOTE 6 – FAIR VALUE MEASUREMENT**

The Society follows guidance as set forth in the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements. That framework provides 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 (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Fair value measurement – the Society determines fair value based on assumptions that market participants would use pricing an asset or liability in the principal or most advantageous market. The Company follows the fair value hierarchy when distinguishing assumptions in fair value measurement as outlined in the FASB “Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures”.

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly and include;
  - Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Market prices for similar instruments.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significantly to the fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are impacted by factors such as investment type, whether the investment is new and not established in a marketplace, the liquidity of markets, and other transaction characteristics. To the

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extent the valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgment. Because of the inherent uncertainty of valuation, estimated values may be materially higher or lower than the values that would have been used had a ready market for the investment existed. Therefore, the degree of judgment used by the Company in determining fair value is greatest for investments categorized in level 3. Inputs used to measure fair value might be categorized within different levels of fair value hierarchy and are categorized based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Society are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Society are deemed to be actively traded.

Fixed income – fixed income investments consist of domestic debt instruments and include both government and corporate holdings.

Promises to Give – promises to give are values based on discounted cash flows reduced by an allowance of collectability.

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There have been no changes in methodologies used at June 30, 2022. The following tables sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2022:

Description	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments:				
Fixed income:				
Mutual funds	\$ 2,538,610	\$ 2,538,610	\$ -	\$ -
Total fixed income	2,538,610	2,538,610	-	-
Equity securities:				
Communications	11,159	11,159	-	-
Consumer Discretionary	18,325	18,325	-	-
Consumer Staples	12,385	12,385	-	-
Energy	11,695	11,695	-	-
Financial	32,129	32,129	-	-
Healthcare	33,516	33,516	-	-
Industrials	21,333	21,333	-	-
Information Technology	47,068	47,068	-	-
Materials	7,636	7,636	-	-
Mutual Funds	5,139,624	5,139,624	-	-
Real Estate	3,255	3,255	-	-
Utilities	4,493	4,493	-	-
Total equity securities	5,342,618	5,342,618	-	-
Money funds	46,895	46,895	-	-
Real estate	11,256	11,256	-	-
Promises to give	1,130,187	-	-	1,130,187
Total assets at fair value	<u>\$ 9,069,566</u>	<u>\$ 7,939,379</u>	<u>\$ -</u>	<u>\$ 1,130,187</u>

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The following table summarizes the changes in the fair value of the Society's Level 3 assets for the year ended June 30, 2022:

	<u>Promises to Give</u>
Balance - beginning of year	\$ 1,156,360
New promises to give	147,041
Collections	<u>(173,214)</u>
Balance - end of year	<u><u>\$ 1,130,187</u></u>

**NOTE 7 - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consisted of the following at June 30, 2022:

Land	\$ 8,000
Buildings and improvements	4,406,917
Furniture and fixtures	160,611
Office technology	<u>8,127</u>
Total land buildings and equipment	4,583,655
Accumulated depreciation	<u>(1,795,348)</u>
Net land, buildings and equipment	<u><u>\$ 2,788,307</u></u>

Depreciation expense for the year was \$115,517.

**NOTE 8 - 401(K) PLAN**

The Society maintains a 401(k) plan, which covers substantially all full-time employees with one year of continuous service. The Society will match up to 100% of the employee's salary deferral, not to exceed 4% of the employee's salary. The employer contribution to the plan in 2022 was \$17,365.

**NOTE 9 - DONATED RENT, EQUIPMENT AND SERVICES**

The Society has executed a land lease for its building facility with the Town of Fairfield. The lease calls for a \$1 per year payment. The Society has recognized donated rent on this facility in the amount of \$36,000 per annum. Additionally, The Society has recognized \$12,000 in donated rent for the use of a 2,000 square foot storage unit for the year ended June 30, 2022.

There is a significant amount of donated services from unpaid volunteers who assist in special events and museum services. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Topic 958 have not been satisfied. As it is not practicable to estimate the fair value of these volunteer services, management has not done so.

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Donated equipment and services revenue relate to the various pieces of equipment and building construction along with related services. Contributed services that create or enhance non-financial assets and require a specialized skill are reported as contributions at their fair value. The Society reported \$8,929 for the year ended June 30, 2022, broken down as follows:

IT services	\$ 1,768
Exhibitions/collections	2,000
Media	845
Legal and professional	526
Food and beverages	3,790
Donated equipment and services	<u>\$ 8,929</u>

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restrictions are restricted for the following purpose or periods.

Subject to expenditure for specified purpose:

Museum support	\$ 1,614,882
Program related	237,441
	<u>1,852,323</u>

Endowments:

Subject to endowment spending policy and appropriation:

Museum support	228,523
Library	444,311
Total Endowments	<u>672,834</u>

Not subject to spending policy or appropriation:

Beneficial interests in perpetual trust	868,429
Total net assets	<u>\$ 3,393,586</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Museum support	\$ 354,661
Program related	49,305
	<u>\$ 403,966</u>

**NOTE 11 - RISK CONCENTRATION**

The Society receives the majority of its public support from business and individual donors located in communities surrounding Fairfield, Connecticut.

**NOTE 12 – NOTE PAYABLE**

During the fiscal year ended June 30, 2021, the Society applied for and received \$136,745 in Federal funds from the Small Business Administration as part of the Paycheck Protection Program. The Paycheck Protection Program (PPP) comprises of Federal loans to businesses and not-for-profits, designed to mitigate the financial impact of the global pandemic via an influx of cash used for payroll and specified overhead. These loans are designed to be forgiven, provided the expenditure falls within the guidelines set forth by the SBA. The \$136,745 was forgiven in full as of June 30, 2022.

**NOTE 13 – SUBSEQUENT EVENTS**

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Society has evaluated subsequent events to the Statement of Financial Position date of June 30, 2022 through September 21, 2022, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that warrant disclosure.