

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
AND
INDEPENDENT AUDITOR'S REPORT

MARTHA'S VINEYARD MUSEUM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Martha's Vineyard Museum, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Martha's Vineyard Museum, Inc. (the "Museum") which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martha's Vineyard Museum, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Martha's Vineyard Museum, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bollus Lynch, LLP

Worcester, Massachusetts
June 16, 2021

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(With Summarized Financial Information for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,190,727	\$ 1,562,822
Contributions receivable	442,604	689,994
Inventories	40,453	41,120
Prepaid expenses and other assets	<u>26,231</u>	<u>28,394</u>
Total current assets	1,700,015	2,322,330
Contributions receivable, net of current portion	368,514	575,756
Endowment investments	2,811,146	2,483,614
Property and equipment, net	<u>23,546,447</u>	<u>24,193,129</u>
	<u>\$ 28,426,122</u>	<u>\$ 29,574,829</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 419,115</u>	<u>\$ 771,108</u>
Total current liabilities	419,115	771,108
Note payable, bank	<u>6,800,000</u>	<u>7,000,000</u>
Total liabilities	<u>7,219,115</u>	<u>7,771,108</u>
Net assets		
Without donor restrictions		
Operating	720,434	492,013
Plant	16,420,989	16,867,671
With donor restrictions	<u>4,065,584</u>	<u>4,444,037</u>
Total net assets	<u>21,207,007</u>	<u>21,803,721</u>
	<u>\$ 28,426,122</u>	<u>\$ 29,574,829</u>

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

(With Summarized Financial Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Operating activities:				
Revenue, gains, and other support				
Admissions and fees	\$ 61,053	\$ -	\$ 61,053	\$ 270,072
Memberships	200,055	-	200,055	272,400
Contributions and sponsorships	746,153	140,662	886,815	429,366
Grant income	238,342	61,379	299,721	449,450
Sales	21,865	-	21,865	97,933
Special fund raising events, net of direct benefit to donors of \$2,200 in 2020 and \$236,177 in 2019	59,700	-	59,700	200,999
Lighthouse admissions and fees	21,307	-	21,307	63,994
Rental, interest and other income	6,288	556	6,844	26,148
Net assets released from restriction				
Satisfaction of purpose restrictions	409,075	(409,075)	-	-
Endowment return appropriated for operations	72,800	-	72,800	58,600
Appropriation from Capital Campaign	500,000	-	500,000	705,000
Total	2,336,638	(206,478)	2,130,160	2,573,962
Operating expenses				
Program services	1,692,368	-	1,692,368	2,028,211
Supporting services				
General and administrative	553,671	-	553,671	602,276
Membership and fundraising	173,255	-	173,255	293,304
Total	2,419,294	-	2,419,294	2,923,791
Change in net assets before depreciation expense	(82,656)	(206,478)	(289,134)	(349,829)
Depreciation expense	960,870	-	960,870	961,865
Change in net assets from operating activities	(1,043,526)	(206,478)	(1,250,004)	(1,311,694)
Non-operating activities				
Comprehensive capital campaign activities				
Capital campaign contributions	-	397,623	397,623	2,027,894
Interest income	-	1,061	1,061	777
Capital campaign and project expenses	(45,675)	-	(45,675)	(68,809)
Satisfaction of capital campaign restrictions				
Capital campaign and project expenses	92,267	(92,267)	-	-
Appropriation for operations	-	(500,000)	(500,000)	(705,000)
Other non-operating activities				
Contributions for other property related activities	100,000	442,348	542,348	263,726
Contributions for property acquisitions	-	-	-	827,500
Satisfaction of purpose restrictions	683,272	(683,272)	-	-
Endowment investment return	-	335,332	335,332	384,360
Endowment investment return appropriated for operations	-	(72,800)	(72,800)	(58,600)
Change in net assets from non-operating activities	829,864	(171,975)	657,889	2,671,848
Change in net assets before changes related to collection items	(213,662)	(378,453)	(592,115)	1,360,154
Purchase of collection items	(4,599)	-	(4,599)	(5,245)
Change in net assets	(218,261)	(378,453)	(596,714)	1,354,909
Net assets, beginning of year	17,359,684	4,444,037	21,803,721	20,448,812
Net assets, end of year	\$ 17,141,423	\$ 4,065,584	\$ 21,207,007	\$ 21,803,721

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

(With Summarized Financial Information for 2019)

	Program	General and Administrative	Membership and Fund Raising	Totals	
				2020	2019
Salaries and wages	\$ 738,545	\$ 280,838	\$ 96,603	\$ 1,115,986	\$ 1,200,751
Employee benefits	37,985	37,837	11,647	87,469	76,276
Payroll taxes	61,915	23,543	8,098	93,556	99,998
Total personnel expenses	838,445	342,218	116,348	1,297,011	1,377,025
Accounting and legal	-	20,693	-	20,693	22,029
Advertising	-	62,664	7,367	70,031	86,176
Collection and exhibits	53,357	-	-	53,357	166,998
Contract services and professional fees	14,357	59,639	1,450	75,446	68,510
Cost of sales	14,426	-	-	14,426	66,294
Dues and subscriptions	950	735	211	1,896	3,643
Insurance	60,126	6,706	1,336	68,168	53,658
Lighthouses	13,695	-	-	13,695	208,559
Occupancy					
Utilities	60,396	5,369	1,342	67,107	75,283
Landscaping	54,245	4,822	1,205	60,272	22,537
Repairs and maintenance	55,374	4,922	1,231	61,527	49,926
Interest	248,757	22,112	5,527	276,396	244,166
Printing, postage and mailing	18	190	17,155	17,363	25,203
Publications for membership	4,350	-	5,190	9,540	56,959
Programs and events	259,480	-	1,428	260,908	299,377
Supplies	1,813	1,384	4,823	8,020	23,143
Travel	221	135	-	356	3,158
Technology	9,821	10,506	-	20,327	49,073
Other	2,537	11,576	8,642	22,755	22,074
Total operating expenses before depreciation and amortization	1,692,368	553,671	173,255	2,419,294	2,923,791
Depreciation and amortization	864,783	76,870	19,217	960,870	961,865
Total operating expenses	2,557,151	630,541	192,472	3,380,164	3,885,656
Special fundraising event expenses	-	-	2,200	2,200	236,177
Capital campaign and project expenses					
Contracted services	10,591	-	-	10,591	53,275
Repairs and small equipment	30,917	-	-	30,917	343
Other expenses	4,167	-	-	4,167	15,191
Total capital campaign and project expenses	45,675	-	-	45,675	68,809
Total functional expenses	\$ 2,602,826	\$ 630,541	\$ 194,672	\$ 3,428,039	\$ 4,190,642

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

(With Summarized Financial Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (596,714)	\$ 1,354,909
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustments related to operating activities:		
Depreciation and amortization	960,870	961,865
Net investment (gain) loss	(240,950)	(323,770)
Forgiveness of PPP loan	(238,342)	-
Uncollectible accounts expense	-	50,000
Changes in operating assets and liabilities:		
Contributions receivable	111,245	(206,268)
Inventories	667	(4,628)
Prepaid expenses and other assets	2,163	39,237
Accounts payable and accrued liabilities	(11,993)	(10,965)
Adjustments related to capital campaign activities:		
Revenue restricted for capital activities	(397,623)	(2,821,878)
Revenue restricted for endowment investment	-	(297,242)
Capital campaign and project expenses	<u>45,675</u>	<u>68,809</u>
Total adjustments	<u>231,712</u>	<u>(2,544,840)</u>
Net cash used in operating activities	<u>(365,002)</u>	<u>(1,189,931)</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(654,188)	(3,095,880)
Purchases of endowment investments	(159,382)	(335,590)
Proceeds from sales of endowment investments	72,800	58,600
Capital campaign and project expenses	<u>(45,675)</u>	<u>(68,809)</u>
Net cash used in investing activities	<u>(786,445)</u>	<u>(3,441,679)</u>
Cash flows from financing activities:		
Proceeds from (payments of) note payable, bank	(200,000)	600,000
Proceeds of PPP loan	238,342	-
Contributions collected for endowment investment	-	340,157
Contributions collected for capital activities	<u>741,010</u>	<u>4,086,893</u>
Net cash provided by financing activities	<u>779,352</u>	<u>5,027,050</u>
Net increase (decrease) in cash and cash equivalents	(372,095)	395,440
Cash and cash equivalents, beginning of year	<u>1,562,822</u>	<u>1,167,382</u>
Cash and cash equivalents, end of year	<u>\$ 1,190,727</u>	<u>\$ 1,562,822</u>
Supplemental disclosures of cash flows information is as follows		
Cash paid during the year for :		
Interest	\$ 276,307	\$ 244,166

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

The Martha's Vineyard Museum was founded in 1922 and incorporated as the Dukes County Historical Society, Inc. on July 12, 1923. On August 19, 1996, the corporate name was changed to Martha's Vineyard Historical Society, Inc. (the "Society"). During 2006, the Board of Directors authorized the use of the name "Martha's Vineyard Museum" while retaining its corporate name. During 2010, the Board of Directors changed the corporate name to Martha's Vineyard Museum, Inc. (the "Museum"). The mission of the Martha's Vineyard Museum is to inspire all people to discover, explore, and strengthen their connections to this island and its diverse heritage.

During 2018 the Museum completed its relocation to its new campus in Vineyard Haven. The more than 4 acre campus is developed around the historic 1895 Marine Hospital and also includes an attached pavilion housing a First Order Fresnel Lens and a separate building for displaying large collection items such as boats and wagons. The Museum retained a portion of the previous Edgartown campus containing the historic Cooke House to be developed as a historic home and garden. The Museum also has stewardship of the Edgartown and East Chop lighthouses. The Museum has permanent and changing exhibits that explore the history, culture, art, natural history and landscape of Martha's Vineyard Island. The Museum also offers a broad range of adult and children's educational programs, exhibits and events to members and the general public.

Construction and Relocation to the New Campus - Following purchase of the property in Vineyard Haven in 2011, preparation of the concept design for the new campus in 2014, detailed architectural planning in 2016 and steady progress in the fund raising described below, the Museum started construction on the new campus in mid-2017. As first steps, the Museum satisfied all town and island approvals, completed archaeological explorations and addressed hazardous material abatement in the historic Marine Hospital to be renovated. Total project construction and non-construction costs were approximately \$19,750,000 and were primarily presented as expenditures for property and equipment, with some shown as expenses. The move from Edgartown to the new campus was completed in 2018, with completion of the construction process and set up of exhibition space in early 2019.

New Museum Opening - On March 13, 2019, the Museum completed the long planning and development process for its new campus and opened its doors for the public. The first year was formally kicked off with a Grand Opening Celebration on June 29, 2019, with over 500 for dinner under a tent on the front lawn capped off by fireworks. The first year of operations provided greatly increased exhibit and programming activities, including a Thomas Hart Benton art exhibit with valuable works loaned from around the country. This produced results that well surpassed expectations with over 25,000 visitors for the year, greatly increased attendance at Museum activities and significant growth in memberships.

Comprehensive capital campaign -- To raise funds for the relocation of its campus to the property in Vineyard Haven, the Museum initiated a Comprehensive Capital Campaign in late 2012. The Campaign raised funds for three objectives: construction of facilities, additions to the Museum's endowment, and funding for operations support and program expansion during the period of planning and transition to the new location. Contributions to the general campaign were also appropriated for operations by the Board in accordance with the planned objectives and budget for the Campaign. The Comprehensive Capital Campaign continued formally through the end of 2018, and by the end of that year approximately \$22,250,000 had been raised. Fundraising efforts continued informally, and the Museum raised \$397,623 and \$2,027,894 in cash and pledges in 2020 and 2019, respectively, which are included in the financial statements. In addition, beyond these amounts, the Museum has intentions to give of \$95,000 through letters of intent or pledges with certain conditions in 2020.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - DESCRIPTION OF ORGANIZATION (Continued)

Bank Loan Agreement - During 2017 the Museum reached agreement with a local bank to lend the Museum up to \$6,000,000 to help manage the timing differences for construction project costs and receipt of pledge payments and proceeds from real estate sales. This bank agreement terminates in July, 2022. The purpose of the bank loan is only to help manage cash flow during the construction period. In June, 2018 the level of borrowing availability was increased to \$10,000,000, and with repayments the level of borrowing availability was reduced to \$7,800,000 by the end of 2020. At the end of 2020 there was \$6,800,000 in borrowings outstanding, but the Museum does not anticipate having any outstanding loan balance when fundraising is completed.

Sale of Edgartown Property - Two parcels of the existing Edgartown Museum property totaling almost 22,000 square feet were sold in late 2018 for net proceeds of \$3,557,665 plus a deposit of \$200,033 received in 2017. These funds were used to support the overall Comprehensive Campaign program.

Cooke House Property in Edgartown - With the Museum's relocation to its new campus, the Cooke House will remain a Museum property in Edgartown on an over 17,000 square foot site, which will be developed as a historic home and garden to be known as the Cooke House Legacy Gardens. To support this plan, funds separate from the Comprehensive Campaign are being raised, and by the end of 2020 \$767,735 in cash and pledges had been raised, as well as a \$98,000 pledge with certain conditions. Of this amount, \$655,220 has been spent on regrading, drainage, landscaping, gardens and additional buildings.

Houses Bordering New Campus - In 2018 there was an opportunity to purchase two houses that border the new Marine Hospital campus in Vineyard Haven. A group of donors contributed a total of \$1,684,904 outside of the Comprehensive Campaign to enable the Museum to purchase the houses and undertake some improvements. One has been converted into office space for Museum staff and collection storage space. The second one is in poor condition but will provide the opportunity for future development of office and storage space. In early 2019 there was an opportunity to purchase a third house bordering the new campus and some of the same donors contributed \$800,000 to complete this transaction. It is currently being used for temporary housing, storage and the parcel also provides an access route to the Museum from a neighboring street.

Impact of 2020 Pandemic - In mid-March, 2020, in response to the worldwide coronavirus pandemic, the Museum decided to close its campus to the public, and have staff start working from home. Focus quickly shifted to providing exhibits, education and programming in a virtual format for the community. The Museum reopened for the 2020 summer season in stages with the outdoor campus welcoming visitors in early July and the Museum buildings opening with appropriate pandemic protocols in early August. Even so, Museum activity was dramatically affected with less overall Island activities, fewer programs and exhibits, lower attendance and reduced revenues. In this environment the Museum took several important steps which helped to mitigate the impact on cash flow – tightly controlled expenses and capital spending and obtained the PPP loan described below.

Paycheck Protection Program - The Museum was granted a \$238,342 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Museum initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier or right of return of the PPP loan no longer existed. In 2020, the Museum has recognized \$238,342 as grant revenue, the full amount of the loan and accrued interest from the SBA as formal forgiveness for the loan was granted during 2020.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - DESCRIPTION OF ORGANIZATION (Continued)

Description of activities

The following activities and supporting services are included in the accompanying financial statements:

Exhibitions - The Museum displays eight permanent exhibits and offers 15-20 rotating, temporary exhibitions annually. Additionally, there are a number of other permanent installations in the buildings and on the Vineyard Haven campus.

Programming - The Museum offers year-round programming in-person and virtually for every member of the family. Talks, panel discussions, demonstrations, musical performances, poetry readings, family programs, films, and kid's activities are just a sampling of what the public can enjoy. In addition, many programs are recorded and made available online.

Publications - Produced to foster knowledge, stimulate interest, and facilitate participation in public and private historic preservation through the printing and publication of the Museum's general materials, magazine and the administration of book publishing.

Education - Encourage an understanding of all aspects of preservation and the development of related skills through such programs as providing essential restoration trade skills, identifying and nurturing target audiences (including the schools and children's programs) from communication, merchandising, preservation-related products, and understanding of local heritage including influences of whaling.

Historical properties - Comprise activities designed to preserve and manage effectively for public benefit the Museum's real and personal property and administers programs for the preservation of historic properties such as lighthouses.

Preservation services - Includes information and technical assistance to the Museum's members, private and public organizations, and governmental bodies with respect to contemporary preservation issues, including maritime preservation, and the efficient oversight and administration of interns provided by regional colleges and universities.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Museum prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Museum are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of the Museum have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Museum obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Museum's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Museum's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Museum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Museum may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Museum must continue to use the resources in accordance with the donor's instructions.

The Museum's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Museum, unless the donor provides more specific directions about the period of its use.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash

The Museum maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Inventories

Inventories, which consist of gift shop items, are stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) method.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Investments

Investments are reported at their fair value. The net investment return is reported in the statement of activities as unrestricted increases or decreases unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The purpose of the Endowment is to provide a steady but growing stream of income to the Museum over future years. The Endowment will provide the means for the Museum to accept lasting gifts from individuals and other entities that will both honor and perpetuate the Mission of the Museum and the Museum's programs in carrying out that Mission. The Museum's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Museum to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

As required by generally accepted accounting principles, the Museum classifies as donor 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. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Museum may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Museum and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Museum; and the investment policies of the Museum.

The Museum has adopted investment and spending policies for its board-designated and other endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a portfolio of debt and equity securities with the objective of achieving long-term capital appreciation while moderating the level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest, dividends and net rental income). The Museum has invested in debt and equity securities that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy that the Board, after consultation with the finance committee, may appropriate for distribution each year not more than 5% of the applicable market value of the endowment.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collection

As allowed by accounting principles generally accepted in the United States of America and following the practices of many museums, the Museum has not capitalized its collection of items of historical nature and other related objects purchased or donated. The collection is held for public exhibition, education, or research in furtherance of public service rather than financial gain. The Museum continually reviews its collection and may de-access or acquire additional items. Expenditures for additional collection items are presented as a reduction in the appropriate class of net assets. Proceeds from de-accessions are reflected as increases in net assets without restrictions. The Museum has established a policy that requires the proceeds from items de-accessed to be used to acquire other items for the collection.

Measure of operations

In its statement of activities, the Museum includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. The Museum considers the comprehensive capital campaign, investment return in excess of the amount appropriated for operations, other contributions and bequests for endowment and capital activities, and all collection related activity be classified as non-operating activities.

Contributions, gifts, grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Museum is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the Museum has an irrevocable right to the bequest.

Gifts-in-kind contributions

The Museum receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Museum receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Museum's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Museum benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Museum's program operations and in its fund-raising events. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. There were no donated services that met the criteria to be included in in-kind contributions in the statement of activities.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing the Museum's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Museum.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Museum generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising and public relations expense was \$70,031 and \$86,176 in 2020 and 2019, respectively.

Tax-exempt status

The Museum is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Museum are tax deductible to donors under Section 170 of the IRC. The Museum is not classified as a private foundation.

3 - RISKS AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The Museum has closely monitored this situation and made changes to its operations in 2020, including closing the Museum for a period of time and implementing a reservation systems and Covid operating protocols upon re-opening. The extent of the impact of COVID-19 on the Museum's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the phased lifting of government imposed capacity limits on gatherings (including admissions to the Museum), and its impacts on the Museum's visitors and employees, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Museum's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,190,727	\$ 1,562,822
Contributions receivable, net	811,118	1,265,750
Other assets	-	1,289
Endowment investments	<u>2,811,146</u>	<u>2,483,614</u>
Total financial assets	4,812,991	5,313,475
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	46,401	320,338
Capital restricted net assets	1,112,583	1,555,802
Donor-restricted endowment funds	2,811,146	2,548,614
Less: Financial assets not available within one year:		
Contributions receivable	<u>20,000</u>	<u>30,000</u>
Amount available for general expenditures within one year	<u>\$ 822,861</u>	<u>\$ 858,721</u>

The above table reflects donor-restricted endowment funds as unavailable because it is the Museum's intention to invest those resources for the long-term support of the Museum. However, in the case of need, the Board of Directors could appropriate resources from the donor-restricted funds available for general use (\$2,811,146, of which \$2,187,433 is the original gifts). Note 2 provides more information about those funds and about the spending policies for all endowment funds.

5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of:

	<u>2020</u>	<u>2019</u>
With donor restrictions		
Operating - Lighthouse access	\$ 30,000	\$ 40,000
Operating - Education programs	67,000	50,000
Operating - Cook House gardens	73,546	-
Capital campaign	<u>679,683</u>	<u>1,243,828</u>
	850,229	1,333,828
Less: Unamortized discount	<u>39,111</u>	<u>68,078</u>
	<u>\$ 811,118</u>	<u>\$ 1,265,750</u>

As of December 31, 2020, the Museum had additional outstanding intentions to give of \$95,000 through letters of intent or pledges with certain specified conditions, which are not included above.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - CONTRIBUTIONS RECEIVABLE (Continued)

As of December 31, 2020, pledges are expected to be received according to the following schedule:

	<u>Operating</u>	<u>Capital Campaign</u>
Within one year	\$ 133,546	\$ 309,058
One to five years	<u>37,000</u>	<u>370,625</u>
	<u>\$ 170,546</u>	<u>\$ 679,683</u>

6 - ENDOWMENT INVESTMENTS

Endowment investments are presented in the financial statements at fair value and are comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mutual funds	<u>\$ 2,811,146</u>	<u>\$ 2,483,614</u>

Investments are included in the following net asset categories in the statement of financial position:

	<u>2020</u>	<u>2019</u>
Donor restricted endowment funds		
Unappropriated return	\$ 623,713	\$ 361,181
Original gifts	<u>2,187,433</u>	<u>2,122,433</u>
Total	<u>\$ 2,811,146</u>	<u>\$ 2,483,614</u>

The following summarizes the net investment return included in the statement of activities:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 94,382	\$ 60,590
Investment gains	<u>240,950</u>	<u>323,770</u>
	<u>\$ 335,332</u>	<u>\$ 384,360</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - ENDOWMENT INVESTMENTS (Continued)

Changes in endowment investments are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments, December 31, 2018	\$ -	\$ 1,882,854	\$ 1,882,854
Investment return:			
Interest and dividend income	-	60,590	60,590
Investment losses (realized and unrealized)	-	323,770	323,770
Total investment return	-	384,360	384,360
Additions	-	275,000	275,000
Appropriation for operations	-	(58,600)	(58,600)
Endowment investments, December 31, 2019	-	2,483,614	2,483,614
Investment return:			
Interest and dividend income	-	94,382	94,382
Investment losses (realized and unrealized)	-	240,950	240,950
Total investment return	-	335,332	335,332
Additions	-	65,000	65,000
Appropriation for operations	-	(72,800)	(72,800)
Endowment investments, December 31, 2020	\$ -	\$ 2,811,146	\$ 2,811,146

7 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consist of the following:

	Estimated Useful Lives	2020	2019
Land	-	\$ 2,154,333	\$ 2,154,333
Historic buildings	-	177,768	177,768
Buildings and improvements	7 - 31 years	21,158,770	21,143,655
Equipment and furniture	3 - 10 years	1,943,450	1,943,450
Construction in progress	-	393,504	94,431
		25,827,825	25,513,637
Less: Accumulated depreciation		2,281,378	1,320,508
		<u>\$ 23,546,447</u>	<u>\$ 24,193,129</u>

Depreciation for property and equipment was \$960,870 and \$961,865 in 2020 and 2019, respectively.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

8 - NOTE PAYABLE, BANK

In 2017 the Museum entered into a loan arrangement with a bank to provide up to \$6,000,000 of bridge funding for construction costs. The loan is secured by a mortgage on real property owned by the Museum. During 2018, the amount available under the agreement was increased to \$10,000,000. Once advances over the initial \$6,000,000 line are repaid, the total amount available is reduced by that amount. During 2018, total advances reached \$8,400,000. The Museum repaid \$2,000,000 during 2018 reducing the total available amount to \$8,000,000 with \$6,400,000 outstanding as of December 31, 2018. During 2019 the Museum drew an additional \$600,000 on the line resulting in an outstanding balance of \$7,000,000 as of December 31, 2019. During 2020 the Museum repaid \$200,000 resulting in an outstanding balance of \$6,800,000. The balance of the loan is payable in full in July, 2022. Interest is payable monthly at a fixed rate of 3.99%.

9 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Purpose restrictions, available for spending:		
Capital Campaign	\$ 282,293	\$ 412,834
Other capital items including Cook House Gardens	114,626	124,237
Other including educational programs	<u>46,401</u>	<u>92,602</u>
Total purpose restricted net assets	<u>443,320</u>	<u>629,673</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose and endowment restrictions	<u>811,118</u>	<u>1,265,750</u>
Endowment funds, which must be appropriated by the Board of Directors before use:		
Original gifts	2,187,433	2,187,433
Unappropriated return	<u>623,713</u>	<u>361,181</u>
Total endowment funds managed by the Museum	<u>2,811,146</u>	<u>2,548,614</u>
Total net assets with donor restrictions	<u>\$ 4,065,584</u>	<u>\$ 4,444,037</u>

During 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

Operations	\$ 72,800
Educational programs	71,565
Oral History and book publishing	55,985
Cook House gardens project	439,172
Other capital projects	63,016
Other programs	<u>33,975</u>
	736,513
Capital Campaign activities	
Completion of capital projects	475,126
Capital campaign and project expenses	45,675
Appropriation for operations	<u>500,000</u>
	<u>\$ 1,757,314</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 - STATEMENT OF CASH FLOWS

As of December 31, 2020, accounts payable and accrued liabilities included \$325,458 related to retainage for the construction project. This balance will be reflected as a use of cash for the purchase of property and equipment when it is disbursed.

11 - CONCENTRATIONS OF RISK

The Museum's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Museum's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

12 - COMMITMENTS

The Museum entered into a construction contract for the renovation of the Marine Hospital building in the amount of \$12,369,229. Subsequently, change orders in the amount of \$741,391 were approved bringing the total commitment to \$13,110,620. As of December 31, 2020 the Museum had paid \$12,785,162 on the contract. In addition, accounts payable and accrued liabilities includes \$325,458 for the contract's retainage as of December 31, 2020.

13 - RELATED-PARTY TRANSACTIONS

Contributions include \$329,309 and \$146,670 of amounts received from Board members in 2020 and 2019, respectively. Contributions receivable from Board Members were \$51,000 in 2020.

14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 16, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

15 - RECLASSIFICATION

Certain amounts in the 2019 summarized financial information has been reclassified to conform with the 2020 presentation. Such reclassifications had no effect on the change in net assets as previously reported.,