

BEVERLY HISTORICAL SOCIETY
Financial Statements
For the Years Ended
September 30, 2016 (Reviewed) and 2015 (Audited)

BEVERLY HISTORICAL SOCIETY

Financial Statements

For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Beverly Historical Society

We have reviewed the accompanying financial statements of Beverly Historical Society (a nonprofit Massachusetts Corporation), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

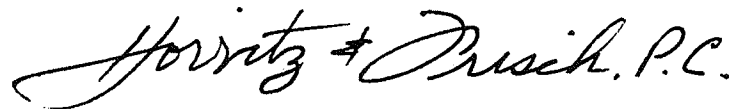
Our responsibility is to conduct the review engagement in accordance with Statements on Standards of Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements for the year ended September 30, 2015, were audited by us and we expressed an unmodified opinion on them in our report dated January 20, 2016, but we have not performed any auditing procedures since that date.

A handwritten signature in cursive script that reads "Horvitz & Frisch, P.C.".

Horvitz & Frisch, P.C.
Gloucester, Massachusetts

January 17, 2017

BEVERLY HISTORICAL SOCIETY
 Statements of Financial Position
 September 30, 2016 (Reviewed) and 2015 (Audited)

	<u>Reviewed</u> 2016	<u>Audited</u> 2015
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 40,070	\$ 27,247
Interest and Dividends Receivable	3,349	2,422
Unconditional Promise to Give	124,926	13,001
Prepaid Expenses	2,625	3,695
Inventory	9,123	10,062
Total Current Assets	180,093	56,427
Land, Buildings and Equipment – Net	1,713,931	1,719,989
Other Assets:		
Investments	1,267,141	1,150,389
Uninvested Cash	6,701	82,708
Total Other Assets	1,273,842	1,233,097
Total Assets	\$ 3,167,866	\$ 3,009,513
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 11,156	\$ 12,908
Security Deposit	850	850
Deferred Revenue	120,000	-
Total Current Liabilities	132,006	13,758
Net Assets:		
Unrestricted:		
Operating	852,199	840,408
Net Investment in Land, Buildings and Equipment	1,713,931	1,719,989
Total Unrestricted	2,566,130	2,560,397
Temporarily Restricted	61,750	37,660
Permanently Restricted	407,980	397,698
Total Net Assets	3,035,860	2,995,755
Total Liabilities and Net Assets	\$ 3,167,866	\$ 3,009,513

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Activities
For the Year Ended September 30, 2016 (Reviewed)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support:				
Operating:				
Contributions	\$ 71,137	\$ 58,293	\$ 10,282	\$ 139,712
Government Grant	60,000	-	-	60,000
Private Grants	5,662	5,000	-	10,662
Memberships	33,405	-	-	33,405
Program Income	11,275	-	-	11,275
Miscellaneous Income	6,110	-	-	6,110
Rental Income	10,200	-	-	10,200
Special Events	7,278	-	-	7,278
Collections Income	884	-	-	884
Gift Shop	5,372	-	-	5,372
Admissions	1,790	-	-	1,790
Total Revenues and Support - Operating	<u>213,113</u>	<u>63,293</u>	<u>10,282</u>	<u>286,688</u>
Other:				
Interest and Dividends	33,135	-	-	33,135
Net Realized and Unrealized Gains(Losses) on Investments	<u>91,655</u>	<u>-</u>	<u>-</u>	<u>91,655</u>
Total Revenues and Support - Other	<u>124,790</u>	<u>-</u>	<u>-</u>	<u>124,790</u>
Net Assets Released from Restrictions	<u>39,203</u>	<u>(39,203)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>377,106</u>	<u>24,090</u>	<u>10,282</u>	<u>411,478</u>
Expenses:				
Program Services:				
Buildings and Collections	248,180	-	-	248,180
Gift Shop	3,619	-	-	3,619
Total Program Services	<u>251,799</u>	<u>-</u>	<u>-</u>	<u>251,799</u>
Support Services:				
Management and General	91,535	-	-	91,535
Fundraising	28,039	-	-	28,039
Total Support Services	<u>119,574</u>	<u>-</u>	<u>-</u>	<u>119,574</u>
Total Expenses	<u>371,373</u>	<u>-</u>	<u>-</u>	<u>371,373</u>
Change in Net Assets	\$ <u>5,733</u>	\$ <u>24,090</u>	\$ <u>10,282</u>	\$ <u>40,105</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Activities
For the Year Ended September 30, 2015 (Audited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support:				
Operating:				
Contributions	\$ 96,282	\$ 25,486	\$ 260,500	\$ 382,268
Government Grant	56,500	-	-	56,500
Private Grants	8,342	-	-	8,342
Memberships	32,442	-	-	32,442
Program Income	2,673	-	-	2,673
Miscellaneous Income	5,126	-	-	5,126
Rental Income	11,700	-	-	11,700
Special Events	21,569	-	-	21,569
Collections Income	379	-	-	379
Gift Shop	8,685	-	-	8,685
Admissions	2,768	-	-	2,768
Total Revenues and Support - Operating	<u>246,466</u>	<u>25,486</u>	<u>260,500</u>	<u>532,452</u>
Other:				
Interest and Dividends	32,701	-	-	32,701
Net Realized and Unrealized Gains(Losses) on Investments	<u>(62,223)</u>	<u>-</u>	<u>-</u>	<u>(62,223)</u>
Total Revenues and Support - Other	<u>(29,522)</u>	<u>-</u>	<u>-</u>	<u>(29,522)</u>
Net Assets Released from Restrictions	<u>31,819</u>	<u>(31,819)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>248,763</u>	<u>(6,333)</u>	<u>260,500</u>	<u>502,930</u>
Expenses:				
Program Services:				
Buildings and Collections	174,155	-	-	174,155
Gift Shop	7,229	-	-	7,229
Total Program Services	<u>181,384</u>	<u>-</u>	<u>-</u>	<u>181,384</u>
Support Services:				
Management and General	88,095	-	-	88,095
Fundraising	34,496	-	-	34,496
Total Support Services	<u>122,591</u>	<u>-</u>	<u>-</u>	<u>122,591</u>
Total Expenses	<u>303,975</u>	<u>-</u>	<u>-</u>	<u>303,975</u>
Change in Net Assets	<u>\$ (55,212)</u>	<u>\$ (6,333)</u>	<u>\$ 260,500</u>	<u>\$ 198,955</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Functional Expenses
For the Year Ended September 30, 2016 (Reviewed)

	Program	Management and General	Fundraising	Total
Director Compensation	\$ 22,747	\$ 30,328	\$ 22,747	\$ 75,822
Other Salaries & Wages	68,716	13,615	-	82,331
Employee Benefits	3,409	3,872	2,904	10,185
Payroll Taxes	7,833	3,764	1,948	13,545
Total Payroll Related Expenses	102,705	51,579	27,599	181,883
Occupancy	15,778	2,337	-	18,115
Accounting	-	6,350	-	6,350
Bank Service Charges	-	1,678	-	1,678
Communications	-	1,953	-	1,953
Conservation and Education	435	-	-	435
Development Expenses	-	3,266	-	3,266
Dues & Subscriptions	2,309	-	-	2,309
Exhibits	1,733	-	-	1,733
Grant Related	98,681	-	-	98,681
Insurance	11,700	3,900	-	15,600
Investment Fees	-	9,249	-	9,249
Program Related	5,120	-	-	5,120
Marketing	-	218	-	218
Miscellaneous	140	380	-	520
Newsletter	1,515	-	-	1,515
Office Related	-	4,547	-	4,547
Payroll Service Fee	-	1,082	-	1,082
Postage	-	3,116	-	3,116
Professional Development	2,045	-	-	2,045
Special Events	-	-	440	440
Volunteer Related	380	-	-	380
Depreciation	5,639	1,880	-	7,519
Total Buildings and Collections	248,180	-	-	248,180
Gift Shop	3,619	-	-	3,619
Total Support Services	-	91,535	28,039	119,574
Total Expenses	\$ 251,799	\$ 91,535	\$ 28,039	\$ 371,373

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Functional Expenses
For the Year Ended September 30, 2015 (Audited)

	Program	Management and General	Fundraising	Total
Director Compensation	\$ 21,887	\$ 29,183	\$ 21,887	\$ 72,957
Other Salaries & Wages	62,413	12,590	-	75,003
Employee Benefits	3,268	3,745	2,809	9,822
Payroll Taxes	7,201	3,569	1,869	12,639
Total Payroll Related Expenses	94,769	49,087	26,565	170,421
Occupancy	25,942	2,807	-	28,749
Accounting	-	7,150	-	7,150
Bank Service Charges	-	1,399	-	1,399
Communications	-	2,330	-	2,330
Conservation and Education	1,019	-	-	1,019
Development Expenses	-	2,024	-	2,024
Dues & Subscriptions	2,023	-	-	2,023
Exhibits	72	-	-	72
Grant Related	25,332	-	-	25,332
Insurance	11,648	3,882	-	15,530
Investment Fees	-	9,445	-	9,445
Program Related	1,814	-	-	1,814
Marketing	-	318	-	318
Miscellaneous	796	-	-	796
Newsletter	1,637	-	-	1,637
Office Related	-	4,372	-	4,372
Payroll Service Fee	-	1,064	-	1,064
Postage	-	2,306	-	2,306
Professional Development	2,959	-	-	2,959
Special Events	-	-	7,931	7,931
Volunteer Related	412	-	-	412
Depreciation	5,732	1,911	-	7,643
Total Buildings and Collections	174,155	-	-	174,155
Gift Shop	7,229	-	-	7,229
Total Support Services	-	88,095	34,496	122,591
Total Expenses	\$ 181,384	\$ 88,095	\$ 34,496	\$ 303,975

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statement of Changes in Net Assets
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, September 30, 2014	\$ 2,615,609	\$ 43,993	\$ 137,198	\$ 2,796,800
Change in Net Assets	<u>(55,212)</u>	<u>(6,333)</u>	<u>260,500</u>	<u>198,955</u>
Net Assets, September 30, 2015	2,560,397	37,660	397,698	2,995,755
Change in Net Assets	<u>5,733</u>	<u>24,090</u>	<u>10,282</u>	<u>40,105</u>
Net Assets, September 30, 2016	<u>\$ 2,566,130</u>	<u>\$ 61,750</u>	<u>\$ 407,980</u>	<u>\$ 3,035,860</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY
Statements of Cash Flows
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

	<u>Reviewed</u> 2016	<u>Audited</u> 2015
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 40,105	\$ 198,955
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	7,519	7,643
Net Realized and Unrealized (Gain) Loss on Investments	(91,655)	62,223
(Increase) Decrease In:		
Interest and Dividends Receivable	(927)	(217)
Promises to Give	(111,925)	(13,001)
Prepaid Expenses	1,070	(1,891)
Inventory	939	3,430
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	(1,752)	(2,957)
Deferred Revenue	120,000	-
Net Cash Provided (Used) By Operating Activities	<u>(36,626)</u>	<u>254,185</u>
 Cash Flows From Investing Activities:		
Purchase of Land, Buildings and Equipment	(1,462)	(62,460)
Proceeds From Sales and Maturities of Investments	603,481	737,421
Purchases of Investments	<u>(552,570)</u>	<u>(941,661)</u>
 Net Cash Provided (Used) By Investing Activities	<u>49,449</u>	<u>(266,700)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	12,823	(12,515)
 Cash and Cash Equivalents, Beginning of Year	<u>27,247</u>	<u>39,762</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 40,070</u>	<u>\$ 27,247</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements

For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

1. Nature of Activities

Beverly Historical Society (the "Society"), was organized in 1891 in Beverly, Massachusetts. Its mission is to collect, preserve, interpret and disseminate Beverly's regional history. The Society collects and exhibits materials illustrative of such history at three historic buildings located in Beverly, Massachusetts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when the obligation is incurred.

Use of Estimates

The preparation of 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 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.

Cash and Cash Equivalents

Cash and Cash Equivalents include all highly liquid investments available for current use with an initial maturity of three months or less, other than the Society's money market account which holds its uninvested cash.

Cash and cash equivalents accounts at September 30 are as follows:

	<u>2016</u>		<u>2015</u>
Checking – People's United Bank	\$ 2,074	\$	6,963
Checking - Beverly Bank	37,145		19,433
Tenant Escrow - TD Bank	851		851
	<u>\$ 40,070</u>	\$	<u>27,247</u>

The Society also maintains a money market account for its uninvested cash. The balance of the account at September 30, 2016 and 2015 was \$6,701 and \$82,708, respectively.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

2. Summary of Significant Accounting Policies - Continued

Investments

The Society follows Topic 820 of the FASB accounting standards codification (ASC). Topic 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Topic 820 established a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under Topic 820 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level II: Inputs other than quoted prices that are unobservable.

Level III: Inputs that are unobservable.

An investment's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Society's management values other investments, which are publicly traded, using observable, or level I inputs – the quoted price in an active market.

Investing returns are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains; and
- as increases in unrestricted net assets, in all other cases.

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

2. Summary of Significant Accounting Policies - Continued

Investments - Continued

State law allows the Board of Trustees to appropriate to funds for current operations a percentage of net appreciation on permanently restricted net assets that is prudent considering the Society's long and short term needs, present and anticipated financial requirements, expected total return on the investments, price level trends, and general economic conditions. The Society's policy allows it to appropriate all investment returns on permanently restricted net assets to fund current operations while maintaining the original contribution as a permanently restricted net asset.

Inventory

Inventory consists of gift shop items and books and is stated at the lower of cost (first-in, first-out) or market.

Land, Buildings and Equipment

Land and buildings that are considered historic treasures are reported at a value (\$1,338,000) established by a professional appraisal performed on May 30, 1986. No depreciation is taken on these assets. Improvements to the land and buildings, and expenditures for equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The Society capitalizes all expenditures for land, buildings and equipment in excess of \$500.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Merchandise sales from the Museum store and receipts from admissions are recorded at the time of sale.

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of cash that must be used to acquire land, buildings or equipment are reported as restricted support. In

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

2. Summary of Significant Accounting Policies - Continued

Contributions - Continued

the absence of donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Society. The Society generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society in carrying out its activities, which are not recognized as contributions in the financial statements.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded as net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The amount due, within one year, at September 30, 2016 and 2015 is \$124,926 and \$13,001, respectively.

Collections

Collection items acquired through purchases and contributions are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from de-accessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. Proceeds from the sale of collections or insurance recoveries are required to be reinvested in other collection items.

Functional Allocation of Expenses

The costs of providing the Society's various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

2. Summary of Significant Accounting Policies - Continued

Deferred Revenue

Certain income received during the year ended September 30, 2016 is deferred and will be recognized in the year in which the expenses relate. The Society received a \$180,000 grant from the City of Beverly to be used for the purposes of restoring one of its properties. The funds are advanced as the expenses are incurred. During the year ended September 30, 2016, \$60,000 of expenses were incurred and were reimbursed under the terms of the grant. At September 30, 2016, the Society has recorded deferred revenue of \$120,000 and a corresponding Promise to Give to recognize the remainder of the grant.

Financial Statements Presentation

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Assets subject to board designated restrictions are considered unrestricted under these reporting standards.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on retained investments for general or specific purposes.

Income Tax Status

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Society's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the Organization's tax years 2012 through 2014 remain open for possible examination by the Internal Revenue Service.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

2. Summary of Significant Accounting Policies – Continued

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation. There has been no change to net assets as previously reported.

3. Investments

Investments consist of the following at September 30:

2016			
	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Corporate Bonds	\$ 277,796	\$ 285,410	\$ 7,614
Mutual Funds - Bonds	84,204	84,371	167
Mutual Funds - Equities	330,611	331,888	1,277
Common Stocks	468,217	565,472	97,255
	\$ 1,160,828	\$ 1,267,141	\$ 106,313
2015			
	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Corporate Bonds	\$ 201,284	\$ 202,893	\$ 1,609
Mutual Funds - Bonds	86,660	81,629	(5,031)
Mutual Funds - Equities	387,030	348,265	(38,765)
Common Stocks	498,779	517,602	18,823
	\$ 1,173,753	\$ 1,150,389	\$ (23,364)

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

3. Investments - Continued

All of the Society's investments are measured using Level 1 inputs (Note 2). There were no investments measured using Level 2 and Level 3 inputs. There were no transfers between categories and no changes in valuation methods during the years ended September 30, 2016 and 2015.

Investment income for the years ended September 30 consists of the following:

	2016	2015
Interest and Dividend Income	\$ 33,135	\$ 32,701
Net Realized and Unrealized Gains(Losses)	91,655	(62,223)
	\$ 124,790	\$ (29,522)

4. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at September 30:

	2016	2015
Land and Buildings of Historical Significance	\$ 1,338,000	\$ 1,338,000
Building Improvements	519,144	517,682
Equipment	28,526	28,526
	1,885,670	1,884,208
Less Accumulated Depreciation	171,739	164,219
	\$ 1,713,931	\$ 1,719,989

Depreciation expense for the years ended September 30, 2016 and 2015 amounted to \$7,519 and \$7,643, respectively.

5. Concentration of Credit Risk

The Society's portfolio of common stocks, mutual funds and corporate bonds had a fair market value of \$1,267,141 at September 30, 2016, representing approximately 40% of its total assets. The fair market value of these investments is not federally insured and is subject to fluctuation.

From October 1, 2016 through December 31, 2016, the Society incurred unrealized gains of approximately 5.25% in its investment portfolio due to market increases.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

6. Concentration of Contributions

The Society received approximately 40% and 60% of its total operating revenues and support from one and two donor(s), respectively, during the years ended September 30, 2016 and 2015.

7. Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30:

	<u>2016</u>	<u>2015</u>
Walker Fund	\$ 1,675	\$ 1,575
Collections and Acquisitions	10,689	13,928
Seaman's Fund	1,000	1,000
Balch House	-	14,763
Loring Archivist Grant	6,455	6,394
Cabot House	34,500	-
Karkowski Fund	1,850	-
Hale House	2,735	-
Currier Fund	420	-
Unrestricted Promise to Give	<u>2,426</u>	<u>-</u>
	\$ <u><u>61,750</u></u>	\$ <u><u>37,660</u></u>

Permanently restricted net assets consisted of the following at September 30:

	<u>2016</u>	<u>2015</u>
Balch House Fund	\$ 65,810	\$ 55,528
Combined Fund A	11,663	11,663
Massachusetts Historical Commission Endowment	11,000	11,000
Beverly Historical Development Fund	6,000	6,000
G.A.R. Fund	6,000	6,000
A.N. Clark Fund	5,000	5,000
Charles Galloupe Fund	5,000	5,000
Charles K. Dodge Fund	47,507	47,507
Loring Bequest	<u>250,000</u>	<u>250,000</u>
	\$ <u><u>407,980</u></u>	\$ <u><u>397,698</u></u>

Interest and dividend income from certain permanently restricted net assets above are restricted to maintenance and preservation of historical buildings, collections and the library. In 2016 and 2015, earned income was classified as unrestricted since the restriction was met in the same year the income was received.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

8. Employee Benefit Plans

The Society provides a tax-sheltered annuity program for eligible employees under Internal Revenue Code Section 403(b). The Society will match employee contributions up to 5% of the employee's salary. An employee becomes eligible after working an average of at least eighteen hours per week for at least one year. Employer contributions amounted to \$4,510 and \$4,101 for the years ended September 30, 2016 and 2015, respectively.

9. Operating Lease Commitments

The Society owns two properties which are leased to tenants under varying terms. One house was leased, under a tenant at will agreement, for \$150 per month through July 2015, after which the Society does not plan on leasing the property. The second house was under a one year lease which expired August 2013. Rent under this agreement was \$850 per month. As of September 1, 2013, the tenant became a tenant at will paying \$850 per month.

10. Endowments

The Society follows FASB ASC 958-10. ASC 958-10 provides guidance on the net asset classifications and financial statement disclosures related to donor-restricted endowment funds for a nonprofit Society that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted by the Commonwealth of Massachusetts effective June 30, 2009. As required by ASC 958-10, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society interpreted the UPMIFA 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 permanently restricted net assets (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 or as required by law. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society investment policies.

BEVERLY HISTORICAL SOCIETY

Notes to Financial Statements - Continued

For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

10. Endowments - Continued

Investment Return Objectives, Risk Parameters and Strategies. The Society has adopted investment and spending policies approved by the Board of Trustees. The objective of the Endowment Fund is to generate a long-term return in the form of income and growth which will allow distributions consistent with the Board of Trustee's spending policy, while preserving over time, the principal value of the Fund's assets as measured in real, inflation adjusted terms. Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Endowment Fund's objective. However, the Board of Trustees will make reasonable efforts to control risk and preserve capital, understanding that losses may occur. The Endowment Fund will be diversified both by asset class and within asset classes for the purpose of achieving the Fund's investment objectives at an acceptable level of risk.

Spending Policy. The Portfolio consists of Beverly Historical Society's long-term investment assets, whether part of an endowment, restricted funds, or discretionary expendable funds. It is the Society's policy to distribute annually 5% of a trailing twelve quarter average of the Endowment Fund's total asset value, with the expectation that this spending rate plus inflation will not normally exceed the Fund's long-term total return.

It is the policy of Beverly Historical Society to establish a general guideline level regarding the distribution and transfer of monies from the Society's Endowment Fund to the general fund to supplement operational expenses when the need arises. This guideline level is 5% of the total value of the Endowment Fund. However, this percentage could be increased to a higher level if circumstances warrant a higher distribution. The higher percentage distribution would be recommended by the Director, approved by the Treasurer, President and the Finance Committee, and then ratified by the majority of the Board of Trustees at the next Trustees meeting. In a year that does not require an infusion of funds from the Endowment Fund to supplement general operating expenses, none will be made.

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

10. Endowments - Continued

The Endowment Fund consists of the following at September 30:

	2016		
	Unrestricted Net Assets	Permanently Restricted Net Assets	Total
Endowment Net Assets, Beginning of Year	\$ 840,399	\$ 397,698	\$ 1,238,097
Endowment Contributions	-	10,282	10,282
Investment Earnings	124,790	-	124,790
Transfers to Operations	(96,827)	-	(96,827)
Endowment Net Assets, End of Year	\$ 868,362	\$ 407,980	\$ 1,276,342

	2015		
	Unrestricted Net Assets	Permanently Restricted Net Assets	Total
Endowment Net Assets, Beginning of Year	\$ 953,883	\$ 137,198	\$ 1,091,081
Endowment Contributions	-	260,500	260,500
Investment Earnings	(29,522)	-	(29,522)
Transfers to Operations	(83,962)	-	(83,962)
Endowment Net Assets, End of Year	\$ 840,399	\$ 397,698	\$ 1,238,097

BEVERLY HISTORICAL SOCIETY
Notes to Financial Statements - Continued
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

11. Subsequent Events

The Society did not have any subsequent events through January 17, 2017, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2016.