



FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

PROPRIETORS PORTSMOUTH ATHENAEUM
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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May 30, 2023

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, 2022, 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, 2022

ASSETS

CURRENT ASSETS

Cash	\$	973,156
Investments		1,439,689
Prepaid expenses		6,928
Total Current Assets		<u>2,419,773</u>

PROPERTY AND EQUIPMENT, net 1,108,499

Total Assets \$ 3,528,272

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deposits	\$	4,398
Prepaid assessments		65,100
Total Current Liabilities		<u>69,498</u>
Total Liabilities		<u>69,498</u>

NET ASSETS

Net assets without restrictions:		
Board designated		1,984,694
Undesignated		1,409,112
Net assets with restrictions		<u>64,968</u>
Total Net Assets		<u>3,458,774</u>

Total Liabilities and Net Assets \$ 3,528,272

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, 2022

	Net Assets Without Restrictions	Net Assets with Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 215,594	\$ 2,095	\$ 217,689
Proprietor assessments	123,593	-	123,593
Investment income (loss), net	(263,842)	(8,047)	(271,889)
Sales	1,147	-	1,147
Special purpose income	43,716	-	43,716
Rental income	92,550	-	92,550
Other income	2,180	-	2,180
Special events	90	-	90
Net assets released from restrictions	1,538	(1,538)	-
Total Revenue and Other Support	216,566	(7,490)	209,076
EXPENSES			
Program services	303,491	-	303,491
Management and general	98,474	-	98,474
Fundraising	57,172	-	57,172
Total Expenses	459,137	-	459,137
CHANGE IN NET ASSETS	(242,571)	(7,490)	(250,061)
NET ASSETS, BEGINNING OF YEAR	3,636,377	72,458	3,708,835
NET ASSETS, END OF YEAR	\$ 3,393,806	\$ 64,968	\$ 3,458,774

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

STATEMENT OF FUNCTIONAL EXPENSES

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & staff cost	\$ 110,772	\$ 45,837	\$ 34,378	\$ 190,987
Depreciation expense	49,628	2,612	-	52,240
Maintenance	28,157	11,354	5,904	45,415
Special purpose	33,999	-	-	33,999
Other employee benefits	17,049	7,055	5,291	29,395
Collections	26,837	-	-	26,837
Utilities	7,296	7,045	3,585	17,926
Office	9,580	3,964	2,973	16,517
Insurance	10,035	5,645	-	15,680
Payroll taxes	7,884	3,262	2,447	13,593
Board reserve	-	6,570	-	6,570
Professional services	-	4,568	-	4,568
Printing	1,054	562	1,794	3,410
Grant expense	1,200	-	-	1,200
Special events	-	-	800	800
Total Expenses	<u>\$ 303,491</u>	<u>\$ 98,474</u>	<u>\$ 57,172</u>	<u>\$ 459,137</u>

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

STATEMENT OF CASH FLOWS

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (250,061)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	52,240
Realized and unrealized (gains) losses	315,745
Changes in operating assets and liabilities:	
Accounts receivable	562
Prepaid expenses	373
Accounts payable	(1,062)
Prepaid assessments	5,100
Deferred revenue	(19,713)
Net cash provided by (used in) operating activities	<u>103,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	940,058
Purchases of investments	(678,810)
Payments for purchase of property and equipment	<u>(58,390)</u>
Net cash provided by (used in) investing activities	<u>202,858</u>
NET INCREASE (DECREASE) IN CASH	306,042
CASH, BEGINNING OF YEAR	<u>667,114</u>
CASH, END OF YEAR	<u><u>\$ 973,156</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:	
Interest expense paid	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no noncash investing or financing activities for the year ended December 31, 2022.

See Notes to Financial Statements

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2022.

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, 2022. The Athenaeum does not require collateral when extending credit.

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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 \$52,240 for the year ending December 31, 2022.

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, utilities, printing, insurance, maintenance 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, 2022

Note 3 - Investments

The fair market value of investments consists of the following at December 31, 2022:

Corporate Fixed Income	\$ 377,231
Mutual Funds	543,686
ETFs	263,449
Stocks	<u>255,323</u>
Total	<u>\$ 1,439,689</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

	Net Assets without Restriction	Net Assets with Restrictions	Total
Interest and dividend income	\$ 59,104	\$ 1,770	\$ 60,874
Investment advisory fees	(16,486)	(532)	(17,018)
Realized and unrealized gains (losses)	<u>(306,460)</u>	<u>(9,285)</u>	<u>(315,745)</u>
Total Investment Return	<u>\$ (263,842)</u>	<u>\$ (8,047)</u>	<u>\$ (271,889)</u>

Note 4 - Property and Equipment

The following summarized property and equipment at December 31, 2022:

Land	\$ 42,100
Building and improvements	1,839,444
Furniture and fixtures	53,102
Equipment	<u>97,497</u>
	2,032,143
Accumulated depreciation	<u>(923,644)</u>
Property and Equipment, net	<u>\$ 1,108,499</u>

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Note 5 - Leases

The Athenaeum's leasing activities consist primarily of leasing real property through operating leases. The Athenaeum's leases do not provide options for the lessees to purchase the assets or to extend the terms.

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC Topic 842, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Athenaeum reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed.

The Athenaeum leases space to two tenants. One tenant entered into a one and a half year lease for the space in December 2020 that ran through June 2022, extended through June 2023 in May 2022. The lease calls for monthly payments of \$1,700. Anticipated rental receipts under this lease for the year ended December 31, 2023 are \$10,200. The second tenant entered into a one year lease October 2021 through September 2022 that called for monthly payments of \$6,000. The lease converted to a month-to-month lease starting in October 2022. Total rent received under these leases was \$92,400 for the year ending December 31, 2022.

Note 6 - Restrictions and Limitations of Net Asset Balances

Net assets with donor restrictions consisted of the following at December 31, 2022:

Subject to expenditure for specified purpose or passage of time:

Anne Howells Fund	\$ 28,729
George I Pierce Fund	15,564
Judith Udaloy Fund	12,899
Warren portrait reserve	<u>7,776</u>
Total Net Assets with Donor Restrictions	<u>\$ 64,968</u>

Net assets without donor restrictions consisted of the following at December 31, 2022:

Board Designated:	
Warrick Collections	\$ 1,166,684
Book Fund	56,215
Jane Porter	9,043
Board Reserve	394,437
Building Maintenance	92,896
D Margeson	37,865
Ingmire Fund	26,809
Designated Fund	62,463
Operating Fund	<u>138,282</u>
Total Board Designated	1,984,694
Undesignated	<u>1,409,112</u>
	<u>\$ 3,393,806</u>

PROPRIETORS PORTSMOUTH ATHENAEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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:

Anne Howells Fund	\$ 763
George I Pierce Fund	331
Judith Udaloy Fund	<u>444</u>
Total net assets released from restrictions	<u>\$ 1,538</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, 2022

Note 7 - Fair Values of Assets (continued)

For the year ended December 31, 2022, 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, 2022.

<u>Description</u>		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>Fair Values</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Corporate Fixed Income	\$ 377,231	\$ 377,231	\$ -	\$ -
Mutual Funds	543,686	543,686	-	-
ETFs	263,449	263,449	-	-
Stocks	<u>255,323</u>	<u>255,323</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,439,689</u>	<u>\$ 1,439,689</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, 2022.

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>\$ 363,183</u>
Total	<u>\$ 363,183</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.

Note 10 - Subsequent Events

Subsequent events have been evaluated by management through May 30, 2023, which is the date the financial statements were available to be issued. There were no material subsequent events as of May 30, 2023 that require disclosure in the financial statements.