

***MONROE COUNTY HISTORICAL  
ASSOCIATION AND AFFILIATED  
ENDOWMENT TRUST***

**CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2016 and 2015**

**MONROE COUNTY HISTORICAL ASSOCIATION  
AND AFFILIATED ENDOWMENT TRUST**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

*Monroe County Historical Association**Monroe County Historical Association Endowment Trust*

Stroudsburg, Pennsylvania

Frank M. Brown, CPA  
*Emeritus*John A. Savchak, CPA, CVA  
*Emeritus*

We have audited the accompanying consolidated financial statements of Monroe County Historical Association (a non-profit corporation) and Affiliated Endowment Trust, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

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*Strength in Numbers*

the purpose of expressing an opinion on the effectiveness of the entities' 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 consolidated financial statements.

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

### **Basis for Qualified Opinion**

As disclosed in Note 1 to the consolidated financial statements, the Organizations value certain fixed assets at their insured values with no provision for depreciation. Accounting principles generally accepted in the United States of America require fixed assets to be valued at cost if purchased, or fair market value at the date of contribution if contributed, with a provision for depreciation. The Organizations also value certain collections and artifacts at insured value. Accounting principles generally accepted in the United States of America require that collections and artifacts be valued at cost if purchased, or fair market value at the date of contribution if contributed.

### **Opinion**

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monroe County Historical Association and Affiliated Endowment Trust as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Regan, Levin, Bloss, Brown & Savchak, P.C.*

November 8, 2017

**MONROE COUNTY HISTORICAL ASSOCIATION  
AND AFFILIATED ENDOWMENT TRUST**

**Consolidated Statements of Financial Position  
December 31, 2016 and 2015**

<b>Assets</b>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 455,100	\$ 228,487
Restricted cash - Trust	21,524	93,304
Retail inventory	3,659	4,034
Investments - Trust	1,230,741	1,123,309
Other investments	515	259
Prepaid expense	3,189	1,000
Buildings and equipment, net	486,023	480,394
Collections and artifacts	448,708	448,708
 Total assets	 <u>\$ 2,649,459</u>	 <u>\$ 2,379,495</u>

**Liabilities and Net Assets**

Liabilities:		
Accounts payable	\$ 8,887	\$ —
Sales tax payable	32	45
 Total liabilities	 <u>8,919</u>	 <u>45</u>
Net assets:		
Unrestricted:		
Designated by the Board	2,848	4,261
Undesignated	1,202,805	968,645
 Total unrestricted net assets	 <u>1,205,653</u>	 <u>972,906</u>
Temporarily restricted	1,434,887	1,406,544
 Total net assets	 <u>2,640,540</u>	 <u>2,379,450</u>
 Total liabilities and net assets	 <u>\$ 2,649,459</u>	 <u>\$ 2,379,495</u>

*See accompanying notes to consolidated financial statements.*

**MONROE COUNTY HISTORICAL ASSOCIATION  
AND AFFILIATED ENDOWMENT TRUST**

**Consolidated Statements of Activities  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, support and reclassifications:			
Grants	\$ 32,000	\$ 5,000	\$ 37,000
Contributions	223,796	14,825	238,621
Memberships	14,245	—	14,245
Retail sales	1,320	—	1,320
Program service fees	6,256	—	6,256
Special events	65,503	—	65,503
Net investment return	—	40,166	40,166
Interest and dividends	350	27,569	27,919
Total revenues, gains and support	<u>343,470</u>	<u>87,560</u>	<u>431,030</u>
Net assets released from restrictions	<u>59,217</u>	<u>(59,217)</u>	<u>—</u>
Total revenues, gains, support and reclassifications	<u>402,687</u>	<u>28,343</u>	<u>431,030</u>
Expenses:			
Program services	84,636	—	84,636
General and administrative	35,315	—	35,315
Fund-raising	26,267	—	26,267
Direct costs	23,722	—	23,722
Total expenses	<u>169,940</u>	<u>—</u>	<u>169,940</u>
Changes in net assets	232,747	28,343	261,090
Beginning net assets	<u>972,906</u>	<u>1,406,544</u>	<u>2,379,450</u>
Ending net assets	<u>\$ 1,205,653</u>	<u>\$ 1,434,887</u>	<u>\$ 2,640,540</u>

*See accompanying notes to consolidated financial statements.*

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	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, support and reclassifications:			
Grants	\$ 26,699	\$ 68,635	\$ 95,334
Contributions	115,809	28,889	144,698
Memberships	15,035	—	15,035
Retail sales	1,554	—	1,554
Program service fees	4,488	—	4,488
Special events	63,085	—	63,085
Net investment return	(49)	(40,592)	(40,641)
Interest and dividends	394	20,408	20,802
Total revenues, gains and support	<u>227,015</u>	<u>77,340</u>	<u>304,355</u>
Net asset reclassification	(67,553)	67,553	—
Net assets released from restriction	<u>124,410</u>	<u>(124,410)</u>	<u>—</u>
Total revenues, gains, support and reclassifications	<u>283,872</u>	<u>20,483</u>	<u>304,355</u>
Expenses:			
Program services	90,025	—	90,025
General and administrative	25,992	—	25,992
Fund-raising	25,996	—	25,996
Direct costs	<u>28,410</u>	<u>—</u>	<u>28,410</u>
Total expenses	<u>170,423</u>	<u>—</u>	<u>170,423</u>
Changes in net assets	113,449	20,483	133,932
Beginning net assets	<u>859,457</u>	<u>1,386,061</u>	<u>2,245,518</u>
Ending net assets	<u>\$ 972,906</u>	<u>\$ 1,406,544</u>	<u>\$ 2,379,450</u>

**MONROE COUNTY HISTORICAL ASSOCIATION  
AND AFFILIATED ENDOWMENT TRUST**

**Consolidated Statements of Functional Expenses  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>				
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Direct Costs</u>	<u>Total</u>
Payroll	\$ 34,755	\$ 13,902	\$ 20,853	\$ —	\$ 69,510
Payroll taxes	3,131	1,252	1,879	—	6,262
Occupancy	9,507	1,188	1,188	—	11,883
Retail inventory costs	—	—	—	375	375
Professional fees	—	12,342	—	—	12,342
Office supplies	4,214	1,158	1,736	—	7,108
Postage	1,018	407	611	—	2,036
Insurance	8,147	31	—	—	8,178
Special events	—	—	—	23,347	23,347
Maintenance and repairs	4,176	7	—	—	4,183
Dues	1,538	—	—	—	1,538
Marketing and meetings	1,133	5,028	—	—	6,161
Depreciation	17,017	—	—	—	17,017
	<u>\$ 84,636</u>	<u>\$ 35,315</u>	<u>\$ 26,267</u>	<u>\$ 23,722</u>	<u>\$ 169,940</u>

*See accompanying notes to consolidated financial statements.*



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	<u>2015</u>				
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Direct Costs</u>	<u>Total</u>
Payroll	\$ 33,695	\$ 13,478	\$ 20,217	\$ —	\$ 67,390
Payroll taxes	2,972	1,189	1,783	—	5,944
Occupancy	11,598	1,450	1,450	—	14,498
Retail inventory costs	—	—	—	1,932	1,932
Professional fees	—	7,384	—	—	7,384
Office supplies	5,593	1,414	1,973	—	8,980
Postage	956	382	573	—	1,911
Insurance	7,242	86	—	—	7,328
Special events	—	—	—	26,478	26,478
Maintenance and repairs	10,525	98	—	—	10,623
Dues	1,943	—	—	—	1,943
Marketing and meetings	280	511	—	—	791
Depreciation	15,221	—	—	—	15,221
	<u>\$ 90,025</u>	<u>\$ 25,992</u>	<u>\$ 25,996</u>	<u>\$ 28,410</u>	<u>\$ 170,423</u>

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Consolidated Statements of Cash Flows  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 261,090	\$ 133,932
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	17,017	15,221
Donated stock	(515)	(2,059)
Donated collections	—	(20,233)
Contributions restricted for long-term investment	(4,825)	(89,127)
Investment (income) loss restricted for long-term purpose	(67,733)	20,184
Net unrealized and realized (gains) losses on investments	(40,166)	40,641
(Increase) decrease in:		
Prepaid expenses	(2,189)	(1,000)
Inventory	375	1,932
Increase (decrease) in:		
Accounts payable	8,887	—
Sales tax payable	(13)	(11)
Net cash provided by operating activities	<u>171,928</u>	<u>99,480</u>
Cash flows from investing activities:		
Purchase of fixed assets	(22,646)	(95,266)
Redemption (purchase) of investments, net	4,748	(80,321)
Redemption (purchase) of assets restricted for investment in Trust	25	(25)
Net cash used in investing activities	<u>(17,873)</u>	<u>(175,612)</u>

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Consolidated Statements of Cash Flows, Continued  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	4,825	89,127
Investment income (loss) restricted for long-term purpose	<u>67,733</u>	<u>(20,184)</u>
Net cash provided by financing activities	<u>72,558</u>	<u>68,943</u>
Net increase (decrease) in cash and cash equivalents	226,613	(7,189)
Cash and cash equivalents, beginning	<u>228,487</u>	<u>235,676</u>
Cash and cash equivalents, ending	\$ <u><u>455,100</u></u>	\$ <u><u>228,487</u></u>

*See accompanying notes to consolidated financial statements.*

# **MONROE COUNTY HISTORICAL ASSOCIATION AND AFFILIATED ENDOWMENT TRUST**

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## **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

### 1. Nature of Activities and Summary of Significant Accounting Policies:

#### Nature of Activities

Monroe County Historical Association (Association) is a 501(c)(3) non-profit corporation organized under the laws of the Commonwealth of Pennsylvania. Monroe County Historical Association was formed to promote the discovery, collection, preservation and publication of the history of and the historical records relating to Monroe County, Pennsylvania. The Association is a cultural and learning center that assists our diverse community of residents and visitors in connecting the County's past with the present.

Monroe County Historical Association Endowment Trust (Trust) is a 501(c)(3) public charity corporation organized under the laws of the Commonwealth of Pennsylvania. The Organization was established as a trust solely to provide support to Monroe County Historical Association.

#### Basis of Consolidation

The accompanying consolidated financial statements include the financial position, changes in net assets, and cash flows of the Association and the Trust (Organizations) because the Association has both sole control and economic interest in the Trust. Interorganizational transactions and accounts have been eliminated in consolidation.

#### Financial Statement Presentation

The Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Accounting Method

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

#### Departures from Generally Accepted Accounting Principles

Buildings, furniture and equipment acquired by contribution on or before December 31, 1989, are valued at insured values. No depreciation is recognized on buildings, furniture and equipment valued at insured values.

# **MONROE COUNTY HISTORICAL ASSOCIATION AND AFFILIATED ENDOWMENT TRUST**

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## **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

### 1. Nature of Activities and Summary of Significant Accounting Policies, Continued:

#### Departures from Generally Accepted Accounting Principles, Continued

Generally accepted accounting principles require buildings, furniture and equipment to be valued at cost, if purchased, or at fair market value at date of contribution if contributed, and that depreciation be recognized in the consolidated financial statements.

Collections of artifacts and fine art acquired on or before December 31, 1995, are recorded at their insured values. Generally accepted accounting principles require that such assets be valued at cost if purchased, or fair market value at the date of contribution if contributed.

The Organizations have not quantified the effects of these departures from generally accepted accounting principles.

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organizations consider all highly-liquid investments with an initial maturity of three months or less, other than money market funds which are restricted, to be cash equivalents.

#### Certificates of Deposit

Certificates of deposit totaled \$3,000 at December 31, 2016 and 2015. Certificates of deposit are included in cash and cash equivalents in the accompanying consolidated financial statements. The certificates bore interest at .75% and .45% for the years ended December 31, 2016 and 2015, respectively. Any penalties for early withdrawal would not have a material effect on the consolidated financial statements.

#### Inventory

Inventory consists of books and miscellaneous items for retail sale and is stated at the lower of cost or market using the first-in, first-out method.

#### Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

1. Nature of Activities and Summary of Significant Accounting Policies, Continued:

Fixed Assets

Fixed asset acquisitions valued in excess of \$2,000 are capitalized.

Buildings, furniture and equipment acquired by contribution on or before December 31, 1989, are valued at insured values. No depreciation is recognized on buildings, furniture and equipment valued at insured values.

Buildings, furniture and equipment purchased after December 31, 1989, are valued at cost. Donations of furniture and equipment received after December 31, 1989, are recorded as contributions at their estimated fair value. Depreciation for buildings, furniture and equipment valued at cost or estimated fair value (acquired after December 31, 1989) is recognized over the estimated useful lives of the buildings (40 years) and furniture and equipment (5-12 years) using the straight-line method.

Collections and Artifacts

Items included in the collection of artifacts and fine art acquired on or before December 31, 1995, are recorded at their insured values. Acquisitions after December 31, 1995, are valued at their fair market value on the date of acquisition.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

**MONROE COUNTY HISTORICAL ASSOCIATION  
AND AFFILIATED ENDOWMENT TRUST**

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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

1. Nature of Activities and Summary of Significant Accounting Policies, Continued:

Contributions, Continued

Contributions of non-cash assets are recorded at their fair values in the period received. When services that create or enhance non-financial assets, or require specialized skills, are contributed by individuals possessing those skills, which would typically need to be purchased if not provided by donation, such services are recorded at their fair values in the period received.

Investment Income, Gains and Losses

Investment income is reported as an increase in unrestricted net assets unless the donors place restrictions on the use of the income. If the income is restricted, it is reported as an increase in temporarily or permanently restricted net assets in accordance with the nature of the restriction. Gains and losses are reflected as increases or decreases in unrestricted net assets unless the donors place temporary or permanent restrictions on the gains and losses. Investment income is reported net of investment advisory expenses.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to most functions are allocated based on the staff time dedicated to each of the functional areas.

Compensated Absences

Full time employees of the Association are entitled to paid vacation, sick days and personal days, depending on length of service and other factors. These compensated absences do not accrue or carryover to the next year, therefore no accrual has been included in these consolidated financial statements.

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

1. Nature of Activities and Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk

The Association maintains cash in demand deposit accounts with federally-insured banks. At times, the balances in these accounts may be in excess of the \$250,000 federally-insured limit. The Association does not believe that it is exposed to any significant credit risk in connection with cash and cash equivalents. At December 31, 2016, the Association's uninsured balance totaled \$14,001. There were no uninsured balances at December 31, 2015.

Income Tax Status

The Organizations are not-for-profit organizations that are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Therefore, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. The Organizations evaluate their tax positions in accordance with guidance on accounting for uncertainty in income taxes contained in Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC 740-10-25).

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Accordingly, results could differ from those estimates.

Subsequent Events

The Organizations have evaluated events and transactions subsequent to December 31, 2016, for items that could potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through November 8, 2017, the date these consolidated financial statements were available to be issued.



**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

2. Concentration of Financial Dependency:

The Association is financially dependent on funding received from relatively few governmental and governmental-pass-through entities. In addition to governmental funding, the Organizations receive funds from community and corporate contributors.

3. Fixed Assets:

Fixed assets and accumulated depreciation consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Buildings and improvements at insured values	\$ 85,397	\$ 85,397
Buildings and improvements valued at cost	536,223	528,923
Furniture and equipment at insured values	77,948	71,501
Furniture and equipment valued at cost	<u>28,876</u>	<u>28,876</u>
	728,444	714,697
Less accumulated depreciation	<u>242,421</u>	<u>234,303</u>
Buildings and equipment, net	\$ <u>486,023</u>	\$ <u>480,394</u>

4. Collections and Artifacts:

Collections and artifacts are detailed as follows at December 31:

	<u>2016</u>	<u>2015</u>
Valued at insured values	\$ 390,000	\$ 390,000
Valued at fair value on date acquired	<u>58,708</u>	<u>58,708</u>
	\$ <u>448,708</u>	\$ <u>448,708</u>

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

5. Unrestricted Board Designated Net Assets:

An acquisition fund has been established by the Board of Directors of the Association. All proceeds from the deaccession of collections and artifacts shall be used to either benefit the collection or in another manner to be determined by the Board. The amounts designated by the Association's Board were \$2,848 and \$4,261 as of December 31, 2016 and 2015, respectively.

6. Temporarily Restricted Net Assets:

Net assets which are temporarily restricted are the result of donor designated funds. Earnings, fees and net appreciation of these funds are recorded as unrestricted or temporarily restricted in accordance with donor restrictions or the laws of the Commonwealth of Pennsylvania.

Temporarily restricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
The Preservation Fund has been established for the preservation of the three historic structures owned by the Association.	\$ 8,117	\$ 8,867
The Life Fund has been established to provide earnings for use in operations while the original contribution remains restricted until death of the donor. The Association is no longer accepting contributions for this Fund.	3,000	3,000
The Robacker Fund has been established in memory of Ada and Earl Robacker for the acquisition and preservation of German artifacts and exhibits.	<u>277</u>	<u>940</u>
Carried forward	11,394	12,807

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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

6. Temporarily Restricted Net Assets, Continued:

	<u>2016</u>	<u>2015</u>
Brought forward	11,394	12,807
The Dunning Library Fund has been established to improve and maintain the Association's library	167,461	176,059
Capital Projects Fund has been established for capital improvements	2,702	—
Various grants with donor designated restrictions	<u>1,065</u>	<u>1,065</u>
Temporarily restricted net assets – Association	182,622	189,931
Temporarily restricted net assets – Endowment Trust (See Note 7).	<u>1,252,265</u>	<u>1,216,613</u>
	<u>\$ 1,434,887</u>	<u>\$ 1,406,544</u>

7. Endowment Trust:

The Endowment Trust was established for the sole benefit of Monroe County Historical Association to support salaries and capital improvements. Because the Trust is donor-restricted, it is classified and reported as temporarily restricted.

The Organizations have a spending policy of appropriating for distribution each year 4% of the Trust's average fair value of the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organizations considered the long-term expected investment return of the Trust. Accordingly, over the long term, the Organizations expect the current spending policy to allow the Trust to grow at an average of 4% annually. This is consistent with the Organizations' objective to maintain the purchasing power of the Trust's assets as well as to provide additional real growth through investment return.

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

7. Endowment Trust, Continued:

To achieve that objective, the Organizations have adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Trust assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the Trust if possible. Accordingly, the Organizations expect the Trust assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total Trust; investment assets and allocation between asset classes and strategies are managed to not expose the Trust to unacceptable levels of risk.

The changes in the fair value of Trust assets for the years ended December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Fair Value of Trust assets:		
Beginning of year	\$ 1,216,613	\$ 1,174,813
Contributions	4,825	89,127
Capital gains	5,194	14,019
Realized gain (loss)	(30,151)	35,405
Investment fees	(12,242)	(9,668)
Unrealized gain (loss)	77,365	(80,348)
Interest and dividends	27,567	20,408
Filing and professional fees	(3,180)	(1,159)
Released from restriction	<u>(33,726)</u>	<u>(25,984)</u>
End of year	<u>\$ 1,252,265</u>	<u>\$ 1,216,613</u>

8. Net Investment Income:

Investment income is reported net of investment advisory expenses of \$12,242 and \$9,668 for the years ended December 31, 2016 and 2015, respectively.

# **MONROE COUNTY HISTORICAL ASSOCIATION AND AFFILIATED ENDOWMENT TRUST**

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## **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

### 9. Fair Value Measurements:

The framework for measuring fair value 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 (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.

Level 2 inputs to the valuation methodology include:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in active markets;
- inputs other than quoted prices that are observable for the asset;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

*Common stocks:* Common stocks are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded. The common stocks held by the Organizations are deemed to be actively traded.

**MONROE COUNTY HISTORICAL ASSOCIATION  
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**Notes to Consolidated Financial Statements  
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9. Fair Value Measurements, Continued:

*Mutual funds and exchange-traded funds:* Mutual funds and exchange-traded funds are valued at the daily closing price as reported by the fund. Such funds held by the Organizations are open-end mutual funds and exchange-traded funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Mutual funds and exchange-traded funds held by the Organizations are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of December 31, 2016 and 2015:

	<u>Investments at Fair Value as of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equities:</b>				
Common stocks—US	\$ 405,651	\$ —	\$ —	\$ 405,651
Common stock—REIT	1,944	—	—	1,944
Common stock— foreign equities	<u>20,824</u>	<u>—</u>	<u>—</u>	<u>20,824</u>
Total equities	<u>428,419</u>	<u>—</u>	<u>—</u>	<u>428,419</u>
<b>Mutual funds:</b>				
Commodities	24,650	—	—	24,650
US bonds/agency	160,555	—	—	160,555
Corporate bonds	222,204	—	—	222,204
International equities	210,763	—	—	210,763
International fixed income	36,864	—	—	36,864
Small Cap equities	49,450	—	—	49,450
Mid Cap equities	<u>98,351</u>	<u>—</u>	<u>—</u>	<u>98,351</u>
Total mutual funds	<u>802,837</u>	<u>—</u>	<u>—</u>	<u>802,837</u>
Total investments at fair value	<u>\$ 1,231,256</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,231,256</u>

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9. Fair Value Measurements, Continued:

	<u>Investments at Fair Value as of December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
Common stocks–US	\$ 366,592	\$ —	\$ —	\$ 366,592
Common stock–REIT	2,814	—	—	2,814
Common stock– foreign equities	<u>18,938</u>	<u>—</u>	<u>—</u>	<u>18,938</u>
Total equities	<u>388,344</u>	<u>—</u>	<u>—</u>	<u>388,344</u>
Mutual funds:				
US bonds/agency	167,959	—	—	167,959
Corporate bonds	223,831	—	—	223,831
International equities	206,541	—	—	206,541
Small Cap equities	30,488	—	—	30,488
Mid Cap equities	<u>106,405</u>	<u>—</u>	<u>—</u>	<u>106,405</u>
Total mutual funds	<u>735,224</u>	<u>—</u>	<u>—</u>	<u>735,224</u>
Total investments at fair value	<u>\$ 1,123,568</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,123,568</u>

10. Operating Lease:

The Association leases office equipment under an operating lease. Rent expense under the lease amounted to \$1,288 in 2016 and \$1,439 in 2015.

Minimum future lease payments under the operating lease as of December 31, 2016, are:

<u>Years ending December 31</u>	
2017	\$1,288
2018	1,288
2019	1,288
2020	1,288
Thereafter	<u>107</u>
	<u>\$ 5,259</u>