

**HISTORIC DEERFIELD, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR**  
**YEAR ENDED JUNE 30, 2017)**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**HISTORIC DEERFIELD, INC.  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>

## 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 statements of financial position as of June 30, 2018, and the related statements of activities and cash flows for the years 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, 2018, 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.

**Correction of Error**

As described in Note 12 to the financial statements, the beginning balance in unrestricted and temporarily restricted net assets have been restated to reflect a change in the classification of endowment assets. Our opinion is not modified with respect to that matter.

**Other Matters**

The 2017 summarized comparative information of Historic Deerfield, Inc. has been derived from the 2017 financial statements, which were audited by other auditors whose report dated October 19, 2017, expressed an unmodified opinion on those financial statements.

We also audited the adjustment described in Note 12 that were applied to restate the June 30, 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 3, 2018

**HISTORIC DEERFIELD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 299,557	\$ 85,433
Accounts Receivable	34,772	30,001
Gifts Receivable, Net	89,809	53,225
Inventories	449,446	443,211
Prepaid Expenses	50,729	59,706
Total Current Assets	924,313	671,576
<b>NONCURRENT ASSETS</b>		
Investments	49,608,695	28,759,112
Beneficial Interest in Trust	205,987	207,645
Gifts Receivable, Net	887,596	-
Property and Equipment, Net	10,884,174	11,137,788
Bequest Receivable	2,523,441	23,931,446
Collections (see Note 1)	-	-
Other Assets	28,316	28,316
Total Noncurrent Assets	64,138,209	64,064,307
Total Assets	\$ 65,062,522	\$ 64,735,883
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 684,037	\$ 340,193
Deferred Revenue	34,104	238,007
Current Portion of Long-Term Debt	110,500	107,500
Total Current Liabilities	828,641	685,700
Long-Term Debt, Net	396,875	465,078
Total Liabilities	1,225,516	1,150,778
<b>NET ASSETS</b>		
Unrestricted	29,832,543	7,854,255
Temporarily Restricted	12,259,796	34,332,566
Permanently Restricted	21,744,667	21,398,284
Total Net Assets	63,837,006	63,585,105
Total Liabilities and Net Assets	\$ 65,062,522	\$ 64,735,883

See accompanying Notes to Financial Statements.

**HISTORIC DEERFIELD, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)**

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Museum Admissions	\$ 126,664	\$ -	\$ -	\$ 126,664	\$ 117,862
Other Museum Related Income	174,647	-	-	174,647	154,106
Academic Program Income	8,940	-	-	8,940	9,376
Museum Store Sales	321,872	-	-	321,872	323,873
Deerfield Inn	2,536,940	-	-	2,536,940	2,583,610
Rent	149,199	-	-	149,199	160,177
Gifts and Grants	484,665	722,473	507,817	1,714,955	872,914
Donations of Property and Museum Collections	-	300	-	300	187,140
Other Interest Income	-	-	-	-	354
Net Investment Income	581,106	733,091	-	1,314,197	1,047,255
Net Realized Gain (Losses) on Investments	295,909	740,996	25,784	1,062,689	284,178
Unrealized Gain (Losses) on Investments	(264,325)	(377,297)	(14,184)	(655,806)	2,306,570
Gain on Sale of Equipment	614	-	-	614	1,464
Miscellaneous Income	43,303	-	-	43,303	590
Change in Value of Trusts	-	1,383,323	-	1,383,323	2,020,419
Transfers & Reclassifications	(10,000)	183,034	(173,034)	-	-
Net Assets Released from Restrictions:					
Satisfaction of Restrictions	25,458,690	(25,458,690)	-	-	-
Total Revenue, Gains, and Other Support	<u>29,908,224</u>	<u>(22,072,770)</u>	<u>346,383</u>	<u>8,181,837</u>	<u>10,069,888</u>
<b>EXPENSES</b>					
Museum Operations	996,290	-	-	996,290	902,636
Museum Education	557,461	-	-	557,461	536,422
Academic Programs	116,296	-	-	116,296	118,867
Library	181,203	-	-	181,203	182,645
Rental Operations	155,221	-	-	155,221	119,664
Properties Maintenance	697,024	-	-	697,024	624,842
Administrative and General	1,004,154	-	-	1,004,154	976,975
Inn Administrative Support Services	85,793	-	-	85,793	102,229
Development	411,062	-	-	411,062	318,589
Marketing	358,133	-	-	358,133	345,044
Event Planning	42,396	-	-	42,396	45,981
Museum Store Cost of Sales and Expense	371,311	-	-	371,311	356,379
Visitor Services	15,449	-	-	15,449	28,515
Deerfield Inn	2,733,201	-	-	2,733,201	2,748,862
Total Expenses	<u>7,724,994</u>	<u>-</u>	<u>-</u>	<u>7,724,994</u>	<u>7,407,650</u>
Change in Net Assets Before Changes Related to Collection Items not Capitalized	22,183,230	(22,072,770)	346,383	456,843	2,662,238
Change in Net Assets Related to Collection Items not Capitalized:					
Deaccessions	60,785	-	-	60,785	99,185
Collections	(265,727)	-	-	(265,727)	(300,048)
Total	<u>(204,942)</u>	<u>-</u>	<u>-</u>	<u>(204,942)</u>	<u>(200,863)</u>
<b>CHANGE IN NET ASSETS</b>	21,978,288	(22,072,770)	346,383	251,901	2,461,375
Net Assets - Beginning of Year	7,854,255	34,332,566	21,398,284	63,585,105	61,123,730
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 29,832,543</u>	<u>\$ 12,259,796</u>	<u>\$ 21,744,667</u>	<u>\$ 63,837,006</u>	<u>\$ 63,585,105</u>

See accompanying Notes to Financial Statements.

**HISTORIC DEERFIELD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 251,901	\$ 2,461,375
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Net Accessions	265,727	300,048
Net Deaccessions	(60,785)	(99,185)
Depreciation	584,045	594,963
Net Realized (Gain) Loss on Investments	(1,062,689)	(284,178)
Unrealized (Gain) Loss on Investments	655,806	(2,306,570)
Change in Value of Trusts	(1,383,323)	(2,020,420)
Gain on Sale of Equipment	(614)	(1,464)
Contributions Restricted for Long-Term Investment	(65,000)	(5,000)
Change in Discount on Note Payable	42,297	(7,967)
Donations of Property	(300)	(185,000)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(4,771)	1,365
Gifts Receivable	(924,180)	(30,692)
Inventories	(6,234)	(13,923)
Prepaid Expenses	8,977	360
Decrease (Increase) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	343,844	(69,937)
Deferred Revenue	(203,903)	1,274
Net Cash Used by Operating Activities	(1,559,202)	(1,664,951)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(330,132)	(464,634)
Collections Acquisitions	(265,727)	(300,048)
Net Change in the Value of Investments	2,350,286	2,263,837
Proceeds from Sale of Property and Equipment	614	1,582
Deaccessions	60,785	99,185
Net Cash Provided by Investing Activities	1,815,826	1,599,922
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payment on Long-Term Debt	(107,500)	(103,000)
Proceeds from Contributions Restricted for Long-Term		
Contributions to Endowment	65,000	5,000
Net Cash Used by Financing Activities	(42,500)	(98,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	214,124	(163,029)
Cash and Cash Equivalents - Beginning of Year	85,433	248,462
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 299,557	\$ 85,433

See accompanying Notes to Financial Statements.

**HISTORIC DEERFIELD, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)**

	2018	2017
<b>SUPPLEMENTAL DISCLOSURES FOR NONCASH INVESTING ACTIVITIES</b>		
Bequest Receivable Transferred directly to Endowment Investments	\$ 22,792,985	\$ -

*See accompanying Notes to Financial Statements.*



**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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:

**Unrestricted Net Assets**

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.

**Temporarily Restricted Net Assets**

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.

**Permanently Restricted Net Assets**

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, 2017, 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, 2018 AND 2017**

**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 temporarily restricted contributions in the statement of activities as increases in unrestricted net assets when the restrictions are met in the same reporting period the contribution is received or earned. Temporarily restricted contributions whose restrictions are not met in the same period received or earned are reported as increases in temporarily restricted net assets. When the donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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, 2018, the fund in excess of federal insurance limit is approximately \$163,200 (\$47,600 – 2017).

**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 \$219,807 for the year ended June 30, 2018 (\$228,167 – 2017).

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 AND 2017**

**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, 2018 and 2017 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 – 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 and \$500 for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

**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 statement of activities. These costs include direct and indirect costs that have been allocated among the programs and support services.

**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 (IRC) 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 (IRS). Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2018, 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.

**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, 2018). In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The discount was approximately \$64,000 at June 30, 2018. 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 has recorded a bequest receivable which is subject to settlement of an estate for distribution of the final gift.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 INVENTORIES**

Inventories consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Museum Store Inventory	\$ 251,071	\$ 244,580
Publications	129,069	130,596
Food	35,615	30,152
Liquor	32,736	34,445
Supplies	955	3,438
Total	<u>\$ 449,446</u>	<u>\$ 443,211</u>

**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:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 2,254,463	\$ 550,989
Equities and Preferred Stock	35,089,905	20,828,724
Private Equity	460,743	-
Fixed Income	<u>11,803,584</u>	<u>10,363,961</u>
Investments	49,608,695	31,743,674
Less: Margin Loan	-	2,984,562
Investments, Net	<u>\$ 49,608,695</u>	<u>\$ 28,759,112</u>
Investment Income, Net of Management and Custodial Fees of \$264,108 (\$235,435 - 2017)	\$ 1,314,197	\$ 1,047,255
Net Realized Gain on Investments	1,062,689	284,178
Unrealized Gain (Loss) on Investments	<u>(655,806)</u>	<u>2,306,570</u>
Net Gain	<u>\$ 1,721,080</u>	<u>\$ 3,638,003</u>

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.

**HISTORIC DEERFIELD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 BENEFICIAL INTEREST IN TRUST**

The Organization is the sole beneficiary of the charitable trust whose fair value is approximately \$205,900 as of June 30, 2018 (\$207,700 – 2017).

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 \$2,523,441 and \$23,931,446 at June 30, 2018 and 2017, 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, 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>\$ 46,874,086</u>	<u>\$ 19,403</u>	<u>\$ 205,987</u>	<u>\$ 49,814,682</u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2017:

	2017			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Trusts	\$ 207,645	\$ -	\$ -	\$ 207,645
Bequest Receivable	23,931,446	-	-	23,931,446
Registered Investment Companies:				
Cash and Cash Equivalents	550,989	-	-	550,989
Equities	17,844,162	-	-	17,844,162
Fixed Income	10,363,961	-	-	10,363,961
Total	<u>\$ 52,898,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,898,203</u>

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

	2018	2017
Beginning Balance	\$ -	\$ 21,917,424
Transfer Charitable Remainder Trust	205,987	-
Transfer to Bequest Receivable	-	(21,917,424)
Ending Balance	<u>\$ 205,987</u>	<u>\$ -</u>

Investments in certain entities that calculate NAV per share include Private Equity Funds amounting to \$460,743 and \$-0- for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

**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 6.00% for 2018 (5.89% – 2017).

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, 2018 AND 2017**

**NOTE 6 ENDOWMENT (CONTINUED)**

Changes in endowment net assets consisted of the following for the years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - June 30, 2016	\$ 618,166	\$ 9,440,365	\$ 21,282,871	\$ 31,341,402
Net Appreciation	72,947	3,450,926	110,413	3,634,286
Contributions	152,045	70,433	5,000	227,478
Appropriations for Board-Designated and Donor-Specific Purposes	(309,025)	(3,244,325)	-	(3,553,350)
Reclass	(133,150)	133,150	-	-
Balance - June 30, 2017	400,983	9,850,549	21,398,284	31,649,816
Net Appreciation	612,690	1,090,635	11,600	1,714,925
Contributions	60,784	10,397	100,000	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)	173,058	(173,034)	-
Balance - June 30, 2018	<u>\$ 19,687,237</u>	<u>\$ 8,532,603</u>	<u>\$ 21,336,850</u>	<u>\$ 49,556,690</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 unrestricted net assets and were approximately \$119,000 and \$-0- for the years ended June 30, 2018 and 2017, respectively.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	2018	2017
Land	\$ 533,562	\$ 533,562
Land Improvements	451,290	394,553
Buildings and Improvements	17,696,927	17,411,207
Equipment, Furniture, and Fixtures	3,213,016	3,075,101
Vehicles	284,302	226,897
Books and Manuscripts	566,998	657,085
Total	<u>22,746,095</u>	<u>22,298,405</u>
Less: Accumulated Depreciation	12,504,383	11,920,338
Total	<u>10,241,712</u>	<u>10,378,067</u>
Construction in Progress	642,462	759,721
Total Property and Equipment, Net	<u><u>\$ 10,884,174</u></u>	<u><u>\$ 11,137,788</u></u>

Depreciation expense charged to operations amounted to \$584,045 and \$594,963 for the years ended June 30, 2018 and 2017, respectively.

Construction in Progress at June 30, 2018 is primarily comprised of three projects, all expected to be completed within the next fiscal year. The Organization completed one project during 2018 and transferred into use. There are no open commitments to contractors related to these projects.

**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 \$329,125 as of June 30, 2018, which was increased by \$42,297 during 2018 (total discount of \$371,422, \$7,967 accreted – 2017). The Organization was in compliance with all covenants during 2018 and 2017.

	2018	2017
Note Payable	\$ 836,500	\$ 944,000
Less: Unamortized Discount	329,125	371,422
Total	<u>507,375</u>	<u>572,578</u>
Less: Current Portion, Net of Discount Accretion	110,500	107,500
Total Long Term Debt, Net	<u><u>\$ 396,875</u></u>	<u><u>\$ 465,078</u></u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 8 LONG TERM DEBT (CONTINUED)**

The future payments on the note payable as of June 30, 2018 are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 110,500
2020	113,500
2021	116,500
2022	119,500
2023	122,500
Thereafter	254,000
Total Payments	<u>\$ 836,500</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, 2018 was approximately \$76,880 (\$78,900 – 2017).

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Purchase of Paintings and Antiques	\$ 55,641	\$ 80,147
Summer Fellowship Program	4,397	20,334
Curatorial Support	427,704	292,050
Other Special Purposes	3,197,870	2,671,341
Endowment Net Appreciation - General Operations	5,844,756	7,129,603
Bequest Receivable	2,523,441	23,931,446
Beneficial Interest in Trust	205,987	207,645
Total	<u>\$ 12,259,796</u>	<u>\$ 34,332,566</u>

The Organization released approximately \$22,000,000 of temporarily restricted new asset satisfying the time restriction on a trust. The remaining was released for various purposes to support programs and operations.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 11 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets as of June 30 include gifts of original principal as well as realized and unrealized appreciation for certain donor-restricted funds, the income from which is expendable to support operations:

	2018	2017
Purchase of Prints, Paintings, and Minor Antiques	\$ 757,156	\$ 747,629
Summer Fellowship Program	278,423	283,423
Other Special Purposes	1,057,393	774,198
Conservation	232,348	158,689
General Operations	19,419,347	19,434,345
Total	<u>\$ 21,744,667</u>	<u>\$ 21,398,284</u>

**NOTE 12 CORRECTION OF ERROR**

Unrestricted and temporarily restricted net assets have been restated to reflect a reclassification of endowment assets. The Organization has two donor-restricted funds in which the net appreciation is unrestricted; however, in accordance with U.S. GAAP such net appreciation should be reflected as temporarily restricted until appropriated for expenditure (time restriction). The impact of the correction of error is as follows:

	Unrestricted	Temporarily Restricted
Balance - June 30, 2017	\$ 14,983,858	\$ 27,202,963
Restatement of July 1, 2016 Balances	(7,191,000)	7,191,000
Restatement of Net Endowment Activity 2017	61,397	(61,397)
Balance - June 30, 2017 (Restated)	<u>\$ 7,854,255</u>	<u>\$ 34,332,566</u>

**NOTE 13 RECLASSIFICATIONS**

Certain amounts presented in the financial statements have been reclassified for 2017 to conform to the 2018 presentation.

**NOTE 14 SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 3, 2018, which is the date the financial statements were available to be issued. In November 2018, the Organization entered into a Purchase and Sale Agreement with an unrelated party to purchase a building. The building was purchased in November 2018 for approximately \$2,000,000 which was paid for in cash.



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