



**FAIRFIELD HISTORICAL SOCIETY**

**Financial Statements**

**Years Ended June 30, 2023 and 2022**

**FAIRFIELD HISTORICAL SOCIETY**

**CONTENTS**

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Independent Auditor's Report

Financial Statements

Statements of Financial Position..... Exhibit A

Statements of Activities..... Exhibit B

Statements of Cash Flows ..... Exhibit C

Statements of Functional Expenses ..... Exhibit D

Notes to Financial Statements

## Independent Auditor's Report

To the Board of Directors  
Fairfield Historical Society  
Fairfield, Connecticut

### Opinion

We have audited the financial statements of Fairfield Historical Society (the Society) which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Society as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 the Society 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.

### Other Matter

The financial statements of the Society for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on September 21, 2022. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, aside from the correction of a misstatement as discussed in Note 12, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

To the Board of Directors  
Fairfield Historical Society

### **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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 U.S. GAAS, 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 the Society'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 the Society'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.

*Cirone Friedberg, LLP*

Shelton, Connecticut  
September 13, 2023

**FAIRFIELD HISTORICAL SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 454,697	\$ 571,784
Investments	6,860,910	6,399,698
Grants and Contributions Receivable	35,712	170,562
Prepaid Expenses and Other Assets	42,389	48,957
Property and Equipment, Net	2,885,687	2,788,307
Split-Interest Agreement	830,663	959,625
Donor Restricted Investment in Perpetuity	672,834	672,834
Beneficial Interest in a Perpetual Trust	<u>894,244</u>	<u>868,429</u>
<b>Total Assets</b>	<b><u>\$ 12,677,136</u></b>	<b><u>\$ 12,480,196</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities</u>		
Accounts Payable	\$ 27,847	\$ 5,299
Accrued Expenses	109,636	88,770
Deferred Revenue	<u>31,481</u>	<u>91,475</u>
Total Liabilities	<u>168,964</u>	<u>185,544</u>
<u>Net Assets</u>		
Without Donor Restriction		
Board-Designated Endowment	5,190,455	4,848,636
Net Investment in Property and Equipment	2,885,687	2,788,307
Undesignated - Available for Operations	<u>326,219</u>	<u>304,498</u>
Without Donor Restriction	8,402,361	7,941,441
With Donor Restriction	<u>4,105,811</u>	<u>4,353,211</u>
Total Net Assets	<u>12,508,172</u>	<u>12,294,652</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 12,677,136</u></b>	<b><u>\$ 12,480,196</u></b>

See notes to financial statements.

**FAIRFIELD HISTORICAL SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Operating Revenue, Support and Other Changes</b>						
Town Appropriation	\$ 72,000	\$ -	\$ 72,000	\$ 60,000	\$ -	\$ 60,000
Contributions and Grants	551,984	9,801	561,785	326,364	237,441	563,805
Membership Dues	35,650	-	35,650	34,285	-	34,285
Special Event Revenue	67,962	-	67,962	41,340	-	41,340
Special Event Direct Benefit to Donors	(25,946)	-	(25,946)	(37,652)	-	(37,652)
Special Events, Net	42,016	-	42,016	3,688	-	3,688
Museum Programs and Operations	85,182	-	85,182	66,392	-	66,392
Museum Store Sales, Net	16,265	-	16,265	9,700	-	9,700
Contributions of Non-Financial Assets	62,842	-	62,842	56,929	-	56,929
Rental Income	33,740	-	33,740	179,567	-	179,567
Other Income	645	-	645	136,580	-	136,580
Net Assets Released from Restriction	462,977	(462,977)	-	354,661	(354,661)	-
Total Operating Revenue, Support	<u>1,363,301</u>	<u>(453,176)</u>	<u>910,125</u>	<u>1,228,166</u>	<u>(117,220)</u>	<u>1,110,946</u>
<b>Expenses</b>						
Museum Services	1,062,148	-	1,062,148	941,698	-	941,698
Management and General	230,117	-	230,117	249,597	-	249,597
Development and Fundraising	167,459	-	167,459	172,956	-	172,956
Total Functional Expenses	<u>1,459,724</u>	<u>-</u>	<u>1,459,724</u>	<u>1,364,251</u>	<u>-</u>	<u>1,364,251</u>
Change in Net Assets from Operations	(96,423)	(453,176)	(549,599)	(136,085)	(117,220)	(253,305)
<b>Other Changes in Net Assets</b>						
Investment Return, Net	557,343	253,423	810,766	(995,745)	(447,269)	(1,443,014)
Changes in Value of Beneficial Interest in a Perpetual Trust	-	81,315	81,315	-	(210,732)	(210,732)
Changes in Value of Split-Interest Agreement	-	(128,962)	(128,962)	-	(39,012)	(39,012)
Change in Net Assets	460,920	(247,400)	213,520	(1,131,830)	(814,233)	(1,946,063)
Net Assets at Beginning of Year, as Previously Reported	<u>7,941,441</u>	<u>4,353,211</u>	<u>12,294,652</u>	10,071,908	4,168,807	14,240,715
Restatement				(998,637)	998,637	-
Net Assets at Beginning of Year, as Restated				<u>9,073,271</u>	<u>5,167,444</u>	<u>14,240,715</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 8,402,361</u></b>	<b><u>\$ 4,105,811</u></b>	<b><u>\$ 12,508,172</u></b>	<b><u>\$ 7,941,441</u></b>	<b><u>\$ 4,353,211</u></b>	<b><u>\$ 12,294,652</u></b>

See notes to financial statements.

**FAIRFIELD HISTORICAL SOCIETY**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 213,520	\$ (1,946,063)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	115,353	115,516
Forgiveness of Paycheck Protection Program Loan	-	(136,745)
Realized and Unrealized Investment (Gains) Losses	(636,160)	1,744,194
Change in Value of Split-Interest Agreement	128,962	39,012
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	134,850	26,173
Prepaid Expenses and Other Assets	6,568	(18,978)
Accounts Payable	22,548	(5,281)
Accrued Expenses	20,866	(36,530)
Deferred Revenue	(59,994)	(38,275)
Total Adjustments	<u>(267,007)</u>	<u>1,689,086</u>
Net Cash Used by Operating Activities	<u>(53,487)</u>	<u>(256,977)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(212,733)	-
Proceeds from Sales of Investments	512,444	727,218
Purchases of Investments	(363,311)	(375,737)
Net Cash (Used) Provided by Investing Activities	<u>(63,600)</u>	<u>351,481</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(117,087)	94,504
Cash and Cash Equivalents - Beginning of Year	<u>571,784</u>	<u>477,280</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 454,697</u>	<u>\$ 571,784</u>

See notes to financial statements.

FAIRFIELD HISTORICAL SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023

	<u>Museum Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total</u>
Payroll and Related Expenses	\$ 712,288	\$ 168,575	\$ 103,231	\$ 984,094
Depreciation	83,054	19,610	12,689	115,353
Professional Fees	52,164	12,316	7,969	72,449
Education and Programs	57,373	-	-	57,373
Lease Expense	34,561	8,160	5,280	48,001
Insurance	29,373	6,935	4,487	40,795
Utilities	27,292	6,444	4,170	37,906
Office Expense	18,332	4,329	2,801	25,462
Special Events	-	-	24,165	24,165
Other Expense	13,449	3,174	2,056	18,679
Maintenance and Repairs	17,345	574	611	18,530
Publicity Costs	16,277	-	-	16,277
Town Owned Property Management	<u>640</u>	<u>-</u>	<u>-</u>	<u>640</u>
<b>Total Functional Expenses</b>	<u>\$ 1,062,148</u>	<u>\$ 230,117</u>	<u>\$ 167,459</u>	<u>\$ 1,459,724</u>

See notes to financial statements.

FAIRFIELD HISTORICAL SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022

	<u>Museum Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total (Restated)</u>
Payroll and Related Expenses	\$ 601,897	\$ 171,649	\$ 123,015	896,561
Depreciation	79,034	22,363	14,119	115,516
Professional Fees	73,668	9,089	5,738	88,495
Education and Programs	47,257	-	-	47,257
Lease Expense	32,843	9,292	5,866	48,001
Insurance	25,876	7,977	5,035	38,888
Utilities	27,663	7,785	4,915	40,363
Office Expense	22,511	4,314	2,156	28,981
Special Events	-	-	1,300	1,300
Other Expense	11,935	6,078	3,835	21,848
Maintenance and Repairs	7,259	4,430	2,797	14,486
Publicity Costs	11,755	-	-	11,755
Town Owned Property Management	-	6,620	4,180	10,800
<b>Total Functional Expenses</b>	<u>\$ 941,698</u>	<u>\$ 249,597</u>	<u>\$ 172,956</u>	<u>\$ 1,364,251</u>

See notes to financial statements.

## FAIRFIELD HISTORICAL SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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#### NOTE 1 - NATURE OF OPERATIONS

Fairfield Historical Society (the Society), is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut, and as a 501(c)(3) organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (Code). The Society is also exempt from state income tax.

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 education 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 18th 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.

The Society's support comes primarily from donor contributions and grants, programs and operations.

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

##### Basis of Presentation

The financial statements of the Society have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the accounts of the Society are reported in the following net asset categories:

##### Net Assets Without Donor Restriction

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's board of directors.

Investment in property and equipment consists of the net book value of property and equipment.

##### Net Assets With Donor Restriction

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

##### Measure of Operations

The Society's measure of operations includes all changes in net assets except investment return, changes in beneficial interests and changes in split-interest agreements.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements. Realized and unrealized gains and losses on these investments are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses include the Society's gains and losses on investments bought and sold as well as held during the year.

The Society's Investment Committee is responsible for determining the valuation policies and procedures utilizing information provided by investment advisors, asset custodians, fund managers and investment companies.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets represent certain prepaid expenses, gift shop items, and assets held for sale.

Property and Equipment

Property and equipment acquisitions and improvements thereon with a useful life greater than one year are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives of 3 to 40 years. Repairs and maintenance are charged to expense as incurred.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Collections

The Society's collections, which were acquired through purchase and contributions since the Society's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restriction in the year in which the items were acquired. Contributed collection items are not reflected in the financial statements.

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 Museums* and recognizes that assets derived from the sale of de-accessioned collections items are restricted to the acquisition and direct care of collections.

Split-Interest Agreement

The Society is the beneficiary of a charitable remainder trust managed by an unrelated third-party trustee. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recognized in the statements of activities as a contribution with donor restriction in the period the trust is established. On an annual basis the Society revalues the asset based on the appropriate discount rate and applicable mortality tables and the change is reflected in other changes in net assets on the statements of activities.

Beneficial Interest in a Perpetual Trust

The Society is the sole beneficiary of a perpetual trust administered by an unrelated third-party trustee. The Society receives income from this trust in perpetuity with no restrictions on its use but does not have access to the principal. Annual distributions from the trust are determined by the third-party trustee. The assets have been valued at fair value and have been recorded as net assets with donor restriction. The change in the value is reported as increases or decreases in net assets with donor restriction.

Revenue Recognition

The Society recognizes contributions and sponsorships when cash, securities, unconditional promises to give, other assets, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (continued)

Contributions

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires or the restricted purpose is satisfied in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires or the restricted purpose is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the contributions receivable, net of an allowance for uncollectible amounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with the risks involved.

Donated Services and Non-Cash Contributions

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Donated goods and services are recognized as contributions if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Society recognizes in-kind contribution revenue and a corresponding expense in an amount approximating estimated fair market value at the time of the donation. Donated goods or services that do not meet the above criteria are not recognized.

Membership and Programs

The Society enters into contracts to provide membership and program services to patrons. The payment terms and conditions in the contracts require payment to be received when billed. When the timing of the Society's delivery of services is different from the timing of the payments made by customers, the Society recognizes a contract liability (payment precedes performance) until the performance obligations are satisfied. Contracts with payment in arrears are recognized as receivables.

Balances of contract liabilities included deferred revenue were \$27,260, \$29,325 and \$129,750 at June 30, 2023, 2022 and 2021, respectively. There were no balances of contract receivables at June 30, 2023, 2022 and 2021.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (continued)

Performance Obligations

At contract inception, the Society assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer goods or services (or bundle of goods and services) that is distinct. To identify the performance obligations, the Society considers all of the services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The Society determined that the following distinct services represent separate performance obligations:

- Program Services
- Memberships
- Admissions

The Society satisfies its performance obligations at a point in time when performed or in the case of memberships over time. The stated rates do not vary over the contracts; therefore, the contracts do not contain variable consideration. The Society does not require deposits on contracts or offer discounts for early payment. The Society does not provide customers with the right to a refund.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Payroll and related expenses are allocated based on time and effort. Professional fees, lease expense, insurance, utilities, office, and other expenses are allocated to functional areas based on time and effort. Maintenance and repairs are allocated to functional areas based on square footage.

Reclassifications

Certain prior year information has been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated all transactions and events that occurred through September 13, 2023, the date these financial statements were available to be issued, for recognition and/or disclosure in these financial statements. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

## FAIRFIELD HISTORICAL SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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#### NOTE 3 - CONCENTRATIONS OF CREDIT RISK

##### Cash and Cash Equivalents

The Society places its cash deposits with high credit-quality institutions and are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation. Such deposits exceeded federal depository insurance limits at times during the year. However, management believes that the Society's deposits are not subject to significant credit risk.

##### Investments

The Society's investments are comprised of various funds investing in equities, bonds, real assets and money market funds. These investments are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates.

The investment accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times during the year, the investment accounts have exceeded the insured limits. The Society believes it is not exposed to any significant credit risk on investments.

#### NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP establishes a framework for measuring fair value. 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- 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 significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are valued using net asset value per share. The fair value of these investments is not included in the fair value hierarchy.

**FAIRFIELD HISTORICAL SOCIETY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

Equity Funds, Fixed Income Funds, and Real Asset Funds

These funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2023 and 2022:

<u>Description</u>	<u>2023</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Funds	\$5,986,727	\$5,986,727	\$ -	\$ -
Real Asset Funds	9,394	9,394	-	-
Fixed Income Funds	<u>2,393,709</u>	<u>2,393,709</u>	-	-
Total Investments at Fair Value	8,389,830	8,389,830	-	-
Cash Equivalents	<u>38,158</u>	-	-	-
Total Investments	\$8,427,988	8,389,830	-	-
Split-Interest Agreement	<u>830,663</u>	-	-	<u>830,663</u>
Total Assets at Fair Value	<u>\$9,258,651</u>	<u>\$8,389,830</u>	\$ -	<u>\$830,663</u>

<u>Description</u>	<u>2022</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Funds	\$5,342,618	\$5,342,618	\$ -	\$ -
Real Asset Funds	11,256	11,256	-	-
Fixed Income Funds	<u>2,538,610</u>	<u>2,538,610</u>	-	-
Total Investments at Fair Value	7,892,484	7,892,484	-	-
Cash Equivalents	<u>48,477</u>	-	-	-
Total Investments	7,940,961	7,892,484	-	-
Split-Interest Agreement	<u>959,625</u>	-	-	<u>959,625</u>
Total Assets at Fair Value	<u>\$8,900,586</u>	<u>\$7,892,484</u>	\$ -	<u>\$959,625</u>

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The investment strategies of these investments are as follows:

Equity Funds

This investment class seeks to maximize the long-term real growth of assets. It is expected to be the primary driver of long term returns and provide the best hedge against long-term inflation.

Real Asset Funds

Objectives vary widely based on the specific investment opportunity but generally aim for either returns above those expected from public equity investments, increased diversification through return streams uncorrelated with traditional equity and fixed income investments, or both.

Fixed Income Funds

This investment class includes obligations of sovereign nations and corporations, mortgages, municipalities, and other asset-backed securities. With the notable exception of high yield bonds, the primary role of this asset class is to provide for a more stable source of periodic returns and partial protection in the event of an equity market decline, deflation, and/or severe flight to quality. It is expected to serve as a primary source of distributions during periods in which the value of other asset classes have declined.

Split-Interest Agreements

Fair value inputs used for split-interest agreements are based on the estimated present value of the future payments to the Society, which can be considered to be the fair value of the assets held in trust.

The following table presents information about significant unobservable inputs related to the Society's investment in level 3 assets at June 30, 2023 and 2022:

<u>Type</u>	<u>Fair Value</u>		<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>
	<u>2023</u>	<u>2022</u>		
Split-Interest Agreement	\$830,663	\$959,625	Estimated Present Value of Future Payments	Estimated Life Expectancy

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 8,000	\$ 8,000
Buildings and Building Improvements	4,618,528	4,406,917
Furniture and Fixtures	160,611	160,611
Computer Equipment	<u>9,249</u>	<u>8,127</u>
	4,796,388	4,583,655
Less: Accumulated Depreciation	<u>1,910,701</u>	<u>1,795,348</u>
Property and Equipment, Net	<u>\$2,885,687</u>	<u>\$2,788,307</u>

Depreciation expense was \$115,353 and \$115,516 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Society's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 454,697	\$ 571,784
Investments	6,860,910	6,399,698
Grants and Contributions Receivable	<u>35,712</u>	<u>170,562</u>
Total Financial Assets Available Within One Year	7,351,319	7,142,044
Less Amounts Unavailable for General Expenditures Within One Year, Due to:		
Amounts Unavailable Without Board Approval:		
Accumulated Earnings on Assets Held in Perpetuity	(1,670,455)	(1,551,062)
Board-Designated Endowment	<u>(5,190,455)</u>	<u>(4,848,636)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 490,409</u>	<u>\$ 742,346</u>

Liquidity Management

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Society's governing board has designated a portion of its unrestricted resources for endowment purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board of directors. Although the Society does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget appropriation, amounts from its board-designated endowment could be made available if necessary.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 7 - NET ASSETS**

The following is the composition of the Society's net assets with donor restriction at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Perpetually Restricted:		
Beneficial Interest in a Perpetual Trust	\$ 894,244	\$ 868,429
General Endowment	672,834	672,834
Accumulated Gains Subject to Endowment Spending Policy and Appropriation:		
General Purposes	1,598,275	1,507,151
Library Services	72,180	43,911
Other Net Assets with Donor Restriction:		
Restricted by Time	830,663	959,625
Restricted for Purpose	<u>37,615</u>	<u>301,261</u>
Total Net Assets With Donor Restriction	<u>\$4,105,811</u>	<u>\$4,353,211</u>

The following is the composition of the Society's net assets without donor restriction at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 326,219	\$ 304,498
Board-Designated Endowment	5,190,455	4,848,636
Invested in Property and Equipment	<u>2,885,687</u>	<u>2,788,307</u>
Total Net Assets Without Donor Restriction	<u>\$8,402,361</u>	<u>\$7,941,441</u>

Net assets with donor restriction were released from restriction by incurring expenses satisfying the following purpose or time restrictions:

	<u>2023</u>	<u>2022</u>
Appropriation of Endowment Assets for Expenditure	\$134,030	\$ 87,790
Other Net Assets with Donor Restriction:		
Releases from a Perpetual Trust	55,500	66,180
Use Restricted - Programs	<u>273,447</u>	<u>288,481</u>
Total Net Assets Released from Restriction	<u>\$462,977</u>	<u>\$354,661</u>

**FAIRFIELD HISTORICAL SOCIETY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

---

**NOTE 8 - ENDOWMENT**

The Society's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Society has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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 Society classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 8 - ENDOWMENT (CONTINUED)**

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-Designated Endowment Funds	\$5,190,455	\$ -	\$ 5,190,455
Donor-Restricted Endowment Funds:			
Beneficial Interest in a Perpetual Trust	-	894,244	894,244
Original Donor-Restricted Gift Amount			
Required to be Maintained in			
Perpetuity by Donor	-	672,834	672,834
Accumulated Investment Gains	-	<u>1,670,455</u>	<u>1,670,455</u>
Total	<u>\$5,190,455</u>	<u>\$3,237,533</u>	<u>\$8,427,988</u>

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-Designated Endowment Funds	\$4,848,636	\$ -	\$ 4,848,636
Donor-Restricted Endowment Funds:			
Beneficial Interest in a Perpetual Trust	-	868,429	868,429
Original Donor-Restricted Gift Amount			
Required to be Maintained in			
Perpetuity by Donor	-	672,834	672,834
Accumulated Investment Gains	-	<u>1,551,062</u>	<u>1,551,062</u>
Total	<u>\$4,848,636</u>	<u>\$3,092,325</u>	<u>\$7,940,961</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 CTPMIFA requires the Society to retain as a fund of perpetual duration. The Society has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of June 30, 2023 and 2022, there were no funds with deficiencies.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 8 - ENDOWMENT (CONTINUED)**

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets - July 1, 2022	\$4,848,636	\$3,092,325	\$7,940,961
Investment Return	554,742	334,738	897,700
Appropriation of Endowment Assets for Expenditure	<u>(212,923)</u>	<u>(189,530)</u>	<u>(410,673)</u>
Endowment Net Assets - June 30, 2023	<u>\$5,190,455</u>	<u>\$3,237,533</u>	<u>\$8,427,988</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets - July 1, 2021	\$6,209,849	\$3,864,486	\$10,074,335
Board Designated Transfer to Endowment	44,000	-	44,000
Investment Return	(1,023,232)	(618,191)	(1,641,493)
Appropriation of Endowment Assets for Expenditure	<u>(381,911)</u>	<u>(153,970)</u>	<u>(535,881)</u>
Endowment Net Assets - June 30, 2022	<u>\$4,848,636</u>	<u>\$3,092,325</u>	<u>\$7,940,961</u>

Return Objectives and Risk Parameters

The Society 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. Under this policy, endowment assets are invested in a manner that is intended to produce an average annual total return, net of investment management fees, equal to inflation plus 5%. Inflation will be measured by the Consumer Price Index. Actual returns in any given year may vary from this amount.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 8 - ENDOWMENT (CONTINUED)**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year no more than 4% of its endowment funds' rolling average fair value over the prior three years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. While short-term obligations may temporarily alter this approach, the long-term objective is to limit spending to 4%.

**NOTE 9 - REVENUES FROM CONTRACTS WITH CUSTOMERS**

Disaggregated Revenues

For the years ended June 30, 2023 and 2022, revenues recognized at a point in time were \$101,447 and \$76,092, respectively. For the years ended June 30, 2023 and 2022, revenues recognized over time were \$35,650 and \$34,285, respectively.

The Society's revenues, results of activities, and cash flows are affected by a wide variety of factors, including general economic conditions and geographical region of the population that they serve.

**NOTE 10 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS**

The Society received the following contributions of non-financial assets for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donated Lease	\$48,000	\$48,000
Goods and Services	<u>14,842</u>	<u>8,929</u>
Total Contributed Non-Financial Assets	<u>\$62,842</u>	<u>\$56,929</u>

Donated Lease

The Society receives donated lease income from a land lease for its building facility with the town of Fairfield and a 2,000 square foot storage unit. The Land lease with is for a period of 99 years with an annual payment of \$1. The Society estimated the fair value based on comparable lease prices in the city's real estate market.

**FAIRFIELD HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

---

**NOTE 10 - CONTRIBUTION OF NON-FINANCIAL ASSETS (CONTINUED)**

Goods and Services

Contributed good and services relate to various pieces of equipment and building construction along with related services. The Society estimated the fair value based on the values that it would otherwise pay for the donated goods and related services.

**NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Society maintains a defined contribution retirement plan (Plan) as defined under Section 401(k) of the Code for all employees over the age of 21 after completing 1 year of eligible service. The Society provides for a 100% match of the first 4% of the participant's compensation. The Society's contributions to the Plan were \$18,620 and \$17,365 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 12 - RESTATEMENT OF PRIOR PERIOD**

During the year ended June 30, 2023, it was determined that net assets associated with split-interest agreements should have been included as a component of net assets with donor restriction. As a result, net assets without donor restriction at the beginning of the year ended June 30, 2022 were reduced by \$998,637, and net assets with donor restriction as of that date were increased by this amount.