

THE CONNECTICUT HISTORICAL SOCIETY

**FINANCIAL STATEMENTS
AND
REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**THE CONNECTICUT HISTORICAL SOCIETY
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Trustees
The Connecticut Historical Society

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Connecticut Historical Society, which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Connecticut Historical Society as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Connecticut Historical Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – 2021 Financial Statements Restated

As discussed in Note 1 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Connecticut Historical Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Connecticut Historical Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Connecticut Historical Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023 on our consideration of The Connecticut Historical Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Connecticut Historical Society's internal control over financial reporting and compliance.



Maletta & Company
Certified Public Accountants

Bristol, Connecticut
May 5, 2023

**THE CONNECTICUT HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021**

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 945,444	\$ 982,039
Investments	541,403	616,171
Contributions Receivable	57,000	76,278
Due from Funding Sources	145,355	355,147
Other Receivables	1,772	3,719
Inventory	44,039	46,331
Prepaid Expenses	74,422	52,383
Total Current Assets	<u>1,809,435</u>	<u>2,132,068</u>
Noncurrent Assets		
Investments	39,539,316	48,824,856
Property and Equipment, Net	4,499,466	4,379,452
Long-Term Contributions Receivable, Net	49,315	96,200
Split-Interest Agreements	13,338,341	16,678,237
Museum Collections (Note 1)	-	-
Total Noncurrent Assets	<u>57,426,438</u>	<u>69,978,745</u>
Total Assets	<u><u>\$ 59,235,873</u></u>	<u><u>\$ 72,110,813</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 190,651	\$ 136,402
Accrued Payroll	95,796	84,065
Due to Funding Sources	190,823	286,193
Notes Payable – Current Portion	50,000	50,000
Total Current Liabilities	<u>527,270</u>	<u>556,660</u>
Noncurrent Liabilities		
Notes Payable	<u>636,889</u>	<u>236,889</u>
Total Liabilities	1,164,159	793,549
Net Assets		
Without Donor Restrictions	21,515,686	26,480,732
With Donor Restrictions	36,556,028	44,836,532
Total Net Assets	<u>58,071,714</u>	<u>71,317,264</u>
Total Liabilities and Net Assets	<u><u>\$ 59,235,873</u></u>	<u><u>\$ 72,110,813</u></u>

*The accompanying notes are an integral
part of these financial statements*

**THE CONNECTICUT HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating Revenues and Support						
Contributions, Including Promises to Give	\$ 173,774	\$ 178,947	\$ 352,721	\$ 484,954	\$ 129,577	\$ 614,531
In-kind Contributions	86,377	-	86,377	30,471	-	30,471
Grants from Government Sources	993,983	-	993,983	495,809	-	495,809
Programs and Service Fees	122,625	-	122,625	63,294	-	63,294
Memberships	62,897	-	62,897	64,935	-	64,935
Publication, Book, and Museum Shop Sales	6,194	-	6,194	5,875	-	5,875
Admissions	13,848	-	13,848	8,404	-	8,404
Distributions from Perpetual Trusts	783,570	-	783,570	654,111	-	654,111
Endowment Investment Return for Operations	769,854	966,049	1,735,903	758,573	934,435	1,693,008
Other Investment Return for Operations	25,034	-	25,034	22,778	-	22,778
Net Assets Released from Restrictions	1,137,333	(1,137,333)	-	1,175,728	(1,175,728)	-
Total Operating Revenues and Support	4,175,489	7,663	4,183,152	3,764,932	(111,716)	3,653,216
Operating Expenses						
Program Services						
Collections Development	940,293	-	940,293	992,640	-	992,640
Exhibits and Programs	423,956	-	423,956	387,126	-	387,126
Education	561,100	-	561,100	457,774	-	457,774
Collections Access/Research Center	207,272	-	207,272	160,491	-	160,491
Connecticut Cultural Heritage Arts Program	312,654	-	312,654	148,886	-	148,886
Development	970,376	-	970,376	702,720	-	702,720
Administration	996,499	-	996,499	758,736	-	758,736
Total Operating Expenses	4,412,150	-	4,412,150	3,608,373	-	3,608,373
Results of Operations	(236,661)	7,663	(228,998)	156,559	(111,716)	44,843

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part of these financial statements*

**THE CONNECTICUT HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Non-operating Revenues/(Expenses)						
Endowment Contributions	\$ 10,100	\$ 610,000	\$ 620,100	\$ 19,700	\$ 355,000	\$ 374,700
Grants and Contributions for Capital Assets	-	-	-	420,222	-	420,222
Endowment Investment Return in Excess of Spending Policy	(4,355,344)	(5,558,271)	(9,913,615)	2,757,492	3,530,851	6,288,343
Other Investment Return in Excess of Distributions	(74,768)	-	(74,768)	23,699	-	23,699
Change in Value of Split-Interest Agreements	-	(3,339,896)	(3,339,896)	-	556,784	556,784
Depreciation Expense	(194,908)	-	(194,908)	(175,856)	-	(175,856)
Total Non-Operating Revenues/(Expenses)	(4,614,920)	(8,288,167)	(12,903,087)	3,045,257	4,442,635	7,487,892
Change in Net Assets Before Collections	(4,851,581)	(8,280,504)	(13,132,085)	3,201,816	4,330,919	7,532,735
Change in Net Assets Related to Collections						
Proceeds from Sale of Collections Items	-	-	-	4,360	-	4,360
Collections Items Purchased	(113,465)	-	(113,465)	(11,860)	-	(11,860)
Total Change in Net Assets Related to Collections	(113,465)	-	(113,465)	(7,500)	-	(7,500)
Change in Net Assets	(4,965,046)	(8,280,504)	(13,245,550)	3,194,316	4,330,919	7,525,235
Net Assets, Beginning of Year	26,480,732	44,836,532	71,317,264	23,286,416	40,505,613	63,792,029
Net Assets, End of Year	<u>\$ 21,515,686</u>	<u>\$ 36,556,028</u>	<u>\$ 58,071,714</u>	<u>\$ 26,480,732</u>	<u>\$ 44,836,532</u>	<u>\$ 71,317,264</u>

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**THE CONNECTICUT HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Supporting Services				Supporting Services			
	Programs	Administrative & General	Development	2022 Total	Programs	Administrative & General	Development	2021 Expenses
Expenses								
Personnel Costs	\$ 1,620,501	\$ 359,956	\$ 672,529	\$ 2,652,986	\$ 1,290,835	\$ 321,920	\$ 590,841	\$ 2,203,596
Professional Fees	-	51,588	-	51,588	-	44,470	-	44,470
Advertising and Promotion	12,727	39,446	88,566	140,739	4,500	1,223	33,550	39,273
Office Expenses	83,255	37,536	83,183	203,974	66,202	46,579	44,833	157,614
Information Technology	4,427	-	5,010	9,437	5,167	-	-	5,167
Occupancy	236,934	5,242	5,264	247,440	320,438	7,170	3,471	331,079
Travel	19,907	3,127	501	23,535	5,822	2,060	25	7,907
Conferences and Meetings	21,248	5,396	581	27,225	1,908	4,606	59	6,573
Interest	7,925	4,544	23	12,492	1,828	2,814	20	4,662
Other Insurance	1,038	7,389	3	8,430	723	6,801	8	7,532
Consultants and Contract Svcs	253,503	409,188	83,029	745,720	253,889	238,671	16,071	508,631
Program Supplies	28,806	1,672	-	30,478	19,641	1,086	-	20,727
Conservation Services	17,522	-	-	17,522	22,260	-	-	22,260
Professional Development	3,150	-	462	3,612	1,578	6,600	378	8,556
Equipment Rental	55,064	3,295	294	58,653	82,863	2,655	386	85,904
Equipment	744	-	-	744	5,900	-	-	5,900
Exhibit Fabrication	38,589	-	-	38,589	45,200	1,306	61	46,567
Subscriptions and Dues	12,307	68,082	28,109	108,498	7,955	70,536	11,125	89,616
Cost of Goods Sold	4,499	-	-	4,499	2,568	-	-	2,568
Miscellaneous	23,130	38	2,822	25,990	7,641	239	1,892	9,772
Depreciation Expense	189,639	4,720	549	194,908	169,739	4,259	1,858	175,856
Collection Acquisitions	113,465	-	-	113,465	11,860	-	-	11,860
Total Expenses	<u>\$2,748,380</u>	<u>\$ 1,001,219</u>	<u>\$ 970,925</u>	<u>\$4,720,524</u>	<u>\$2,328,517</u>	<u>\$ 762,995</u>	<u>\$ 704,578</u>	<u>\$3,796,090</u>

*The accompanying notes are an integral
part of these financial statements*

**THE CONNECTICUT HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash Flow s From Operating Activities		
Change in Net Assets	\$ (13,245,550)	\$ 7,525,235
Adjustments to Reconcile Change in Net Assets to Net Cash		
(Used in)/Provided by Operating Activities		
Depreciation Expense	194,908	175,856
Net Realized and Unrealized Investment (Appreciation)/Depreciation	9,032,179	(7,248,135)
Change in Value of Split-Interest Agreements	3,339,896	(556,784)
Endow ment Contributions	(620,100)	(374,700)
Grants and Contributions for Capital Additions	-	(420,222)
Net Purchases/(Sales) of Collections Items	113,465	7,500
(Increase)/Decrease in Operating Assets		
Contributions Receivable	19,278	24,435
Due from Funding Sources	209,792	19,080
Other Receivables	1,947	(187)
Inventory	2,292	1,284
Prepaid Expenses	(22,039)	3,839
Long-Term Contributions Receivable, Net	(3,115)	2,697
Net Cash (Used in)/Provided by Operating Assets	208,155	51,148
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	54,250	79,834
Accrued Payroll	11,731	21,403
Due to Funding Sources	(95,370)	286,193
Net Cash (Used in)/Provided by Operating Liabilities	(29,389)	387,430
Net Cash (Used in)/Provided by Operating Activities	(1,006,436)	(452,672)
Cash Flow s From Investing Activities		
Purchase of Investments	(4,399,881)	(9,827,979)
Proceeds from Sales of Investments	4,728,010	10,339,372
Grants and Contributions for Capital Additions	-	420,222
Purchase of Property and Equipment	(314,923)	(787,680)
Purchase of Collections Items	(113,465)	(11,860)
Proceeds from Sales of Collections Items	-	4,360
Net Cash (Used in)/Provided by Investing Activities	(100,259)	136,435
Cash Flow s From Financing Activities		
Endow ment Contributions	620,100	374,700
Long-Term Contributions for Payment of Debt	50,000	50,000
Proceeds from Borrow ings	450,000	-
Repayment of Borrow ings	(50,000)	(50,000)
Net Cash (Used in)/Provided by Financing Activities	1,070,100	374,700
Net Increase/(Decrease) in Cash and Cash Equivalents	(36,595)	58,463
Cash and Cash Equivalents, Beginning of Year	982,039	923,576
Cash and Cash Equivalents, End of Year	\$ 945,444	\$ 982,039
Supplemental Information		
Cash Paid for Interest	\$ 12,491	\$ 4,663
Cash Paid for Income Taxes	\$ -	\$ -

*The accompanying notes are an integral
part of these financial statements*

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies

The summary of significant accounting policies of The Connecticut Historical Society (the CHS) is presented to assist in understanding the CHS's financial statements. The financial statements and notes are representations of the CHS's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The CHS is a private, not-for-profit museum, library, and education center that encourages public appreciation of the history of Connecticut and its diverse people. Established in Hartford, Connecticut by Connecticut's General Assembly in 1825, the CHS is the seventh oldest historical society in the nation and houses one of the most distinguished museum and library collections in New England. The mission of the CHS is to cultivate deep understanding of the history and culture of Connecticut, and its role in America and the world, through reflection of the past, active engagement with the present, and innovation for the future through our collections, research, educational programs, and exhibitions. The CHS's vision is to work with an inclusive audience to promote historical and cultural perspectives as essential tools to connect with others, shape communities, and make informed decisions. The CHS's major activities include:

Collections Development – Manages the diverse collection of materials (books, manuscripts, graphics, furniture, costumes, and many other objects) related to Connecticut's material culture from the late 17th century to the present.

Exhibits and Programs – Develops and displays themed exhibitions and public programs related to various aspects of Connecticut history.

Education – Promotes the study and enjoyment of Connecticut history through school group and adult programs, tours, and outreach activities.

Collections Access/Research Center – Manages access to the collections by researchers, genealogists, academic scholars, and the general public.

Connecticut Cultural Heritage Arts Program – Serves as the state's official folk and traditional arts initiative, working with communities to document, present, and sustain valuable cultural heritage.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the net assets of the CHS and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues, including promises to give, are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor or grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Cont'd)

Measure of Operations

The CHS includes in its measure of operations (excess of operating revenue and support over expenses) all support and revenues that are an integral part of its programs and supporting activities. The measure of operations includes the investment return equal to the CHS's spending policy and excludes investment returns in excess of the spending policy, permanently restricted contributions, and contributions for capital additions and related expenses, such as depreciation and interest.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building occupancy, maintenance, and depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Structure

The CHS is a nonprofit corporation exempt from federal income tax under provisions of the Internal Revenue Service Code, Section 501(c)(3).

The CHS regularly reviews and evaluates its tax positions taken or expected to be taken for a tax return and believes that no tax benefits or liabilities are required to be recognized.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates. Significant estimates include depreciation expense, contributions receivable discounts, alternative investments valuations and the present value of future cash flows from perpetual trusts.

Cash and Cash Equivalents

Cash equivalents represent money market funds or short-term investments with original maturities of three months or less, except for those short-term investments managed by the CHS's investment managers as part of their long-term investment strategies and those restricted for capital assets.

The CHS maintains cash accounts with banking institutions insured by the FDIC; account balances may exceed FDIC insurance limits. The CHS has not experienced any losses in such accounts and management believes the CHS is not exposed to significant risk.

Inventory

Inventory, which consists primarily of merchandise held for resale, is stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Inventories were comprised of the following as of December 31, 2022 and 2021:

	2022	2021
Books and Publications	\$ 29,014	\$ 29,790
Gift Shop Items	15,025	16,541
	<u>\$ 44,039</u>	<u>\$ 46,331</u>

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Cont'd)

Investments

Investments are reported at fair value. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the CHS's gains and losses on investments bought and sold as well held during the year. Realized and unrealized gains and losses and other investment income are reflected in the accompanying statements of activities. These amounts are reported in the statements of activities as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets as appropriate based on any donor stipulations or law.

Property and Equipment

The CHS follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$5,000. The fair value of donated property and equipment is similarly capitalized. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Building and Improvements	10 to 50 years
Equipment	5 to 10 years

Collections

The collections, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The CHS's collections consist of artifacts of historical significance, works of arts, or similar assets related to Connecticut history. These collections are held for public exhibition, educational, research, historical, and curatorial purposes. Each of these items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Deaccessioned items are subject to a policy that requires proceeds from their sales to be used for collections acquisition and collections care. During 2022 and 2021 collection items with a fair value of \$-0- and \$4,360, respectively, were deaccessioned. Collection items purchased for 2022 and 2021 totaled \$113,465 and \$11,860, respectively. Proceeds from the sale of collections items are used to purchase new collections items.

Beneficial Interest in Perpetual Trusts

The CHS retains a beneficial interest in various perpetual trusts created by donors and held by unrelated trustees. The CHS receives investment income from the trusts in perpetuity, but does not have access to the assets of the trusts. The beneficial interests are carried at the present value of estimated future receipts from the trusts, which is measured by the fair market value of the assets in the trusts. The beneficial interest and changes therein are recognized as permanently restricted net assets.

Contributions

The CHS recognizes promises to give as contributions when such promises are received and terms are confirmed by the museum. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Cont'd)

Governmental Grants

Governmental grants and contracts are generally considered to be conditional contributions. Conditions are met as expenses are incurred in accordance with the terms of the grant. Therefore, revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue. Receivables are established to the extent that grant funded costs have been incurred but not yet not reimbursed by the grantor.

Contributed Services

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased otherwise. General volunteer services do not meet these criteria and are not recognized in the financial statements. However, many volunteers have donated significant amounts of time in supporting the CHS's mission and fundraising campaigns. See Note 13 for additional information.

Advertising

The CHS expenses the costs of advertising at the time the advertising takes place.

Date of Management's Review and Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued. Subsequent events have been evaluated by management through May 5, 2023, the date which the financial statements were available to be issued.

In March 2020 COVID-19 was declared a global pandemic. It is currently affecting business continuity, including supply chains and consumer demand across a broad range of industries and countries. The pandemic has already severely impacted the global economy and will continue to, likely for months to come, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, and an estimate of the related future financial impact can't be made at this time.

New Accounting Pronouncement

During 2022 the CHS adopted the provisions of ASU 2016-02 *Leases (Topic 842)*. The core principle of ASU 2016-02 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. Based on the current operating leases in effect management has determined that this new standard is immaterial and has not changed the financial statement presentation for the years ended December 31, 2022 and 2021.

2021 Financial Statements Restated

Management obtained new information regarding two contracts which were awarded during 2021 and were accounted for as unconditional donor-restricted contributions in 2021. There were no expenditures of these contract funds during 2021. Management subsequently discovered these contracts are funded with pass-through governmental funds and are therefore considered conditional contributions. The overall effect on the 2021 financial statements is a reduction in contribution revenue with donor restrictions of \$896,083 for the year ended December 21, 2021 and a reduction in net assets with donor restrictions of \$896,083 as of December 31, 2021.

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 2 – Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

Cash and Cash Equivalents	\$ 945,444
Investments	541,403
Contributions Receivable	57,000
Due from Funding Sources	145,355
Other Receivables	1,772
Estimated Distributions From Perpetual Trusts	651,971
Endowment Spending Rate Distributions	1,080,953
Total Financial Assets Available Within One Year	3,423,898
Less Amounts Unavailable Due To Donor Restrictions	(770,050)
Financial Assets Available For General Expenditure	<u>\$ 2,653,848</u>

The CHS's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowments (board-designated). Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The amounts drawn from donor-restricted endowments for general use, in accordance with the CHS's endowment spending policy (Note 6), for the year ended December 31, 2022 was \$481,192. A similar draw is expected for the ensuing year. The remaining donor-restricted endowment funds are not available for general expenditure.

The CHS's board-designated endowment of \$17,140,994 as of December 31, 2022 is also subject to the CHS's endowment spending policy. The board-designated endowment includes funds pledged as collateral of \$3,712,794 as of December 31, 2022, which are not available for general expenditure. The amounts drawn from the board-designated endowment for general use for the year ended December 31, 2022 was \$597,255. A similar draw is expected for the ensuing year. Although the CHS does not intend to spend from this board-designated endowment in excess of the amounts appropriated for expenditure as part of the Board's annual budget approval and appropriation, the entire board-designated endowment, less the pledged collateral, could be made available for general expenditure if necessary.

The CHS is also a beneficiary of four perpetual trusts (split-interest agreements) as described in Note 8. The CHS does not have access to the underlying investments in the trusts, which are donor-restricted and are not available for general expenditure. The CHS receives distributions from these trusts that are available for general expenditure. The distributions for the year ended December 31, 2022 were \$783,570. Similar distributions are expected to be received in the ensuing year.

As part of the CHS's liquidity management plan, cash in excess of amounts required to be readily available, as determined by management from time to time, is invested in a short-term investment account. The Board may also designate a portion of any operating surplus to the board-designated endowment.

Note 3 – Contributions Receivable

The present value discounts on unconditional promises to give receivable in future periods are estimated using interest rates paid on U.S. Treasury obligations with maturities equivalent to the years in which the payments are to be received. Such interest rates were established in the fiscal year that the contribution was recognized and are subsequently adjusted after management's review. The rate to discount contributions to present value was 1.29% for 2022 and 1.29% for 2021. Contributions receivable, including unconditional promises to give, as of December 31, 2022 and 2021, were as follows:

	2022	2021
Receivable in Less than One Year	\$ 57,000	\$ 76,278
Receivable in One to Five Years	50,000	100,000
Receivable in More than Five Years	-	-
Total Contributions Receivable	107,000	176,278
Less Discounts to Net Present Value	(685)	(3,800)
Net Contributions Receivable	<u>\$ 106,315</u>	<u>\$ 172,478</u>

THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 4 – Investments

Investments at fair value as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Cash and Cash Equivalents	\$ 404,669	\$ 957,482
Certificates of Deposit	-	102,187
Equities	26,254,360	34,637,708
Equity Mutual Funds	3,593,967	4,254,981
Fixed Income Mutual Funds	1,519,619	587,869
Corporate Bonds	4,979,111	4,916,996
Municipal Bonds	2,435,113	2,457,049
Real Estate (REITs)	893,880	1,526,755
	<u>\$ 40,080,719</u>	<u>\$ 49,441,027</u>

The components of total investment return for the year ended December 31, 2022 and their classification in the statement of activities is as follows:

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Interest and Dividends	\$ 430,099	\$ 530,765	\$ 960,864
Capital Gains Distributions	21,261	-	21,261
Distributions from Perpetual Trusts	783,570	-	783,570
Realized Gains/(Losses)	225,655	289,005	514,660
Net Unrealized Gains/(Losses)	(4,234,462)	(5,312,377)	(9,546,839)
Investment Fees	(77,777)	(99,615)	(177,392)
Total Return on Investments	<u>\$ (2,851,654)</u>	<u>\$ (4,592,222)</u>	<u>\$ (7,443,876)</u>
Classification			
Operating Investment Return	\$ 1,578,458	\$ 966,049	\$ 2,544,507
Non-Operating Investment Return	(4,430,112)	(5,558,271)	(9,988,383)
Total Return on Investments	<u>\$ (2,851,654)</u>	<u>\$ (4,592,222)</u>	<u>\$ (7,443,876)</u>

The components of total investment return for the year ended December 31, 2021 and their classification in the statement of activities is as follows:

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Interest and Dividends	\$ 425,190	\$ 515,102	\$ 940,292
Capital Gains Distributions	14,920	-	14,920
Distributions from Perpetual Trusts	654,111	-	654,111
Realized Gains/(Losses)	887,461	1,127,047	2,014,508
Net Unrealized Gains/(Losses)	2,312,293	2,921,334	5,233,627
Investment Fees	(77,322)	(98,197)	(175,519)
Total Return on Investments	<u>\$ 4,216,653</u>	<u>\$ 4,465,286</u>	<u>\$ 8,681,939</u>
Classification			
Operating Investment Return	\$ 1,435,462	\$ 934,435	\$ 2,369,897
Non-Operating Investment Return	2,781,191	3,530,851	6,312,042
Total Return on Investments	<u>\$ 4,216,653</u>	<u>\$ 4,465,286</u>	<u>\$ 8,681,939</u>

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 5 – Fair Value of Financial Instruments

Generally accepted accounting principles establish a framework for measuring fair value. That 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the CHS has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and 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.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

In general, management relies on the third-party investment managers to provide valuations on a monthly basis. Management verifies these valuations in a number of ways including, but not limited to, assessing the valuation methodologies used by each manager and reviewing the footnotes related to valuation in audited financial statements. The following is a description of the valuation methodologies used for assets measured at fair value:

Cash Equivalents and CDs – Cash equivalents are money market funds that are valued as cash due to their short-term nature. Certificates of deposit obligations are valued based on information provided by the third-party investment fund managers.

Equity Mutual Funds and Equities – Equity based mutual funds are valued at the daily published net asset value per share and common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed Income Funds and Bonds – Mutual funds, including fixed income and high yield mutual funds, are valued at the daily published net asset value per share. Corporate bonds and municipal bonds are valued based on information provided by the third-party investment fund managers.

Real Estate (REITs) – REITs are publicly traded and are valued at the closing price reported in the active market in which the individual securities are traded.

Split-Interest Agreements (Perpetual Trusts) – Fair value is based on the estimated present value of future payments to the CHS, which is considered to be the CHS's beneficial interest percentage in the underlying assets held in trust, as reported by the trustee.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 5 – Fair Value of Financial Instruments (Cont'd)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the CHS 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.

The following is a summary of the fair value measurements of financial instruments by class that are measured at fair value on a recurring basis as of December 31, 2022 and 2021:

Description	December 31, 2022	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 404,669	\$ 404,669	\$ -	\$ -	\$ -
Equities	26,254,360	26,254,360	-	-	-
Equity Mutual Funds	3,593,967	3,593,967	-	-	-
Fixed Income Mutual Funds	1,519,619	1,519,619	-	-	-
Corporate Bonds	4,979,111	4,979,111	-	-	-
Municipal Bonds	2,435,113	-	2,435,113	-	-
Real Estate (REITs)	893,880	893,880	-	-	-
Total Investments	40,080,719	37,645,606	2,435,113	-	-
Split-Interest Agreements	13,338,341	-	-	13,338,341	-
Total	<u>\$ 53,419,060</u>	<u>\$ 37,645,606</u>	<u>\$ 2,435,113</u>	<u>\$ 13,338,341</u>	<u>\$ -</u>

Description	December 31, 2021	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 957,482	\$ 957,482	\$ -	\$ -	\$ -
Certificates of Deposit	102,187	-	102,187	-	-
Equities	34,637,708	34,637,708	-	-	-
Equity Mutual Funds	4,254,981	4,254,981	-	-	-
Fixed Income Mutual Funds	587,869	587,869	-	-	-
Corporate Bonds	4,916,996	4,916,996	-	-	-
Municipal Bonds	2,457,049	-	2,457,049	-	-
Real Estate (REITs)	1,526,755	1,526,755	-	-	-
Total Investments	49,441,027	46,881,791	2,559,236	-	-
Split-Interest Agreements	16,678,237	-	-	16,678,237	-
Total	<u>\$ 66,119,264</u>	<u>\$ 46,881,791</u>	<u>\$ 2,559,236</u>	<u>\$ 16,678,237</u>	<u>\$ -</u>

- (a) Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

During the years ended December 31, 2022 and 2021 there were no significant transfers in or out of Level 1 or Level 2.

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 5 – Fair Value of Financial Instruments (Cont'd)

The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021:

	2022	2021
	Split-Interest Agreements	Split-Interest Agreements
Balance, Beginning of Year	\$ 16,678,237	\$ 16,121,453
Total Gain/(Loss) Included in the Change in Net Assets, Recognized as Change in Value of Split-interest Agreements	(3,339,896)	556,784
Additions/Purchases	-	-
Withdrawals/Sales	-	-
Balance, End of Year	<u>\$ 13,338,341</u>	<u>\$ 16,678,237</u>

The CHS does not develop quantitative unobservable inputs when measuring fair value; instead the CHS relies upon valuations provided by third-party investment fund managers.

Note 6 – Endowment Fund

The CHS's endowment consists of more than 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of the CHS has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CHS classifies the following as permanent endowment 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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the CHS in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the CHS considers 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 organization 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 organization; and
- The investment policies of the organization

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 6 – Endowment Fund (Cont'd)

Endowment net asset composition by type of fund is as follows as of December 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Donor-Restricted Endowment Funds	\$ -	\$ 22,398,322	\$ 22,398,322
Board-Designated Endowment Funds	17,140,994	-	17,140,994
	<u>\$ 17,140,994</u>	<u>\$ 22,398,322</u>	<u>\$ 39,539,316</u>

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Donor-Restricted Endowment Funds	\$ -	\$ 27,346,593	\$ 27,346,593
Board-Designated Endowment Funds	21,478,263	-	21,478,263
	<u>\$ 21,478,263</u>	<u>\$ 27,346,593</u>	<u>\$ 48,824,856</u>

Changes in endowment net assets for the years ended December 31, 2021 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2021	\$ 18,701,071	\$ 23,460,742	\$ 42,161,813
Contributions and Board Designations	19,700	355,000	374,700
Investment Return			
Investment Income	403,737	516,968	920,705
Net Appreciation/(Depreciation)	3,112,328	3,948,318	7,060,646
Total Investment Return	3,516,065	4,465,286	7,981,351
Amounts Appropriated for Expenditure	(758,573)	(934,435)	(1,693,008)
Endowment Net Assets, December 31, 2021	<u>\$ 21,478,263</u>	<u>\$ 27,346,593</u>	<u>\$ 48,824,856</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2022	\$ 21,478,263	\$ 27,346,593	\$ 48,824,856
Contributions and Board Designations	18,075	610,000	628,075
Investment Return			
Investment Income	415,243	529,931	945,174
Net Appreciation/(Depreciation)	(4,000,733)	(5,122,153)	(9,122,886)
Total Investment Return	(3,585,490)	(4,592,222)	(8,177,712)
Amounts Appropriated for Expenditure	(769,854)	(966,049)	(1,735,903)
Endowment Net Assets, December 31, 2022	<u>\$ 17,140,994</u>	<u>\$ 22,398,322</u>	<u>\$ 39,539,316</u>

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 6 – Endowment Fund (Cont'd)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the CHS to retain as a fund of perpetual duration (underwater endowments). Management has interpreted CTPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. At December 31, 2022 the amount of underwater funds totaled \$18,312 consisting of funds with original gift values of \$472,769 and fair values of \$454,457. At December 31, 2021 no funds were underwater.

Return Objectives and Risk Parameters - The CHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The CHS expects its endowment funds, over time, to provide an average rate of return of approximately 3% plus the rate of inflation over 5-10 years. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the CHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The CHS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The CHS has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the prior 20 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned (4.9% for the years ended December 31, 2022 and 2021, respectively). In establishing this policy, the CHS considered the long-term expected return on its endowment. Accordingly, over the long-term, annual spending should not exceed the total annual return of the portfolio minus inflation. This is consistent with the CHS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7 – Property and Equipment

The following is a detailed list of property and equipment, cost, depreciation, and accumulated depreciation for the years ended December 31, 2022 and 2021:

	2022	2021
Land	\$ 20,000	\$ 20,000
Land Improvements	174,726	164,536
Building and Improvements	7,286,513	7,286,513
Equipment	1,475,516	1,452,107
Assets in Progress	561,631	292,197
	<u>9,518,386</u>	<u>9,215,353</u>
Less Accumulated Depreciation	(5,018,920)	(4,835,901)
Property and Equipment, Net	<u>\$ 4,499,466</u>	<u>\$ 4,379,452</u>

Assets in progress are costs associated with a website redesign and various studies related to a possible new facility.

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8 – Split-interest Agreements

Perpetual Trusts - Income earned on trust assets is distributed to the CHS to be used for general operations and is reported as revenue without donor restrictions. The fair value at December 31, 2022 and 2021 of these beneficial interests were as follows:

Donor/Trust	Beneficial Interest	2022		2021	
		Trust Fair Value	CHS Fair Value	Trust Fair Value	CHS Fair Value
Frederick S. Bliss	18.254%	\$ 10,051,317	\$ 1,834,767	\$ 12,964,546	\$ 2,366,548
Edwin H. Bingham	6.667%	3,352,121	223,476	4,340,435	289,363
Charles Woodward	8.000%	124,951,538	9,996,122	155,092,638	12,407,410
Grace E. Bliss	19.048%	6,740,881	1,283,976	8,478,315	1,614,916
		<u>\$ 145,095,857</u>	<u>\$ 13,338,341</u>	<u>\$ 180,875,934</u>	<u>\$ 16,678,237</u>

For the years ended December 31, 2022 and 2021, trust distributions were as follows:

Donor/Trust	Beneficial Interest	2022		2021	
		Total Trust Distribution	CHS Portion	Total Trust Distribution	CHS Portion
Frederick S. Bliss	18.254%	\$ 616,758	\$ 112,583	\$ 503,199	\$ 91,854
Edwin H. Bingham	6.667%	190,376	12,692	166,513	11,101
Charles Woodward	8.000%	7,252,158	580,172	6,141,415	491,312
Grace E. Bliss	19.048%	410,145	78,123	314,175	59,844
		<u>\$ 8,469,437</u>	<u>\$ 783,570</u>	<u>\$ 7,125,301</u>	<u>\$ 654,111</u>

Note 9 – Loan Payable

The CHS has a \$2,000,000 line of credit with monthly interest-only payments at the 90-day SOFR rate plus 125 basis points (5.573% at December 31, 2022 and 1.340% at December 31, 2021). As of December 31, 2022 and 2021, the amounts outstanding were \$686,889 and \$286,889, respectively. The line of credit matures June 30, 2024. The line of credit is secured by an investment account within the endowment fund. At December 31, 2022 and 2021 the fair value of the account was \$3,712,794 and \$4,306,444, respectively.

Note 10 – Leases

The CHS leases office equipment under operating leases. The actual lease and rent expense for the years ended December 31, 2022 and 2021 was \$37,771 and \$64,897, respectively. The future minimum annual lease payments are as follows:

Future Period	Year Ending December 31,	
	2022	2021
2022		\$ 1,326
2023	\$ 1,326	1,326
2024	331	331
2025	-	-
2026	-	-
2027	-	-
Thereafter	-	-
	<u>\$ 1,657</u>	<u>\$ 2,983</u>

THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 11 – Net Assets

Without Donor Restrictions – Board-designated net assets without donor restrictions represent original board-designated principal, cumulative investment returns, and cumulative distributions from endowment funds without donor restrictions that have not met the specific requirements of the Board. A listing of board-designated net assets without donor restrictions by specific purposes as of December 31, 2022 and 2021 is as follows:

Designated Purpose	Proceeds From Collections Deaccessions	Endowment Distributions	Endowment Funds	2022 Total
General Operations	\$ -	\$ 25,922	\$ 13,311,711	\$ 13,337,633
Museum Acquisition	53,470	265,115	2,058,834	2,377,419
Museum Conservation	1,238	(7,869)	1,087,957	1,081,326
Publications	-	6,165	523,839	530,004
Library Conservation	466	6,715	59,596	66,777
Library Acquisition	9,152	12,836	65,922	87,910
Library Improvements	-	6,313	33,135	39,448
Total Board-Designated Net Assets	64,326	315,197	17,140,994	17,520,517
Net Assets Invested in Property and Equipment, Net of Related Debt	-	-	-	3,812,577
Undesignated	-	-	-	182,592
Total	<u>\$ 64,326</u>	<u>\$ 315,197</u>	<u>\$ 17,140,994</u>	<u>\$ 21,515,686</u>

Designated Purpose	Proceeds From Collections Deaccessions	Endowment Distributions	Endowment Funds	2021 Total
General Operations	\$ -	\$ 37,304	\$ 16,674,692	\$ 16,711,996
Museum Acquisition	53,470	319,710	2,439,776	2,812,956
Museum Conservation	1,238	(6,065)	1,500,841	1,496,014
Publications	-	7,140	657,138	664,278
Library Conservation	466	14,286	81,552	96,304
Library Acquisition	9,152	12,591	82,700	104,443
Library Improvements	-	8,385	41,564	49,949
Total Board-Designated Net Assets	64,326	393,351	21,478,263	21,935,940
Net Assets Invested in Property and Equipment, Net of Related Debt	-	-	-	4,092,563
Undesignated	-	-	-	452,229
Total	<u>\$ 64,326</u>	<u>\$ 393,351</u>	<u>\$ 21,478,263</u>	<u>\$ 26,480,732</u>

Of the board-designated endowment fund net assets without donor restrictions, as of December 31, 2022 and 2021, \$9,996,784 and \$9,978,709 respectively, are designated as original principal for investing in perpetuity, or “funds functioning as endowment.”

THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 11 – Net Assets (Cont'd)

With Donor Restrictions - Net assets with donor restrictions represent contributions that have not met the donors' specific purpose or time period restrictions, cumulative distributions from donor-restricted endowment funds that have not met the specific requirements of the donors, and the cumulative additions to the donor-restricted endowment funds that have not been appropriated for expenditure. Net assets with donor restrictions also include donor-designated original principal for investing in perpetuity; "endowment funds," and the CHS's beneficial interest in perpetual trusts. Net assets with donor restrictions as of December 31, 2022 and 2021 are as follows for the following purposes or time periods:

Restriction	Contributions	Unspent Endowment Distributions	Cumulative Endowment Additions	Permanent Endowment Corpus	Perpetual Trusts	2022 Total
Programs/General Operations	\$ 84,518	\$ 4,494	\$ 3,908,605	\$ 7,709,603	\$ 13,338,341	\$25,045,561
Building	-	-	5,446,082	297,500	-	5,743,582
Old State House	-	15,311	117,252	620,942	-	753,505
Library Acquisition	-	470,824	2,738,451	682,930	-	3,892,205
Museum Conservation	2,850	91,773	246,378	37,500	-	378,501
Library Conservation	9,554	37,367	84,758	77,202	-	208,881
Museum Acquisition	1,022	-	-	-	-	1,022
Library/Museum	-	2,337	(16,650)	447,769	-	433,456
Passage of Time	99,315	-	-	-	-	99,315
	<u>\$ 197,259</u>	<u>\$ 622,106</u>	<u>\$ 12,524,876</u>	<u>\$ 9,873,446</u>	<u>\$ 13,338,341</u>	<u>\$ 36,556,028</u>

Restriction	Contributions	Unspent Endowment Distributions	Cumulative Endowment Additions	Permanent Endowment Corpus	Perpetual Trusts	2021 Total
Programs/General Operations	\$ 49,319	\$ 5,561	\$ 6,725,005	\$ 7,099,603	\$ 16,678,237	\$30,557,725
Building	-	(22,161)	6,907,606	297,500	-	7,182,945
Old State House	-	14,317	305,091	620,942	-	940,350
Library Acquisition	-	489,468	3,609,058	682,930	-	4,781,456
Museum Conservation	2,440	82,085	318,600	37,500	-	440,625
Library Conservation	8,605	33,245	124,729	77,202	-	243,781
Museum Acquisition	-	1,022	-	-	-	1,022
Library/Museum	-	1,601	93,058	447,769	-	542,428
Passage of Time	146,200	-	-	-	-	146,200
	<u>\$ 206,564</u>	<u>\$ 605,138</u>	<u>\$ 18,083,147</u>	<u>\$ 9,263,446</u>	<u>\$ 16,678,237</u>	<u>\$ 44,836,532</u>

Net assets with donor restrictions were released from restrictions during the years ended December 31, 2022 and 2021, by incurring expenses satisfying the following purpose or time restrictions:

Restriction	2022	2021
Programs/General Operations	\$ 619,769	\$ 566,246
Building	236,730	327,325
Old State House	32,280	29,829
Library Acquisition	172,863	146,223
Museum Conservation	3,101	23,728
Library Conservation	3,893	3,292
Library/Museum	18,697	29,085
Passage of Time	50,000	50,000
	<u>\$ 1,137,333</u>	<u>\$ 1,175,728</u>

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 12 – Defined Contribution Retirement Plan

The CHS uses Nationwide as its current 403b retirement plan recordkeeper and also engages a third party administrator, financial advisor, and co-fiduciary. For those staff members who annually work 1,000 hours or more, the CHS contributes 5% of an eligible staff member's gross salary beginning the second year of employment to the 403b plan and participants can elect to make contributions to the plan. For the year ended December 31, 2022, the CHS's contributions were \$95,012. For the year ended December 31, 2021, the CHS's contributions were \$81,845. Additionally, the CHS continues to sponsor its former retirement plans; an RA and SRA provided by TIAA, however no new participants or employer contributions are added to these plans.

Note 13 – In-Kind Contributions

The CHS receives contributed supporting legal and advertising services that would have to be purchased if not otherwise provided by donation. The details of in-kind contributions for the years ended December 31, 2022 and 2021 are as follows:

	Administrative & General	Development	2022 Total
Professional Fees	\$ 6,685	\$ -	\$ 6,685
Advertising and Promotion	-	79,692	79,692
	<u>\$ 6,685</u>	<u>\$ 79,692</u>	<u>\$ 86,377</u>
	Administrative & General	Development	2021 Total
Professional Fees	\$ 3,432	\$ -	\$ 3,432
Advertising and Promotion	-	27,039	27,039
	<u>\$ 3,432</u>	<u>\$ 27,039</u>	<u>\$ 30,471</u>

Note 14 – Concentrations

A material part of the CHS's operating and non-operating revenue is derived from investment income and net realized and unrealized gains on investments, the loss of which would have a materially adverse effect on the CHS. Investments are subject to market fluctuations beyond the control of the CHS. In meeting the CHS's investment objectives the CHS regularly obtains investment advice from professional investment managers which includes risk assessment and diversification strategies to mitigate investment risk. The CHS also receives a significant amount of contributions. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

Note 15 – Intentions to Give

The CHS periodically receives notification of gift intentions in the form of bequests which are revocable during the donors' lifetimes. Due to the uncertain nature of these intentions, the CHS has not recognized an asset or contribution revenue and it is not possible to estimate their value.



CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Trustees
The Connecticut Historical Society

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Connecticut Historical Society, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 5, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Connecticut Historical Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Connecticut Historical Society's internal control. Accordingly, we do not express an opinion on the effectiveness of The Connecticut Historical Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to management of The Connecticut Historical Society in a separate letter dated May 5, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Connecticut Historical Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Maletta & Company". The signature is stylized, with the first name "Maletta" being more prominent and the "& Company" part written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
May 5, 2023



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Board of Trustees
The Connecticut Historical Society

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited The Connecticut Historical Society's compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's Compliance Supplement that could have a direct and material effect on each of The Connecticut Historical Society's major state programs for the year ended December 31, 2022. The Connecticut Historical Society's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Connecticut Historical Society complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Connecticut Historical Society and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of The Connecticut Historical Society's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Connecticut Historical Society's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Connecticut Historical Society's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Connecticut Historical Society's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Connecticut Historical Society's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of The Connecticut Historical Society's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of The Connecticut Historical Society's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of The Connecticut Historical Society, as of and for the year ended December 31, 2022 and have issued our report thereon dated May 5, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Maletta & Company". The signature is stylized, with the first name "Maletta" written in a cursive script and "& Company" written in a more formal, slightly cursive script.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
May 5, 2023

**THE CONNECTICUT HISTORICAL SOCIETY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Economic and Community Development		
Pass-Through From:		
Connecticut Humanities		
Strategic Partnership Grant	11000-ECD46820-10020	\$ 196,600
Directed Local Funds	12069-ECD46820-17069	157,637
Total State Financial Assistance		<u><u>\$ 354,237</u></u>

*See the accompanying notes to the
Schedule of Expenditures of State Financial Assistance.*

**THE CONNECTICUT HISTORICAL SOCIETY
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

The accompanying schedule of expenditures of state financial assistance included state grant activity of The Connecticut Historical Society under programs of the State of Connecticut for the fiscal year ended December 31, 2022. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including programs and capital improvements.

1. Summary of Significant Accounting Policies

The accounting policies of The Connecticut Historical Society conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**THE CONNECTICUT HISTORICAL SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit finding disclosed that are required to be reported Yes X No

Identification of major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
CT DECD		
Strategic Partnership Grant	11000-ECD46820-10020	\$ 196,600
Directed Local Funds	12069-ECD46820-17069	157,637

Dollar threshold used to distinguish between type A and type B programs: \$100,000

II. Financial Statement Findings

There were no current year financial statement findings related to state financial assistance programs.

III. State Financial Assistance Findings and Questioned Costs

There were no current year findings or questioned costs relating to state financial assistance programs.