



FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

PROPRIETORS PORTSMOUTH ATHENAEUM
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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April 23, 2021

To the Board of Directors
Proprietors Portsmouth Athenaeum
Portsmouth, New Hampshire

Management is responsible for the accompanying financial statements of Proprietors Portsmouth Athenaeum (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Certified Public Accountants
Stratham, New Hampshire

PROPRIETORS PORTSMOUTH ATHENAEUM

STATEMENT OF FINANCIAL POSITION

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$	474,960
Investments		1,814,993
Accounts receivable		125
Prepaid expenses		9,331
Total Current Assets		<u>2,299,409</u>

PROPERTY AND EQUIPMENT, net 1,134,599

Total Assets \$ 3,434,008

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	1,270
Deposits		4,398
Prepaid assessments		54,100
Deferred revenue		2,862
Total Current Liabilities		<u>62,630</u>

Total Liabilities 62,630

NET ASSETS

Net assets without restrictions:		
Board designated		2,091,782
Undesignated		1,213,413
Net assets with restrictions		<u>66,183</u>
Total Net Assets		<u>3,371,378</u>

Total Liabilities and Net Assets \$ 3,434,008

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)
YEAR ENDED DECEMBER 31, 2020

	<u>Net Assets Without Restrictions</u>	<u>Net Assets with Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 229,432	\$ 1,667	\$ 231,099
Proprietor assessments	117,010	-	117,010
Investment income (loss), net	111,553	3,400	114,953
Sales	252	-	252
Special purpose income	15,372	-	15,372
Rental income	62,286	-	62,286
Other income	2,304	-	2,304
Net assets released from restrictions	<u>2,691</u>	<u>(2,691)</u>	<u>-</u>
Total Revenue and Other Support	<u>540,900</u>	<u>2,376</u>	<u>543,276</u>
EXPENSES			
Program services	321,029	-	321,029
Management and general	108,913	-	108,913
Fundraising	<u>43,059</u>	<u>-</u>	<u>43,059</u>
Total Expenses	<u>473,001</u>	<u>-</u>	<u>473,001</u>
OTHER INCOME (EXPENSE)			
PPP loan	<u>40,900</u>	<u>-</u>	<u>40,900</u>
Total Other Income (Expense)			
CHANGE IN NET ASSETS	108,799	2,376	111,175
NET ASSETS, BEGINNING OF YEAR	<u>3,196,396</u>	<u>63,807</u>	<u>3,260,203</u>
NET ASSETS, END OF YEAR	<u>\$ 3,305,195</u>	<u>\$ 66,183</u>	<u>\$ 3,371,378</u>

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

STATEMENT OF FUNCTIONAL EXPENSES

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & staff cost	\$ 114,431	\$ 39,877	\$ 19,072	\$ 173,380
Maintenance	38,188	15,399	8,007	61,594
Depreciation expense	46,925	2,470	-	49,395
Utilities	17,568	16,964	8,633	43,165
Grant expense	34,367	-	-	34,367
Collections	22,787	-	-	22,787
Other employee benefits	15,006	5,230	2,501	22,737
Insurance	9,252	5,204	-	14,456
Office	9,344	3,256	1,557	14,157
Payroll taxes	8,190	2,854	1,365	12,409
Board reserve	-	10,804	-	10,804
Professional services	-	6,390	-	6,390
Special purpose	4,099	-	-	4,099
Printing	872	465	1,484	2,821
Special events	-	-	440	440
Total Expenses	<u>\$ 321,029</u>	<u>\$ 108,913</u>	<u>\$ 43,059</u>	<u>\$ 473,001</u>

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

STATEMENT OF CASH FLOWS

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 111,175
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	49,465
Forgiveness of PPP loan	(40,900)
Realized and unrealized gains	73,718
Changes in operating assets and liabilities:	
Accounts receivable	196
Prepaid expenses	(2,495)
Accounts payable	(323)
Accrued expenses	(6,459)
Deposits	(104)
Prepaid assessments	(1,900)
Deferred revenue	(1,250)
Net cash provided by (used in) operating activities	<u>181,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	503,415
Purchases of investments	(635,868)
Payments for purchase of property and equipment	(9,940)
Net cash provided by (used in) investing activities	<u>(142,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
PPP loan	<u>40,900</u>
Net cash provided by (used in) financing activities	<u>40,900</u>
NET INCREASE (DECREASE) IN CASH	79,630
CASH, BEGINNING OF YEAR	<u>395,330</u>
CASH, END OF YEAR	<u>\$ 474,960</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:	
Interest expense paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no noncash investing or financing activities for the year ended December 31, 2020.

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Nature of Organization

Proprietors Portsmouth Athenaeum (the "Athenaeum") is a nonprofit membership library and museum, incorporated in 1817 and located in the heart of historic Portsmouth. The Athenaeum strives to promote learning and advance useful knowledge among our constituents and the wider community by facilitating convivial interchange and intellectual discourse; maintaining our historic buildings and library; and collecting and preserving materials relevant to the history and culture of Portsmouth and the Piscataqua region.

Note 2 - Summary of Significant Accounting Policies

Significant accounting policies of the Athenaeum are described below:

Basis of Accounting - The financial statements of the Athenaeum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Athenaeum follows the provisions of FASB Account Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. In accordance with these provisions, the Athenaeum is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on 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 that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that 1) may or will be met either by actions of the Athenaeum and/or the passage of time or 2) they be maintained permanently by the Athenaeum.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Athenaeum considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges - The Athenaeum may have certain non-binding pledges from members and friends. These conditional pledges are not recorded until the related cash payments or asset transfers are received by the Athenaeum. Unconditional pledges are recorded when the Athenaeum receives legally binding notification of the contribution. There were no pledges receivable at December 31, 2020.

Prepaid Assessments - Prepaid assessments includes membership amounts that have been paid in advance.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts receivable to be delinquent based on the date of the unpaid invoices. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable. There was no allowance for doubtful accounts as of December 31, 2020. The Athenaeum does not require collateral when extending credit.

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Management does not consider it necessary to estimate an allowance for doubtful accounts as the amount is not material to the financial statements.

Income Taxes - The Athenaeum is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Athenaeum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The federal and state informational tax returns of the Athenaeum are subject to examination, generally for three years after it was filed.

Concentrations of Credit Risk - The Athenaeum maintains cash balances at a bank and a brokerage house, and deposits are insured by the FDIC and SIPC, respectively. At times, the cash and investment balances may exceed insured limits. The Athenaeum has not experienced any losses in such accounts and believes it is not exposed to any material risk with respect to those accounts.

Fixed Assets - Purchased assets are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Major additions with a cost exceeding \$1,000 are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed using the straight line method of depreciation over the assets' estimated service life, generally 5-39 years. Depreciation expense was \$49,465 for the year ending December 31, 2020.

Recognition of Donor Restricted Contributions - Support that is restricted by the donor is reported as an increase in net assets without restriction 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 net assets with restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions.

Historical Collections - In conformity with the practice followed by many museums, the collections, books, manuscripts, and historical artifacts purchased and donated are not included in the Statement of Financial Position. The Athenaeum staff ensures that its collections are protected and preserved.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that have been allocated include salaries, payroll taxes, other employee benefits and office expense which were allocated based on an estimate of time and effort as well as depreciation expense which was allocated based on square footage.

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 3 - Investments

The fair market value of investments consists of the following at December 31, 2020:

Corporate Fixed Income	\$ 208,723
Mutual Funds	840,985
ETFs	382,625
Stocks	<u>382,660</u>
Total	<u>\$ 1,814,993</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

	Net Assets without <u>Restriction</u>	Net Assets with <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 51,203	\$ 1,521	\$ 52,724
Investment advisory fees	(11,127)	(362)	(11,489)
Realized and unrealized gains	<u>71,477</u>	<u>2,241</u>	<u>73,718</u>
Total Investment Return	<u>\$ 111,553</u>	<u>\$ 3,400</u>	<u>\$ 114,953</u>

Note 4 - Property and Equipment

The following summarized property and equipment at December 31, 2020:

Land	\$ 42,100
Building and improvements	1,765,573
Furniture and fixtures	53,102
Equipment	<u>95,730</u>
	1,956,505
Accumulated depreciation	<u>(821,906)</u>
Property and Equipment, net	<u>\$ 1,134,599</u>

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 5 - Leases

The Athenaeum leases space to two tenants. One tenant occupied space through September 2020 and a new tenant entered into a one and a half year lease for the space in December 2020 that runs through June 2022. The lease calls for monthly payments of \$1,700. The second tenant has a lease that ran May 2015 through June 2020. The lease called for monthly payments of \$6,552 in 2020. The tenant is also responsible for real estate taxes assessed for the space. In May 2020 the Athenaeum waived claim for back rent due of \$19,653. In June 2020 the Athenaeum reduced monthly rent to half, \$3,276, beginning August 2020. In September 2020 the Athenaeum adjusted the monthly payment of rent and taxes to a total of \$3,668 per month. The lease was converted to a month to month lease during 2020. Total rent received under these leases was \$62,286 for the year ending December 31, 2020.

Future lease revenue is as follows for the year ending December 31,:

2021	\$ 20,400
2022	<u>10,200</u>
	<u>\$ 30,600</u>

Note 6 - Restrictions and Limitations of Net Asset Balances

Net assets with donor restrictions consisted of the following at December 31, 2020:

Subject to expenditure for specified purpose or passage of time:

Anne Howells Fund	\$ 30,747
George I Pierce Fund	15,466
Judith Udaloy Fund	13,969
Warren portrait reserve	<u>6,001</u>
Total Net Assets with Donor Restrictions	<u>\$ 66,183</u>

Net assets without donor restrictions consisted of the following at December 31, 2020:

Board Designated:	
Warrick Collections	\$ 1,243,496
Book Fund	55,370
Jane Porter	9,481
Board Reserve	414,402
Building Maintenance	97,476
D Margeson	40,389
Ingmire Fund	28,571
Designated Fund	54,813
Operating Fund	<u>147,784</u>
Total Board Designated	2,091,782
Undesignated	<u>1,213,413</u>
	<u>\$ 3,305,195</u>

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 6 - Restrictions and Limitations of Net Asset Balances (continued)

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors were as follows:

Warren portrait reserve	\$ 1,400
Anne Howells Fund	624
George I Pierce Fund	308
Judith Udaloy Fund	<u>359</u>
Total net assets released from restrictions	<u>\$ 2,691</u>

Note 7 - Fair Values of Assets

Effective January 1, 2008, the Athenaeum adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under Generally Accepted Accounting Principles. *Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. *Fair Value Measurements* requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. *Fair Value Measurements* also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 7 - Fair Values of Assets (continued)

For the year ended December 31, 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Athenaeum's investments at fair value at December 31, 2020.

<u>Description</u>	<u>Fair Values</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Corporate Fixed Income	\$ 208,723	\$ 208,723	\$ -	\$ -
Mutual Funds	840,985	840,985	-	-
ETFs	382,625	382,625	-	-
Stocks	<u>382,660</u>	<u>382,660</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 1,814,993</u>	 <u>\$ 1,814,993</u>	 <u>\$ -</u>	 <u>\$ -</u>

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 8 - 403(b) Retirement Plan

The Athenaeum offers all of its employees the opportunity to contribute toward retirement through a 403(b) plan after 90 days of service. The Athenaeum did not make any matching contributions for the year ended December 31, 2020.

Note 9 - Liquidity and Availability of Resources

The Athenaeum has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash	\$ <u>131,988</u>
Total	\$ <u>131,988</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of the Athenaeum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 10 - Uncertainty

Starting in March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Most sectors are experiencing disruption to business operations and may feel further impact from COVID-19. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Athenaeum as of **April 23, 2021**, management believes that a material impact on the Athenaeum's financial position and results of future operations is reasonably possible.

The U.S. government has responded with several phases of relief legislation as a response to the COVID-19 outbreak. The initial legislation was enacted into law on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and later by the Consolidated Appropriations Act of 2021, to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorizes emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans, 2) provides additional funding for grants and technical assistance, 3) delays due dates for employer payroll taxes and estimated tax payments for organizations, and 4) revises provisions of the Internal Revenue Code (or IRC if defined elsewhere), including those related to losses, charitable deductions, and business interest. The Consolidated Appropriations Act of 2021 continued or expanded many of the CARES Act initiatives. The Athenaeum applied for and received a loan of \$40,900 under the CARES Act. The expenditure of the proceeds is subject to certain terms and conditions which may result in the loan being partially or fully forgiven. The Athenaeum applied for full forgiveness which was granted in November 2020. The loan has met the criteria for inclusion in income as of December 31, 2020. Further effects of these Acts on the Athenaeum's financial statements have not yet been determined.

Note 11 - Subsequent Events

Subsequent events have been evaluated by management through April 23, 2021, which is the date the financial statements were available to be issued. There were no material subsequent events as of April 23, 2021 that require disclosure in the financial statements.