

HISTORIC DEERFIELD, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2018)



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**HISTORIC DEERFIELD, INC.
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(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Historic Deerfield, Inc.
Deerfield, Massachusetts

We have audited the accompanying financial statements of Historic Deerfield, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

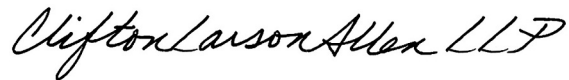
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Historic Deerfield, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 1, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Historic Deerfield, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 4, 2019

HISTORIC DEERFIELD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 282,513	\$ 299,557
Accounts Receivable	42,133	34,772
Gifts Receivable, Net	556,779	89,809
Inventories	439,963	449,446
Prepaid Expenses	21,363	50,729
Total Current Assets	1,342,751	924,313
NONCURRENT ASSETS		
Investments	49,238,514	49,608,695
Beneficial Interest in Trust	202,523	205,987
Gifts Receivable, Net	866,272	887,596
Property and Equipment, Net	12,508,993	10,884,174
Bequest Receivable	-	2,523,441
Collections (see Note 1)	-	-
Other Assets	8,788	28,316
Total Noncurrent Assets	62,825,090	64,138,209
Total Assets	\$ 64,167,841	\$ 65,062,522
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 671,466	\$ 684,037
Deferred Revenue	117,002	34,104
Current Portion of Long-Term Debt	113,500	110,500
Total Current Liabilities	901,968	828,641
Long-Term Debt, Net	326,852	396,875
Total Liabilities	1,228,820	1,225,516
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(813,793)	(112,111)
Investment in Property and Equipment	12,508,993	10,376,799
Board-Designated Endowment	19,553,533	19,687,237
Total Without Donor Restrictions	31,248,733	29,951,925
With Donor Restrictions:		
Perpetual in Nature	21,853,961	21,744,667
Purpose and Time Restrictions	9,836,327	12,140,414
Total With Donor Restrictions	31,690,288	33,885,081
Total Net Assets	62,939,021	63,837,006
Total Liabilities and Net Assets	\$ 64,167,841	\$ 65,062,522

See accompanying Notes to Financial Statements.

HISTORIC DEERFIELD, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE, GAINS, AND OTHER SUPPORT				
Museum Admissions	\$ 101,763	\$ -	\$ 101,763	\$ 126,664
Other Museum Related Income	107,954	-	107,954	174,647
Academic Program Income	8,961	-	8,961	8,940
Museum Store Sales	300,565	-	300,565	321,872
Deerfield Inn	2,317,655	-	2,317,655	2,536,940
Rent	215,044	-	215,044	149,199
Gifts and Grants	484,463	1,431,715	1,916,178	1,714,955
Donations of Property and Museum Collections	-	-	-	300
Other Interest Income	-	-	-	-
Spending Policy Used for Operations	1,652,959	1,916,131	3,569,090	3,298,768
Gain (Loss) on Sale of Equipment	(24,441)	-	(24,441)	614
Miscellaneous Income	11,500	-	11,500	43,303
Net Assets Released from Restrictions:				
Satisfaction of Restrictions	4,791,045	(4,791,045)	-	-
Total Operating Revenue, Gains, and Other Support	<u>9,967,468</u>	<u>(1,443,199)</u>	<u>8,524,269</u>	<u>8,376,202</u>
EXPENSES				
Museum Operations	1,005,195	-	1,005,195	996,290
Museum Education	581,991	-	581,991	557,461
Academic Programs	118,629	-	118,629	116,296
Library	192,667	-	192,667	181,203
Rental Operations	149,740	-	149,740	155,221
Properties Maintenance	804,966	-	804,966	697,024
Administrative and General	825,691	-	825,691	1,004,154
Inn Administrative Support Services	80,127	-	80,127	85,793
Development	518,328	-	518,328	411,062
Marketing	279,440	-	279,440	358,133
Event Planning	19,722	-	19,722	42,396
Museum Store Cost of Sales and Expense	309,373	-	309,373	371,311
Visitor Services	15,843	-	15,843	15,449
Deerfield Inn	2,632,447	-	2,632,447	2,733,201
Total Expenses	<u>7,534,159</u>	<u>-</u>	<u>7,534,159</u>	<u>7,724,994</u>
Change in Net Assets From Operations	2,433,309	(1,443,199)	990,110	651,208
NONOPERATING CHANGES				
Investment Income, Net	764,943	1,160,193	1,925,136	1,721,080
Change in Value of Trusts	-	4,345	4,345	1,383,323
Spending Policy Used for Operations	(1,652,959)	(1,916,131)	(3,569,090)	(3,298,768)
Total Nonoperating Changes	<u>(888,016)</u>	<u>(751,593)</u>	<u>(1,639,609)</u>	<u>(194,365)</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS				
Not Capitalized:				
Deaccessions	1,358	-	1,358	60,785
Collections	(249,844)	-	(249,844)	(265,727)
Total	<u>(248,486)</u>	<u>-</u>	<u>(248,486)</u>	<u>(204,942)</u>
CHANGE IN NET ASSETS				
Net Assets - Beginning of Year	1,296,807	(2,194,792)	(897,985)	251,901
Reclassification - Change in Accounting Principle	29,832,543	34,004,463	63,837,006	63,585,105
Net Assets - Beginning of Year Restated	119,382	(119,382)	-	-
Net Assets - Beginning of Year Restated	<u>29,951,925</u>	<u>33,885,081</u>	<u>63,837,006</u>	<u>63,585,105</u>
NET ASSETS - END OF YEAR	<u>\$ 31,248,732</u>	<u>\$ 31,690,289</u>	<u>\$ 62,939,021</u>	<u>\$ 63,837,006</u>

See accompanying Notes to Financial Statements.

HISTORIC DEERFIELD, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (897,985)	\$ 251,901
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Accessions	249,844	265,727
Net Deaccessions	(1,358)	(60,785)
Depreciation	608,685	584,045
Net Realized Gain on Investments	(502,447)	(1,062,689)
Unrealized (Gain) Loss on Investments	(44,551)	655,806
Change in Value of Trusts	3,464	(1,383,323)
(Gain) Loss on Sale of Equipment	24,441	(614)
Contributions Restricted for Long-Term Investment	(89,014)	(65,000)
Change in Discount on Note Payable	43,447	42,297
Donations of Property	-	(300)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(7,361)	(4,771)
Gifts Receivable	(445,646)	(924,180)
Inventories	9,483	(6,234)
Prepaid Expenses	29,366	8,977
Bequest Receivable	2,523,441	-
Other Assets	19,528	-
Decrease (Increase) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(12,571)	343,844
Deferred Revenue	82,898	(203,903)
Net Cash Provided (Used) by Operating Activities	1,593,664	(1,559,202)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,257,945)	(330,132)
Collections Acquisitions	(249,844)	(265,727)
Net Change in the Value of Investments	917,179	2,350,286
Proceeds from Sale of Property and Equipment	-	614
Deaccessions	1,358	60,785
Net Cash Provided (Used) by Investing Activities	(1,589,252)	1,815,826
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payment on Long-Term Debt	(110,470)	(107,500)
Proceeds from Contributions Restricted for Long-Term Investment	89,014	65,000
Net Cash Used by Financing Activities	(21,456)	(42,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,044)	214,124
Cash and Cash Equivalents - Beginning of Year	299,557	85,433
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 282,513	\$ 299,557

See accompanying Notes to Financial Statements.

HISTORIC DEERFIELD, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURE FOR NONCASH INVESTING ACTIVITIES		
Bequest Receivable Transferred Directly to Endowment Investments	<u>\$ -</u>	<u>\$ 22,792,985</u>

See accompanying Notes to Financial Statements.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Historic Deerfield, Inc. is a museum of early New England history, architecture, and decorative arts located in Deerfield, Massachusetts. It maintains and operates buildings as exhibition areas open to the general public and conducts a broad range of educational programs and auxiliary operations which include the Deerfield Inn and Museum Store.

Basis of Presentation

The accompanying financial statements of Historic Deerfield, Inc. (the Organization), which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets, including operating accounts, plant accounts, and board-designated funds set aside for long-term investment purposes, that are not subject to donor-imposed stipulations. Any portion of board-designated funds may be expended with the approval of the board.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Also included are net assets that are subject to the restrictions of gift instruments requiring that the principal and, in certain cases, the realized and unrealized appreciation on principal, be invested in perpetuity and income only be utilized for current expenditures.

Comparative 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 the audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. The Organization follows the policy of reporting restricted contributions in the statements of activities as increases in net assets without donor restrictions when the restrictions are met in the same reporting period the contribution is received or earned. Restricted contributions whose restrictions are not met in the same period received or earned are reported as increases in net assets with donor restrictions. When the donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Organization reports noncash gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization follows the policy of releasing the restrictions on these gifts when the long-lived assets are acquired or placed in service.

Deerfield Inn

The Organization derives revenue from operation of the Deerfield Inn. Hotel revenue is recognized based on room occupancy, and revenue from meals is recognized as incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at depository institutions and cash equivalents with a maturity of 90 days or less when purchased, except for those that are purchased for the Organization's investment accounts.

All of the banking activity, including cash and cash equivalents, is maintained with a national bank and it is the Organization's policy to monitor this bank's financial strength on an ongoing basis. As of June 30, 2019, the fund in excess of federal insurance limit is approximately \$32,400 (\$163,200 – 2018).

Investments

Investments are stated at fair market value as generally determined using quoted market values. Investments received as gifts are recorded at their fair market value at the date of the gift. Realized gains or losses are computed using the average cost method. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Advertising

Advertising costs are expensed the first time the advertising takes place and amounted to \$208,767 for the year ended June 30, 2019 (\$219,807 – 2018).

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 820, Fair Value Measurements and Disclosures*, provides a framework for reporting fair value. The 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 as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 or liability'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.

The valuation methodology of the beneficial interest in trust was transferred from Level 1 to Level 3 during 2018. The Organization considers transfers at the end of the reporting year. The following are descriptions of the valuation methodologies used for assets measured at fair value:

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Registered investment companies: Invested primarily in mutual funds, short-term instruments, fixed income securities, private equity, and money market funds.

Equity accounts are invested primarily in a broadly diversified portfolio of domestic or foreign common stock. These funds seek to match the performance of an index of a particular segment of the financial market.

Fixed-income accounts are invested primarily through a broad range of fixed income securities, such as U.S. Treasury and agency securities, corporate bonds, and mortgage-backed or other asset-backed securities. These funds seek to match the highest performance of particular bond indexes.

Included in fixed-income accounts are convertible bonds, which are only convertible into preferred stock equity of domestic companies.

Private Equity Funds are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds.

Beneficial interest in trust: The fair value of the beneficial interest in a charitable remainder trust held, administered, and controlled by third parties represents the present value of the estimated future cash receipts determined using the Organization's percentage interest in the current market value of the trust assets.

See Note 4 for a summary of the inputs used as of at June 30, 2019 and 2018 in determining the fair value of the Organization's beneficial interest in the trust.

Property and Equipment

Property and equipment are recorded at cost. Donations of capital assets are recorded at their fair market value on the date of gift. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 60 years. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period. Major renewals, additions, and betterments in excess of \$1,000, respectively, are capitalized. Maintenance and repairs are charged to operating expense as incurred.

Museum Collections

In accordance with the practice usually followed by museums, the Organization does not carry its collections on the statements of financial position. Since items acquired for collections by purchase are not capitalized, the cost of those acquisitions is reported as decreases in the net assets in the statements of activities. The proceeds from items disposed of are reported as increases in the appropriate class of net assets in the statements of activities. Contributed works of art, historical treasures, and similar assets that are not added to the collection are reported as assets held for sale on the statements of financial position at their fair values at the date of the gift.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. These costs include direct and indirect costs that have been allocated among the programs and support services.

Direct Expenses and Personnel Costs: The bulk of expenses are directly charged to individual functions. Employees typically work in a single function and their salaries and benefits are directly charged to their functions.

Utilities and Property Taxes. In general, buildings are separately metered for utilities. These are therefore directly charged to the departments. Notable exceptions are Marketing and Development, which are located in the Administration Building, are not charged for utilities. For the museum houses which also have attached rental units utilities are allocated proportionally. Property taxes are charged for specific facilities and expensed similarly to utilities.

Depreciation: Capital items are purchased by individual departments and depreciation is charged to the specific department that purchased/uses the capital item.

Insurance: Insurance (property, liability, auto, cyber, flood, etc.) is allocated to departments based upon pre-determined percentages.

Workers' Compensation Insurance: This is allocated based on the staff size within each function.

Income Taxes

The Organization is exempt from federal income taxes other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code and also has received classification as a Massachusetts public charity.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain tax positions that more than likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Organization's significant estimates include the value of the beneficial interest in the charitable remainder trust, and the useful lives of fixed assets.

Gifts Receivable

Gifts receivable expected to be collected within one year are recorded at net realizable value. Gifts receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset (2.85% at June 30, 2019 and 2018). In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The discount was approximately 60,400 and \$64,000 at June 30, 2019 and 2018, respectively. Gifts receivable are written off when deemed uncollectable. All noncurrent gifts receivable are expected to be collected between 2 and 5 years.

Bequest Receivable

The Organization recorded a bequest receivable in 2018 which was settled in 2019.

Change in Accounting Principles

Historic Deerfield, Inc. has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. The effect of adopting the new standard resulted in a reclassification of net assets without donor restrictions to net assets with donor restrictions of \$119,382 during the year ended June 30, 2018 as a result of the change in required reporting for underwater endowment funds.

**HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended June 30, 2020. Management is evaluating the impact of the amended revenue recognition guidance on the Organization's financial statements.

In June 2018, FASB issued an ASU to clarify and improve accounting guidance for contributions received and made. The ASU provides guidance on distinguishing between contributions and exchange transactions. If a contribution is unconditional, the entity must determine whether it is donor restricted for limited purpose or timing. These contributions should be recognized immediately and classified as net assets with or without donor restrictions. If a contribution is conditional and assets are received in advance, the entity should record a liability and not recognize revenue until conditions are met. Guidance is further provided regarding reciprocal and nonreciprocal transactions. If both parties receive similar value, the transaction is considered reciprocal.

For nonreciprocal transactions, an entity must determine the conditions needed to be met. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended June 30, 2020. Management is evaluating the impact of the amended revenue recognition guidance on the Organization's financial statements.

NOTE 2 INVENTORIES

Inventories consist of the following at June 30:

	2019	2018
Museum Store Inventory	\$ 257,192	\$ 251,071
Publications	123,894	129,069
Food	24,531	35,615
Liquor	32,877	32,736
Supplies	1,469	955
Total	\$ 439,963	\$ 449,446

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 INVESTMENTS

The composition of investments at fair value and the Organization's total gain on its invested assets at June 30 is as follows:

	2019	2018
Cash and Cash Equivalents	\$ 905,978	\$ 2,254,463
Equities and Preferred Stock	36,017,344	35,089,905
Private Equity	900,512	460,743
Fixed Income	11,414,680	11,803,584
Investments	\$ 49,238,514	\$ 49,608,695

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the fair market value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

NOTE 4 BENEFICIAL INTEREST IN TRUST

The Organization is the sole beneficiary of the charitable trust whose fair value is approximately \$202,253 and \$205,987 as of June 30, 2019 and 2018, respectively.

At June 30, 2017, a second trust was in the process of being terminated and the fair value is presented as a bequest receivable on the statements of financial position. The trust was terminated during fiscal year 2018 and a partial distribution was made to the beneficiaries. The Organization reinvested their distribution in their endowment. The remaining portion is presented on the statements of financial position as a bequest receivable in the amount of \$0- and \$2,523,441 at June 30, 2019 and 2018, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

The following table summarizes the Organization's assets that are accounted for at fair value within the fair value hierarchy as of June 30, 2019:

	2019			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Trusts	\$ -	\$ -	\$ 202,523	\$ 202,523
Registered Investment Companies:				
Equities	35,996,339	-	-	35,996,339
Convertible Preferred Stock	-	21,005	-	21,005
Fixed Income	11,414,680	-	-	11,414,680
	47,411,019	21,005	202,523	47,634,547
Cash and Cash Equivalents				905,978
Investments Measured at NAV				900,512
Total				\$ 49,441,037

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Organization's assets that are accounted for at fair value within the fair value hierarchy as of June 30, 2018:

	2018			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Trusts	\$ -	\$ -	\$ 205,987	\$ 205,987
Registered Investment Companies:				
Equities	35,070,502	-	-	35,070,502
Convertible Preferred Stock	-	19,403	-	19,403
Fixed Income	11,803,584	-	-	11,803,584
	<u>46,874,086</u>	<u>19,403</u>	<u>205,987</u>	<u>47,099,476</u>
Cash and Cash Equivalents				2,254,463
Investments Measured at NAV				460,743
Total				<u>\$ 49,814,682</u>

The change in Level 3 beneficial interest in trust measured at fair value on a recurring basis at June 30 is summarized below:

	2019	2018
Beginning Balance	\$ 205,987	\$ -
Transfer Charitable Remainder Trust	-	205,987
Change in Value of Trust	(3,464)	-
Ending Balance	<u>\$ 202,523</u>	<u>\$ 205,987</u>

Investments in certain entities that calculate NAV per share include Private Equity Funds amounting to \$900,512 and \$460,743 for the years ended June 30, 2019 and 2018, respectively. All investments valued at NAV are considered illiquid with no further capital commitments.

NOTE 6 ENDOWMENT

The Organization's endowment consists of donor-restricted funds and funds designated by the board of trustees (the board) to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board-designated and donor-restricted endowment funds are invested on a pooled basis. Funds are added to or withdrawn from the pool at their share of the then current fair market value of the pooled assets. Income and realized and unrealized gains and losses from the funds are distributed based on each fund's proportionate share of the investment pool's fair market value, which is determined on a quarterly basis.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 ENDOWMENT (CONTINUED)

The Organization's assets include donor-restricted investments and investments designated by the board of trustees (the trustees) which function collectively as an endowment. The trustees have classified its endowment and related appreciation in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was signed into Massachusetts general law under G.L. Chapter 180A. The trustees have interpreted Massachusetts general law as requiring net realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the trustees for expenditure or noted otherwise by the donor. Massachusetts general law allows the trustees to appropriate as much of net appreciation of permanently restricted net assets as prudent considering the Organization's short and long-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

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. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to enhance or preserve the long-term purchasing power while assuming a moderate level of investment risk. The Organization calculates the spending rate based on a 12-quarter rolling average to correspond with its operating budget cycle. The percentage of appropriation approved by the board was 6.1% for 2019 (6.00% – 2018).

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 ENDOWMENT (CONTINUED)

Changes in endowment net assets consisted of the following for the years ended June 30, 2019 and 2018:

	Without Donor Restriction	With Donor Restriction	Total
Balance - June 30, 2017	\$ 400,983	\$ 31,248,833	\$ 31,649,816
Net Appreciation	612,690	1,102,235	1,714,925
Contributions	60,784	110,397	171,181
Other Additions	22,792,986	-	22,792,986
Appropriations for Board-Designated and Donor-Specific Purposes	(4,180,182)	(2,592,036)	(6,772,218)
Reclass	(24)	24	-
Balance - June 30, 2018	<u>19,687,237</u>	<u>29,869,453</u>	<u>49,556,690</u>
Change in Accounting Principle			
Reclassification	119,402	(119,402)	-
Net Appreciation	764,943	1,160,193	1,925,136
Contributions	1,358	150,905	152,263
Other Additions	2,630,931	-	-
Appropriations for Board-Designated and Donor-Specific Purposes	(3,670,709)	(2,046,179)	(5,716,888)
Balance - June 30, 2019	<u>\$ 19,533,162</u>	<u>\$ 29,014,970</u>	<u>\$ 45,917,201</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual nature. Deficiencies of this nature are reported in net assets with donor restrictions and were approximately \$294,000 and \$119,000 for the years ended June 30, 2019 and 2018, respectively.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 533,562	\$ 533,562
Land Improvements	475,695	451,290
Buildings and Improvements	19,570,708	17,696,927
Equipment, Furniture, and Fixtures	2,663,938	3,213,016
Vehicles	239,056	284,302
Books and Manuscripts	573,579	566,998
Total	<u>24,056,538</u>	<u>22,746,095</u>
Less: Accumulated Depreciation	12,204,660	12,504,383
Total	<u>11,851,878</u>	<u>10,241,712</u>
Construction in Progress	657,115	642,462
Total Property and Equipment, Net	<u><u>\$ 12,508,993</u></u>	<u><u>\$ 10,884,174</u></u>

Depreciation expense charged to operations amounted to \$608,685 and \$584,045 for the years ended June 30, 2019 and 2018, respectively.

Construction in Progress at June 30, 2019 is primarily comprised of three projects, all expected to be completed within the next fiscal year.

NOTE 8 LONG-TERM DEBT

The Organization purchased a collection of antiques for \$2,000,000. The donor contributed the remaining half of the collection, valued at approximately \$2,000,000. The purchase was financed through a note payable to the donor of \$1,987,000 and \$13,000 due at signing. The note is payable in annual installments ranging from \$58,500 to \$128,500 through December 2024. The loan does not have a stated interest rate, and has been discounted using a rate of 5.32%, the rate which would be expected to be obtained from another lender. The Organization has recorded a total discount of \$285,648 as of June 30, 2019, which was increased by \$43,477 during 2019 (total discount of \$329,125, \$42,297 accreted – 2018). The Organization was in compliance with all covenants during 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Note Payable	\$ 726,000	\$ 836,500
Less: Unamortized Discount	285,648	329,125
Total	<u>440,352</u>	<u>507,375</u>
Less: Current Portion, Net of Discount Accretion	113,500	110,500
Total Long Term Debt, Net	<u><u>\$ 326,852</u></u>	<u><u>\$ 396,875</u></u>

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 LONG TERM DEBT (CONTINUED)

The future payments on the note payable as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 113,500
2021	116,500
2022	119,500
2023	122,500
2024	124,000
Thereafter	130,000
Total Payments	<u>\$ 726,000</u>

NOTE 9 PENSION

The Organization has a defined contribution pension plan. Employees with two or more years of service and who are at least 21 years of age may elect to participate in the plan. Those who elect to participate contribute a required 5% of their salary, which is matched by the Organization. Employer contributions to the plan vest immediately. Expense under the plan for the year ended June 30, 2019 was approximately \$81,938 (\$76,880 – 2018).

NOTE 10 NET ASSETS

Net Assets with donor restrictions consisted of the following at June 30:

	<u>2019</u>		<u>2018</u>	
	<u>Net Assets Not Invested in Perpetuity</u>	<u>Net Assets Invested in Perpetuity</u>	<u>Net Assets Not Invested in Perpetuity</u>	<u>Net Assets Invested in Perpetuity</u>
Purchase of Paintings and Antiques	\$ 11,693	\$ 764,996	\$ 55,641	\$ 757,156
Summer Fellowship Program	-	278,423	4,397	278,423
Academic Support	-	40,000	-	40,000
Curatorial Support	445,426	-	427,704	-
Other Special Purposes	4,170,999	565,410	3,197,870	1,017,393
Endowment Net Appreciation -				
General Operations	5,095,449	-	5,844,756	-
Bequest Receivable	-	-	2,523,441	-
Beneficial Interest in Trust	202,523	-	205,987	-
Conservation	-	232,348	-	232,348
General Operations	-	19,419,346	-	19,419,347
Historic Preservation	146,756	503,438	-	-
Visitor Engagement	58,169	50,000	-	-
Underwater Endowment	(294,688)	-	(119,382)	-
Total	<u>\$ 9,836,327</u>	<u>\$ 21,853,961</u>	<u>\$ 12,140,414</u>	<u>\$ 21,744,667</u>

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from restrictions for the following purposes as of June 30.

	2019	2018
Purchase of Paintings and Antiques	\$ 132,842	\$ 52,274
Academic	38,020	35,598
Conservation	4,049	13,345
Summer Fellowship Program	55,386	23,693
Historic Preservation	1,026	-
Visitor Engagement	185	-
Other Special Purposes	175,496	340,620
General Operations	1,845,905	2,200,175
Bequest Receivable	2,538,136	22,792,985
Total	<u>\$ 4,791,045</u>	<u>\$ 25,458,690</u>

NOTE 12 FUNCTIONAL EXPENSES

Expenses are classified on a functional basis as follows for the year ended June 30, 2019.

	2019					2018				
	Program Services					Supporting Services				
	Museum Operations	Education	Visitor Services	Deerfield Inn	Rentals & Special Events	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries and Benefits	\$ 396,477	\$ 834,315	\$ 141,947	\$ 1,224,274	\$ -	\$ 2,597,013	\$ 450,854	\$ 387,432	\$ 3,435,299	\$ 3,541,691
Professional and Consultant Services	-	-	-	-	-	-	67,335	-	67,335	212,527
Operating Expenses	136,038	107,635	162,847	963,405	33,474	1,403,399	416,061	159,292	1,978,752	2,133,103
Property and Occupancy	706,868	88,278	44,692	273,728	284,787	1,398,353	45,735	-	1,444,088	1,253,628
Depreciation and Amortization	280,226	50,421	8,254	171,040	44,991	554,932	52,719	1,034	608,685	584,045
Total Expenses	<u>\$ 1,519,609</u>	<u>\$ 1,080,649</u>	<u>\$ 357,740</u>	<u>\$ 2,632,447</u>	<u>\$ 363,252</u>	<u>\$ 5,953,697</u>	<u>\$ 1,032,704</u>	<u>\$ 547,758</u>	<u>\$ 7,534,159</u>	<u>\$ 7,724,994</u>

NOTE 13 AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, equities and fixed income securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

HISTORIC DEERFIELD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 13 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

As of June 30, 2019 and 2018, the following tables show the total liquid financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 282,513	\$ 299,557
Accounts Receivable, Net	42,133	34,772
Gifts Receivable, Net	1,423,051	977,405
Investments Convertible to Cash in the Next 12 Months	<u>48,338,002</u>	<u>49,147,952</u>
Total	<u>\$ 50,085,699</u>	<u>\$ 50,459,686</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 282,513	\$ 299,557
Accounts Receivable	42,133	34,772
Current Portion of Gifts Receivable, Net	556,779	89,809
Appropriated Earnings from Endowment	<u>3,522,280</u>	<u>3,569,090</u>
Total	<u>\$ 4,403,705</u>	<u>\$ 3,993,228</u>

NOTE 14 SUBSEQUENT EVENTS

We consider events or transactions that occur after the statements of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on November 4, 2019 and subsequent events have been evaluated through that date.

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