

NANTUCKET ATHENEUM
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021
AND
INDEPENDENT AUDITOR'S REPORT

NANTUCKET ATHENEUM
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nantucket Atheneum

Opinion

We have audited the financial statements of Nantucket Atheneum (the "Atheneum"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 Atheneum as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Atheneum 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.

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 Atheneum's ability to continue as a going concern within one year after the date the financial statements are issued or 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 GAAS 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In performing an audit in accordance with GAAS, 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 Atheneum'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 Atheneum'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.

Report on Summarized Comparative Information

We have previously audited the Atheneum's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Ballus Lynch, LLP

Worcester, Massachusetts
October 13, 2022

NANTUCKET ATHENEUM

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(000's Omitted)

(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash	\$ 606	\$ 723
Contributions receivable	-	5
Prepaid expenses and other assets	-	4
	<u>606</u>	<u>732</u>
Total current assets	606	732
Investments	28,791	25,232
Property and equipment, net	<u>1,038</u>	<u>1,154</u>
	<u>\$ 30,435</u>	<u>\$ 27,118</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and other liabilities	<u>\$ 272</u>	<u>\$ 134</u>
Net assets		
Without donor restrictions		
Undesignated	13,785	11,893
Board designated for endowment	8,856	7,660
With donor restrictions	<u>7,522</u>	<u>7,431</u>
Total net assets	<u>30,163</u>	<u>26,984</u>
	<u>\$ 30,435</u>	<u>\$ 27,118</u>

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

NANTUCKET ATHENEUM

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

(000's Omitted)

(With Summarized Comparative Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Operating activities				
Revenue, gains, and other support				
Contributions	\$ 741	\$ -	\$ 741	\$ 689
Town of Nantucket contribution	757	-	757	740
Grant income	359	25	384	414
Book sales, fines and subscriptions	3	-	3	1
Programs	-	-	-	2
Endowment draw designated for operations	814	-	814	642
Special fundraising events, net of direct benefit to donors of \$252 and \$78 in 2021 and 2020, respectively	346	-	346	433
Other	13	-	13	-
Net assets released from restriction				
Satisfaction of purpose restrictions	46	(46)	-	-
Total	3,079	(21)	3,058	2,921
Operating expenses				
Program services	1,802	-	1,802	1,576
Supporting services				
General and administrative	243	-	243	317
Membership and fundraising	487	-	487	446
Total	2,532	-	2,532	2,339
Change in net assets before depreciation	547	(21)	526	582
Depreciation expense	257	-	257	365
Change in net assets from operating activities	290	(21)	269	217
Non-operating activities				
Investment return in excess of amounts designated for operations	2,798	112	2,910	2,351
Change in net assets from non-operating activities	2,798	112	2,910	2,351
Change in net assets	3,088	91	3,179	2,568
Net assets, beginning of year	19,553	7,431	26,984	24,416
Net assets, end of year	\$ 22,641	\$ 7,522	\$ 30,163	\$ 26,984

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

NANTUCKET ATHENEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

(000's Omitted)

(With Summarized Comparative Information for the Year Ended December 31, 2020)

	Program Services	General and Administrative	Membership and Fundraising	Total	
				2021	2020
Salaries and wages	\$ 821	\$ 180	\$ 293	\$ 1,294	\$ 1,300
Payroll taxes and employee benefits	224	51	44	319	290
Total personnel costs	<u>1,045</u>	<u>231</u>	<u>337</u>	<u>1,613</u>	<u>1,590</u>
Occupancy costs	416	23	23	462	441
Books, periodicals and films	130	-	-	130	79
Programs and events	52	-	1	53	28
CLAMS memberships and dues	33	-	-	33	33
Professional fees	1	82	9	92	63
Supplies	38	7	4	49	18
Postage	-	1	7	8	6
Travel, meetings and conferences	1	1	2	4	8
Professional development	2	-	-	2	2
Promotion	17	16	2	35	18
Printing	-	-	28	28	25
Credit card charges and bank fees	-	6	4	10	4
Miscellaneous expenses	3	10	-	13	24
Total other expenses	<u>693</u>	<u>146</u>	<u>80</u>	<u>919</u>	<u>749</u>
Total expenses before depreciation	1,738	377	417	2,532	2,339
Depreciation	<u>231</u>	<u>13</u>	<u>13</u>	<u>257</u>	<u>365</u>
Total operating expenses	<u>1,969</u>	<u>390</u>	<u>430</u>	<u>2,789</u>	<u>2,704</u>
Direct event expenses					
Contract services	-	-	170	170	50
Travel and meals	-	-	49	49	3
Promotion	-	-	20	20	7
Supplies	-	-	3	3	4
Other	-	-	10	10	14
Total direct event expenses	<u>-</u>	<u>-</u>	<u>252</u>	<u>252</u>	<u>78</u>
Total functional expenses	<u>\$ 1,969</u>	<u>\$ 390</u>	<u>\$ 682</u>	<u>\$ 3,041</u>	<u>\$ 2,782</u>

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

NANTUCKET ATHENEUM

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

(000's Omitted)

(With Summarized Comparative Information for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,179	\$ 2,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	257	365
Grant income from forgiveness of PPP loan	(279)	(303)
Net investment gains	(3,120)	(2,567)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	4	25
Accounts payable and other liabilities	138	69
Total adjustments	<u>(3,000)</u>	<u>(2,411)</u>
Net cash provided by operating activities	<u>179</u>	<u>157</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,075	6,664
Payments for purchases of investments	(2,514)	(6,481)
Purchase of property and equipment	(141)	(87)
Net cash provided by (used in) investing activities	<u>(580)</u>	<u>96</u>
Cash flows from financing activities:		
Proceeds from PPP loan	279	303
Contributions collected restricted for capital activities	5	-
Net cash provided by financing activities	<u>284</u>	<u>303</u>
Net increase (decrease) in cash and cash equivalents	(117)	556
Cash, beginning of year	<u>723</u>	<u>167</u>
Cash, end of year	<u>\$ 606</u>	<u>\$ 723</u>

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

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS (000'S OMITTED)

1 - DESCRIPTION OF ORGANIZATION

Incorporated in 1834, the Nantucket Atheneum (the "Atheneum") is Nantucket's free public library and gathering place, transforming lives with resources and experiences that support life-long learning for all. It consists of a circulating collection; research and information resources; a special collection of historic documents, artwork and artifacts; and various diverse programs.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Atheneum's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Basis of accounting

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

Accounting estimates

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

Net assets

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

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

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

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

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

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

Classification of transactions

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

Cash

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

Contributions receivable

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

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (continued)

Net investment return, including interest, dividends, gains or losses on investments, and investment management expenses, are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Endowment funds

The Atheneum's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Atheneum to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

As required by generally accepted accounting principles, the Atheneum classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the Atheneum in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Atheneum may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Atheneum 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 Atheneum; and the investment policies of the Atheneum.

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

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

The Atheneum has a policy of appropriating for distribution each year 5.0% of the average fair market value of the endowment calculated as of the last day of each of the twelve calendar quarters through the September 30 preceding the year in which the distribution is planned. In establishing this policy, the Atheneum considered the long-term expected return on its endowment and forecasts of the rate of inflation. This is consistent with the Atheneum's objective to maintain the purchasing power of its endowment.

Property and equipment

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

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measure of operations

In its statement of activities, the Atheneum includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions for capital activities and the net investment return (until drawn for operations) are recognized as non-operating items.

Contributions, gifts, grants

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

Expense recognition and allocation

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

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the same basis as occupancy for each program and supporting activity.

Management periodically evaluates the basis on which costs are allocated.

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

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Atheneum generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, all costs associated with advertising and promoting the Atheneum are expensed in the year incurred. Advertising and promotion expense relate primarily to special programs and events. Total advertising expense was \$55 and \$25 in 2021 and 2020, respectively.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-exempt status

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

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 606	\$ 723
Contributions receivable, net	-	5
Endowment and long-term investments	<u>28,791</u>	<u>25,232</u>
Total financial assets	29,397	25,960
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	24	34
Donor-restricted endowment funds	7,509	7,397
Less: Board-designated endowment fund	<u>8,856</u>	<u>7,660</u>
Amount available for general expenditures within one year	<u>\$ 13,008</u>	<u>\$ 10,869</u>

The Atheneum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Atheneum anticipates collecting sufficient revenue through direct contributions and special fundraising events to cover general expenditures not covered by donor-restricted resources.

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Atheneum's intention to invest those resources for its long-term support. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds available for general use (\$7,509 of which \$5,959 is the original gift) or from its designated endowment fund \$8,856. Note 2 provides more information about those funds and about the spending policies for all endowment funds.

4 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2021</u>	<u>2020</u>
Donor restricted endowments:		
With donor restrictions	\$ 7,509	\$ 7,397
Board designated endowment	<u>8,856</u>	<u>7,660</u>
	16,365	15,057
Without donor restrictions	<u>12,426</u>	<u>10,175</u>
	<u>\$ 28,791</u>	<u>\$ 25,232</u>

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

4 - INVESTMENTS (Continued)

Investments are composed of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 28,273	\$ 24,124
Money market funds	5	36
Investments carried at fair value	28,278	24,160
Notes receivable	513	1,072
Total investments	<u>\$ 28,791</u>	<u>\$ 25,232</u>

The Atheneum loaned funds to key employees to assist with the acquisition of housing. The loan agreements are secured by an interest in the real estate and are due upon sale of the property, within 120 days of the employee's separation from employment or seven years from the employee's retirement. The loans do not bear interest, but the Atheneum will receive 50% of any increase in the property's value over the initial purchase price and improvements. These loans are carried at cost. There were two agreements in place in 2020. One agreement was satisfied during 2021 upon sale of the property, resulting in a gain of \$131.

Net investment return was comprised of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net investment gains	\$ 3,120	\$ 2,567
Interest, dividends and distributions	636	453
Investment management fees	(32)	(27)
Net investment return	3,724	2,993
Less: Amount designated for operations	814	642
Investment return in excess of amount designated for operations	<u>\$ 2,910</u>	<u>\$ 2,351</u>

5 - PROPERTY AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2021</u>	<u>2020</u>
Land	-	\$ 20	\$ 20
Buildings	25 years	109	109
Building improvements	5 - 25 years	6,279	6,278
Furniture and fixtures	10 years	94	126
Equipment	5 years	266	287
		6,768	6,820
Less: Accumulated depreciation		5,730	5,666
		<u>\$ 1,038</u>	<u>\$ 1,154</u>

Depreciation expense was \$257 and \$365 for the years ended December 31, 2021 and 2020, respectively.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

6 - ENDOWMENT ASSETS

Endowment assets include board designated and donor restricted funds. Changes in endowment assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 7,660	\$ 7,397	\$ 15,056
Additions	5	-	5
Investment return	1,191	926	2,117
Appropriation for expenditure	-	(814)	(814)
Endowment assets, end of year	<u>\$ 8,856</u>	<u>\$ 7,509</u>	<u>\$ 16,364</u>

7 - RETIREMENT PLAN

The Atheneum has a defined contribution retirement 403(b) plan which covers substantially all of its employees. Retirement plan expense charged to operations amounted to \$28 for the years ended December 31, 2021 and December 31, 2020.

8 - RESTRICTED NET ASSETS

At December 31, 2021 and 2020, net assets with donor restrictions are available for the following purposes or periods:

	Original Amount	2021	2020
Purpose restrictions, available for spending:			
Children, young adult and adult programs		\$ 13	\$ 34
Endowment funds, which must be appropriated by the Board of Directors before use:			
Children's library			
Weezie Library Endowment Fund	\$ 1,025	1,135	1,099
Adult and other programs			
NEH Endowment Fund	1,600	2,182	2,043
Hays Endowment Fund	104	158	143
Other program related activities	11	13	11
Literacy program			
Livingston fund	544	845	773
Building maintenance			
1847 Building Endowment Fund	1,072	1,365	1,339
Sustaining the Atheneum Fund	1,250	1,438	1,618
General endowment			
Goldsmith Foundation Endowment Fund	353	373	371
Total endowment funds managed by the Atheneum	<u>\$ 5,959</u>	<u>7,509</u>	<u>7,397</u>
Total net assets with donor restrictions		<u>\$ 7,522</u>	<u>\$ 7,431</u>

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

8 - RESTRICTED NET ASSETS (Continued)

During 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donor as follows:

	<u>2021</u>	<u>2020</u>
Children, young adult and adult programs	\$ 46	\$ 1

9 - GRANT REVENUE

The Atheneum was granted loans of \$279 and \$303 in 2021 and 2020, respectively under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses. The loans and accrued interest at 1.00% are forgivable after a certain period of time as long as the borrower uses the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the certain period of time.

The Atheneum has accounted for these loan proceeds as conditional contributions in accordance with FASB ASC 958-605, whereby revenue is not recognized until certain conditions are substantially met or explicitly waived. The Atheneum applied for forgiveness of the loans and the applications were approved by the SBA. The Atheneum recognized \$279 and \$303 as grant revenue in 2021 and 2020 respectively upon receiving forgiveness for the full amount of the loan and accrued interest from the SBA.

10 - FAIR VALUE MEASUREMENTS

The Atheneum reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Atheneum measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Atheneum is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)
(Continued)

10 - FAIR VALUE MEASUREMENTS (Continued)

The primary uses of fair value measures in the Atheneum's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.

Determination of fair value

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended December 31, 2021 and 2020.

Mutual funds Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Money market funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis of transactions at that date.

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 Atheneum 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 Atheneum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at December 31, 2021 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 28,273	\$ -	\$ -	\$ 28,273
Money market funds	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total	<u>\$ 28,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,278</u>

The Atheneum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at December 31, 2020 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 24,124	\$ -	\$ -	\$ 24,124
Money market funds	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
Total	<u>\$ 24,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,160</u>

There were no significant transfers between the levels during the year. The Atheneum's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

There were no liabilities measured at fair value at December 31, 2021 and 2020.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

11 - RISKS AND UNCERTAINTIES

The Atheneum's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Further, because of the significance of the investments to the Atheneum's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

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

12 - RELATED PARTY TRANSACTIONS

Members of the Board of Directors contributed \$256 and \$216 to the Atheneum during the years ended December 31, 2021 and December 31, 2020, respectively.

13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 13, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

In May 2022, the Atheneum completed the purchase of property intended to be used for employee housing. The property was purchased for \$3.5 million of which \$2.5 million was financed by a bank loan. The mortgage is payable in monthly installments of \$14,619, including interest at 4.93% through May 2032 at which time the remaining balance will be due in full. The loan is unsecured, however the property may not be used to secure any future indebtedness of the Atheneum until the balance has been paid in full.

SUPPLEMENTARY INFORMATION

NANTUCKET ATHENEUM

ALLOCABLE OCCUPANCY EXPENSES

YEAR ENDED DECEMBER 31, 2021

(000's Omitted)

(With Summarized Comparative Information for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Utilities	\$ 51	\$ 47
Personnel costs	157	145
Service contracts	69	102
Cleaning	24	18
Insurance	54	46
Repairs and maintenance	28	27
Gardens	49	19
Security	3	7
Storage	17	16
Supplies	7	12
Rubbish removal	<u>3</u>	<u>2</u>
Total allocable occupancy expenses	<u>\$ 462</u>	<u>\$ 441</u>

See accompanying independent auditor's report.