

**HISTORIC DEERFIELD, INC.**

FINANCIAL STATEMENTS

for the year ended June 30, 2016

**HISTORIC DEERFIELD, INC.**  
**Financial Statements**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Historic Deerfield, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Historic Deerfield, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statement of activities 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 from 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 statement, 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 controls. 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 Historic Deerfield, Inc. as of June 30, 2016 and the change 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.



Springfield, Massachusetts  
November 28, 2016

**HISTORIC DEERFIELD, INC.**  
**Statement of Financial Position**

**June 30, 2016**

**ASSETS**

**Current assets**

Cash and cash equivalents.....	\$ 248,462
Accounts receivable.....	31,366
Gifts receivable.....	22,533
Inventories.....	429,288
Prepaid expenses.....	<u>60,066</u>

Total current assets..... 791,715

**Noncurrent assets**

Investments.....	28,432,201
Beneficial interest in trusts.....	22,118,671
Property and equipment, net.....	11,083,235
Collections (see Note 1).....	
Other assets.....	<u>28,316</u>

TOTAL ASSETS..... \$ 62,454,138

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued liabilities.....	\$ 410,130
Deferred revenue.....	236,733
Current portion of long term debt.....	<u>104,500</u>

Total current liabilities..... 751,363

Long term debt..... 579,045

Total liabilities..... 1,330,408

**Net Assets**

Unrestricted.....	32,484,962
Unrestricted - board designated.....	618,093
Temporarily restricted.....	24,496,502
Permanently restricted.....	<u>3,524,173</u>

Total net assets..... 61,123,730

TOTAL LIABILITIES AND NET ASSETS..... \$ 62,454,138

See accompanying notes to the financial statements

**HISTORIC DEERFIELD, INC.**  
**Statement of Activities**

**for the year ended June 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue, Gains, and Other Support</b>				
Museum admissions.....	\$ 117,918			\$ 117,918
Other museum related income.....	178,338			178,338
Academic program income.....	8,945			8,945
Museum store sales.....	333,751			333,751
Deerfield Inn.....	2,574,013			2,574,013
Rent.....	142,139			142,139
Gifts and grants.....	2,995,596	\$ 37,126	\$ 11,152	3,043,874
Net investment income.....	816,898	295,687		1,112,585
Net realized (losses) gain on investments.....	(2,043,196)	(113,905)	206,858	(1,950,243)
Unrealized (losses) gain on investments.....	(1,282,681)	(752,311)	100,363	(1,934,629)
Miscellaneous income.....	23,947			23,947
Change in value of trusts.....	(304,549)	(652,913)		(957,462)
Change in value of Bartels trust.....	2,817,928	(2,817,928)		
Net assets released from restrictions:				
Satisfaction of restrictions.....	39,407	(39,407)		
Total revenue, gains, and other support.....	<u>6,418,454</u>	<u>(4,043,651)</u>	<u>318,373</u>	<u>2,693,176</u>
<b>Expenses</b>				
Museum operations.....	867,182			867,182
Museum education.....	501,289			501,289
Academic programs.....	120,995			120,995
Library.....	191,568			191,568
Rental operations.....	127,046			127,046
Properties maintenance.....	655,803			655,803
Administrative and general.....	1,013,670			1,013,670
Inn administrative support services.....	110,795			110,795
Development.....	320,847			320,847
Marketing.....	337,590			337,590
Event planning.....	34,773			34,773
Museum store cost of sales and expense.....	360,443			360,443
Visitor services.....	36,963			36,963
Deerfield Inn.....	2,698,871			2,698,871
Total expenditures.....	<u>7,377,835</u>	<u>                    </u>	<u>                    </u>	<u>7,377,835</u>
Change in net assets before changes related to collection items not capitalized.....	<u>(959,381)</u>	<u>(4,043,651)</u>	<u>318,373</u>	<u>(4,684,659)</u>
<b>Change in net assets related to collection items not capitalized</b>				
Collections.....	(191,466)			(191,466)
	<u>(191,466)</u>	<u>                    </u>	<u>                    </u>	<u>(191,466)</u>
Change in net assets.....	<u>(1,150,847)</u>	<u>(4,043,651)</u>	<u>318,373</u>	<u>(4,876,125)</u>
Net assets, beginning of year as previously stated.....	26,141,387	28,232,778	11,625,690	65,999,855
Restatement (See Note 12).....	8,112,515	307,375	(8,419,890)	
Net assets, beginning of year as restated.....	<u>34,253,902</u>	<u>28,540,153</u>	<u>3,205,800</u>	<u>65,999,855</u>
Net assets, end of year.....	<u>\$ 33,103,055</u>	<u>\$ 24,496,502</u>	<u>\$ 3,524,173</u>	<u>\$ 61,123,730</u>

See accompanying notes to the financial statements

**HISTORIC DEERFIELD, INC.****Statement of Cash Flows**

for the year ended June 30, 2016

**Cash flows from operating activities**

Change in net assets.....	\$ (4,876,125)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net accessions.....	191,466
Depreciation.....	579,467
Net realized loss on investments.....	1,950,243
Unrealized loss on investments.....	1,934,629
Change in value of trusts.....	957,462
Contributions restricted for long-term investment.....	(11,152)
Accretion of discount on note payable.....	49,250
(Increase) decrease in operating assets	
Accounts receivable.....	(20,044)
Gifts and grants receivable.....	8,032
Inventories.....	(19,110)
Prepaid expenses.....	19,566
Other assets.....	283,352
(Decrease) in operating liabilities	
Accounts payable and accrued liabilities.....	(188,363)
Deferred revenue.....	(73,491)
Net cash provided by operating activities.....	<u>785,182</u>

**Cash flows from investing activities**

Purchases of property and equipment, net.....	(306,099)
Discontinuation of capital project.....	14,367
Collections acquisitions.....	(191,466)
Net change in the value of investments.....	<u>(362,379)</u>
Net cash used in investing activities.....	<u>(845,577)</u>

**Cash flows from financing activities**

Principal payment on long-term debt.....	(100,000)
Proceeds from contributions restricted for long-term contributions to endowment.....	<u>11,152</u>
Net cash used in financing activities.....	<u>(88,848)</u>

Net decrease in cash and cash equivalents.....	(149,243)
Cash and cash equivalents, beginning of year.....	<u>397,705</u>
Cash and cash equivalents, end of year.....	<u>\$ 248,462</u>

See accompanying notes to the financial statements

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Summary of Significant Accounting Policies**

***Organization and Nature of Operations***

Historic Deerfield, Inc. is a museum of early New England history, architecture, and decorative arts located in Deerfield, Massachusetts. It maintains and operates buildings as exhibition areas open to the general public and conducts a broad range of educational programs and auxiliary operations which include the Deerfield Inn and Museum Store.

***Basis of Presentation***

The accompanying financial statements of Historic Deerfield, Inc. (the "Organization"), which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets

Net assets, including operating accounts, plant accounts, and board designated funds set aside for long-term investment purposes, that are not subject to donor-imposed stipulations. Any portion of board-designated funds may be expended with the approval of the Board.

Temporarily restricted net assets

Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets

Net assets that are subject to the restrictions of gift instruments requiring that the principal, and in certain cases, the realized and unrealized appreciation on principal, be invested in perpetuity and income only be utilized for current expenditures.

***Inventories***

Inventories are stated at the lower of cost (first-in, first-out method) or market.



**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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***Contributions***

The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. The Organization follows the policy of reporting temporarily restricted contributions in the statement of activities as increases in unrestricted net assets when the restrictions are met in the same reporting period the contribution is received or earned. Temporarily restricted contributions whose restrictions are not met in the same period received or earned are reported as increases in temporarily restricted net assets. When the donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports noncash gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization follows the policy of releasing the restrictions on these gifts when the long-lived assets are acquired or placed in service.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash held at depository institutions and cash equivalents with a maturity of 90 days or less when purchased, except for those that are purchased for the Organization's investment accounts.

Most of the banking activity, including cash and cash equivalents, is maintained with several national and regional banks and it is the Organization's policy to monitor these banks' financial strength on an ongoing basis. As of June 30, 2016, the fund in excess of federal insurance limit is approximately \$52,600.

***Investments***

Investments are stated at fair market value as generally determined using quoted market values. Investments received as gifts are recorded at their fair market value at the date of the gift. Realized gains or losses are computed using the average cost method. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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***Advertising***

Advertising costs are expensed the first time the advertising takes place and amounted to \$222,860 for the year ended June 30, 2016.

***Fair Value Measurements***

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures* provides a framework for reporting fair value. The framework 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2** Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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***Fair Value Measurements, continued***

The assets or liability'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2016. The following are descriptions of the valuation methodologies used for assets measured at fair value:

**Registered investment companies:** Invested primarily in mutual funds, short-term instruments, and money market funds. Mutual funds and short-term instruments are valued using market quotations or prices obtained from independent pricing sources, typically valued at the net asset value (NAV) of shares held by the Organization at year-end.

Equity accounts are invested primarily in a broadly diversified portfolio of domestic or foreign common stock. These funds seek to match the performance of an index of a particular segment of the financial market.

Fixed-income accounts are invested primarily through a broad range of fixed income securities, such as, U.S. Treasury and Agency securities, corporate bonds, and mortgage-backed or other asset-backed securities. These funds seek to match the highest performance of particular bond indexes.

Included in fixed-income accounts are convertible bonds, which are only convertible into preferred stock equity of domestic companies.

**Beneficial interest in charitable remainder trusts:** The fair value of the beneficial interest in charitable remainder trusts held, administered and controlled by third parties represents the present value of the estimated future cash receipts determined using the Organization's percentage interest in the current market value of the trust assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 4 for a summary of the inputs used as of June 30, 2016 in determining the fair value of the Organization's investments and beneficial interest in trusts.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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***Property and Equipment***

Property and equipment are recorded at cost. Donations of capital assets are recorded at their fair market value on the date of gift. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 3 - 60 years. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period. Maintenance and repairs are charged to operating expense as incurred. Betterments and major renewals are capitalized.

***Museum Collections***

In accordance with the practice usually followed by museums, the Organization does not carry its collections on the statement of financial position. Since items acquired for collections by purchase are not capitalized, the cost of those acquisitions are reported as decreases in the net assets in the statement of activities. The proceeds from items disposed of are reported as increases in the appropriate class of net assets in the statement of activities. Contributed works of art, historical treasures, and similar assets that are not added to the collection are reported as assets held for sale on the statement of financial position at their fair values at the date of the gift.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated among the programs and support services.

***Income Taxes***

The Organization is exempt from federal income taxes other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code and also has received classification as a Massachusetts public charity. For the year ended June 30, 2016, the Organization did not have any unrelated business income tax.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain tax positions that more than likely would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however there are currently no audits for any tax periods in progress. Management believes it is no longer subject to tax examinations for years prior to 2013.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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*Use of Estimates*

The preparation of the Organization's 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Organization's significant estimates include the value of the beneficial interest in the charitable remainder trust, and the useful lives of fixed assets.

**2. Inventories**

Inventories consist of the following at June 30, 2016:

Museum store inventory	\$ 228,130
Publications	132,578
Food	28,153
Liquor	31,406
Supplies	<u>9,021</u>
	<u>\$ 429,288</u>

**3. Investments**

The composition of investments at fair value and the Organization's total loss on its invested assets at June 30, 2016 is as follows:

Cash and cash equivalents	\$ 306,366
Common stocks	19,223,401
Fixed income	<u>11,811,635</u>
Investments	31,341,402
Less: margin loan	<u>2,909,201</u>
Investments, net	<u>\$ 28,432,201</u>
Investment income, net of management and custodial fees of \$212,987	\$ 1,112,585
Net realized loss on investments	(1,950,243)
Unrealized loss on investments	<u>(1,934,629)</u>
Net loss	<u>\$ (2,772,287)</u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**Investments, continued**

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair market value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

**4. Beneficial Interest in Trusts**

The Organization is the permanent beneficiary of an irrevocable charitable remainder trust. The Organization's interest consists of the remaining principal in the trust, and is to be collected upon termination of the trust. The resources of the trust are neither in the possession of, nor under the control of the Organization but are held and administered by an outside fiscal agent. A trustee of the Organization is a co-trustee of the charitable remainder trust.

The Organization estimates the value of its interest in this trust as of each balance sheet date by estimating an investment return rate for future returns on the trust less trust payments, which is then discounted to the balance sheet date using a risk-adjusted discount rate. The fair market value of the trust's assets was \$20,743,408 at June 30, 2016. The Organization's interest is valued at \$21,917,424 at June 30, 2016, using a discount rate of 2% and a rate of return on trust assets of 8% at June 30, 2016.

The Organization is also the sole beneficiary of the charitable trust whose fair value is approximately \$201,000 as of June 30, 2016. Certain members of management are trustees of the charitable trust.

**5. Fair Value Measurements**

The following table summarizes the Organization's assets that are accounted for at fair value within the fair value hierarchy as of June 30, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ 201,247	_____	\$ 21,917,424	\$ 22,118,671
Registered investment companies				
Cash and cash equivalents	306,366			306,366
Equity	16,314,200			16,314,200
Fixed income	11,811,635	_____	_____	11,811,635
	<u>28,432,201</u>	_____	_____	<u>28,432,201</u>
Total	<u>\$ 28,633,448</u>	<u>_____</u>	<u>\$ 21,917,424</u>	<u>\$ 50,550,872</u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**Fair Value Measurements, continued**

The change in Level 3 beneficial interest in charitable remainder trust measured at fair value on a recurring basis is summarized below:

Beginning balance at June 30, 2015	\$22,555,401
Unrealized loss	<u>(637,977)</u>
Ending balance at June 30, 2016	<u>\$21,917,424</u>

**6. Endowment**

The Organization's endowment consists of donor-restricted funds and funds designated by the Board of Trustees (the "Board") to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Unrestricted board designated, temporarily restricted, and permanently restricted endowment funds are invested on a pooled basis. Funds are added to or withdrawn from the pool at their share of the then current fair market value of the pooled assets. Income and realized and unrealized gains and losses from the funds are distributed based on each fund's proportionate share of the investment pool's fair market value, which is determined on a quarterly basis.

The Organization's spending policy allows the Organization to make available for operations the income and appreciation from both the board designated endowment funds and the general endowment funds in an amount representing up to 5% of a rolling twelve quarter average of market values of all endowment funds investments. The Organization calculates its twelve quarter rolling average to correspond with its operating budget cycle. The percentage of appropriation approved by the Board was 5.8% for 2016.

The Organization has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The investment policy establishes goals and risk parameters that include asset diversification and investment returns in excess of appropriation. Actual returns in any given year may vary from this goal.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

**Endowment, continued**

In July 2010, Massachusetts enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which serves as a model act to modernize their laws governing donor restricted endowment funds. The Museum's Board has interpreted UPMIFA as requiring the presentation of the fair value of the original gift as of the gift date (historic dollar value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Board has also interpreted UPMIFA as requiring the historic gift value of donor restricted endowment funds not to be reduced for any excess losses. Any excess losses shall reduce temporarily restricted net assets to the extent there is net appreciation on the related funds. Any remaining excess losses shall reduce unrestricted net assets. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Changes in endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ 313,139	\$2,533,848	\$29,384,389	\$32,231,376
Realized (losses) gain	(2,043,195)	(113,905)	206,859	(1,950,241)
Unrealized (losses) gain	(1,282,678)	(752,311)	100,361	(1,934,628)
Dividends and interest	790,893	321,354		1,112,247
Contributions	5,164,757	412,800	11,152	5,588,709
Appropriations for board-designated and donor-specific purposes	(783,456)	(46,996)		(830,452)
Appropriations for operations	(2,847,462)	(28,147)		(2,875,609)
Reclass	<u>8,497,168</u>	<u>(77,278)</u>	<u>(8,419,890)</u>	
Balance, June 30, 2016	<u>\$7,809,166</u>	<u>\$2,249,365</u>	<u>\$21,282,871</u>	<u>\$31,341,402</u>



**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**7. Property and Equipment**

Property and equipment consist of the following at June 30, 2016:

Land	\$ 348,562
Land improvements	339,753
Buildings and improvements	17,046,288
Equipment, furniture and fixtures	3,194,501
Books and manuscripts	<u>646,762</u>
	21,575,866
Less accumulated depreciation	<u>11,326,439</u>
	10,249,427
Construction in progress	<u>833,808</u>
	<u>\$11,083,235</u>

**8. Long Term Debt**

The Organization purchased a collection of antiques for \$2,000,000. The donor contributed the remaining half of the collection, valued at approximately \$2,000,000. The purchase was financed through a note payable to the donor of \$1,987,000 and \$13,000 due at signing. The note is payable in annual installments ranging from \$58,500 to \$128,500 through December 2024. The loan does not have a stated interest rate, and has been discounted using a rate of 5.32%, the rate which would be expected to be obtained from another lender. The Organization has recorded a total discount of \$363,455 as of June 30, 2016 of which \$49,250 was accreted during 2016. The Organization was in compliance with all covenants at 2016.

Note payable	\$1,047,000
Less unamortized discount	<u>363,455</u>
	683,545
Less current portion, net of discount accretion	<u>104,500</u>
Long term debt	<u>\$ 579,045</u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**Long Term Debt, continued**

The future payments on the note payable as of June 30, 2016 are as follows:

2017	\$ 104,500
2018	107,500
2019	110,500
2020	113,500
2021	116,500
Thereafter	<u>494,500</u>
	<u>\$1,047,000</u>

**9. Pension**

The Organization has a defined contribution pension plan. Employees with two or more years of service and who are at least 21 years of age may elect to participate in the plan. Those who elect to participate contribute a required 5% of their salary, which is matched by the Organization. Employer contributions to the plan vest immediately. Expense under the plan for the year ended June 30, 2016 was approximately \$80,900.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2016 are available for the following purposes:

Purchase of paintings and antiques	\$ 63,214
Summer fellowship program	20,878
Other special purposes	1,980,076
Beneficial interest in charitable remainder trust	21,917,424
Investments held in trust	201,247
Curatorial support	<u>313,663</u>
	<u>\$24,496,502</u>

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**11. Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30, 2016 include gifts of original principal as well as realized and unrealized appreciation for certain donor restricted funds, the income from which is expendable to support operations:

Purchase of prints, paintings and minor antiques	\$ 685,207
Summer fellowship programs	283,423
Other special purposes	662,547
Conservation	158,689
General operations	19,493,006
Change in collections management policy	<u>(17,758,699)</u>
	<u>\$ 3,524,173</u>

**12. Change in Collections Management Policy**

At the May 7, 2011 annual meeting of the Board of Trustees, the Collection Committee unanimously recommended, based on best practices in the museum sector, that Historic Deerfield change its accounting practice regarding the capitalization of its antiques and fine arts collection as of July 1, 2011. The Board of Trustees unanimously adopted such recommendation and, as a result, Historic Deerfield ceased to capitalize its collection. The Financial Accounting Standards Board Accounting Standards Codification topic 958-360-25-3 provides for the accounting treatment of historical treasures and works of art which meet the definition of a "collection". Under this standard both accounting methods (capitalization or no capitalization) are considered acceptable generally accepted accounting principles.

As of June 30, 2011, the collections balance recognized on the consolidated statement of financial position was \$17,758,699. Accordingly, as of July 1, 2011, Management changed its practice of capitalizing museum collections and recognized a cumulative effect accounting change of \$17,758,699. As a cumulative effect accounting change between two acceptable accounting methods, the Museum collections account was reduced to zero and the permanently restricted net assets for general operations was reduced correspondingly.

**13. Restatement**

A prior period adjustment is presented for the net assets classification of \$8,419,890 of funds previously shown as permanently restricted. Research of donor restrictions and the appreciation of funds on donor restricted funds required restatement to the appropriate net asset class in the Statement of Activities for the year ended June 30, 2016.

**HISTORIC DEERFIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**

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**14. Subsequent Events**

The Organization has evaluated subsequent events through November 28, 2016, the date the financial statements were available to be issued. There were no material subsequent events which require recognition or disclosure.