

NANTUCKET ATHENEUM
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018
AND
INDEPENDENT AUDITOR'S REPORT

NANTUCKET ATHENEUM
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nantucket Atheneum
Nantucket, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Nantucket Atheneum which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nantucket Atheneum as of June 30, 2018, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Report on Summarized Comparative Information

We have previously audited Nantucket Atheneum's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
November 19, 2018

NANTUCKET ATHENEUM

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(000's Omitted)

(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 821	\$ 687
Grants and contributions receivable	47	81
Prepaid expenses and other assets	<u>80</u>	<u>26</u>
Total current assets	948	794
Investments	21,204	18,804
Property and equipment, net	<u>1,822</u>	<u>2,042</u>
	<u>\$ 23,974</u>	<u>\$ 21,640</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and other liabilities	<u>\$ 58</u>	<u>\$ 75</u>
Net assets		
Unrestricted		
Undesignated	10,038	8,714
Board designated for endowment	6,595	5,782
Temporarily restricted	1,324	1,111
Permanently restricted	<u>5,959</u>	<u>5,958</u>
Total net assets	<u>23,916</u>	<u>21,565</u>
	<u>\$ 23,974</u>	<u>\$ 21,640</u>

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

NANTUCKET ATHENEUM
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(000's Omitted)
(With Summarized Financial Information for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
Operating activities					
Revenue, gains, and other support					
Contributions	\$ 1,531	\$ 10	\$ 1	\$ 1,542	\$ 539
Town of Nantucket contribution	720	-	-	720	702
Grant income	55	-	-	55	63
Book sales, fines and subscriptions	14	-	-	14	19
Programs	24	-	-	24	12
Endowment draw designated for operations	622	-	-	622	557
Appropriation of special event revenue	790	-	-	790	573
Other	8	-	-	8	7
Net assets released from restriction					
Satisfaction of purpose restrictions	15	(15)	-	-	-
Total	<u>3,779</u>	<u>(5)</u>	<u>1</u>	<u>3,775</u>	<u>2,472</u>
Operating expenses					
Program services	1,693	-	-	1,693	1,583
Supporting services					
General and administrative	311	-	-	311	310
Membership and fundraising	463	-	-	463	410
Total	<u>2,467</u>	<u>-</u>	<u>-</u>	<u>2,467</u>	<u>2,303</u>
Change in net assets before depreciation	1,312	(5)	1	1,308	169
Depreciation expense	410	-	-	410	406
Change in net assets from operating activities	<u>902</u>	<u>(5)</u>	<u>1</u>	<u>898</u>	<u>(237)</u>
Non-operating activities					
Contributions for capital activities	761	-	-	761	-
Investment return in excess of amounts designated for operations	790	308	-	1,098	1,991
Special fundraising events					
Revenues	282	604	-	886	955
Release of restrictions, completed events	694	(694)	-	-	-
Direct benefit to donors	(502)	-	-	(502)	(425)
Appropriation of special event revenue	(790)	-	-	(790)	(573)
Change in net assets from non-operating activities	<u>1,235</u>	<u>218</u>	<u>-</u>	<u>1,453</u>	<u>1,948</u>
Change in net assets	2,137	213	1	2,351	1,711
Net assets, beginning of year	<u>14,496</u>	<u>1,111</u>	<u>5,958</u>	<u>21,565</u>	<u>19,854</u>
Net assets, end of year	<u>\$ 16,633</u>	<u>\$ 1,324</u>	<u>\$ 5,959</u>	<u>\$ 23,916</u>	<u>\$ 21,565</u>

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

NANTUCKET ATHENEUM

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

(000's Omitted)

(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,351	\$ 1,711
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	410	406
Revenue restricted for capital activities	(761)	-
Revenue restricted for long-term investment	(1)	-
Net investment (gains) losses	(1,286)	(2,180)
(Increase) decrease in operating assets:		
Grants and contributions receivable	9	(9)
Prepaid expenses and other assets	(54)	9
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(17)	5
Total adjustments	<u>(1,700)</u>	<u>(1,769)</u>
Net cash provided by (used in) operating activities	<u>651</u>	<u>(58)</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(190)	(116)
Proceeds from sale of investments	4,409	1,429
Payments for purchases of investments	<u>(5,523)</u>	<u>(2,111)</u>
Net cash used in investing activities	<u>(1,304)</u>	<u>(798)</u>
Cash flows from financing activities:		
Contributions collected restricted for capital activities	786	339
Contributions collected restricted for long-term investment	<u>1</u>	<u>-</u>
Net cash provided by financing activities	<u>787</u>	<u>339</u>
Net increase (decrease) in cash and cash equivalents	134	(517)
Cash and cash equivalents, beginning of year	<u>687</u>	<u>1,204</u>
Cash and cash equivalents, end of year	<u>\$ 821</u>	<u>\$ 687</u>

Non cash investing activities:

The Atheneum received stock transfers of \$70 and \$94 in 2018 and 2017, respectively as new gifts and satisfaction of pledge commitments.

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

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS
(000'S OMITTED)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Incorporated in 1834, the Nantucket Atheneum (the "Atheneum") operates as a public library serving adults, teens and children. It consists of a circulating collection; research and information resources; a special collection of historic documents, artwork and artifacts; and various diverse programs.

Method of accounting

The financial statements of the Atheneum have been prepared on the accrual basis 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Financial statement presentation

The Atheneum presents information regarding its financial position and activities according to three classifications of net assets described below:

Unrestricted - All resources over which the governing board has discretionary control. 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.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specific purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the donor's restriction that the principal be invested in perpetuity. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

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 June 30, 2017, from which the summarized information was derived.

Subsequent events

The Atheneum has evaluated the financial statement impact of subsequent events occurring through November 19, 2018, the date that the financial statements were available to be issued.

Cash and cash equivalents

For purposes of the financial statements, the Atheneum considers all non-invested cash and interest bearing deposits to be cash equivalents.

NANTUCKET ATHENEUM

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

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 uncollectable contributions receivable is determined based on management's evaluation of the collectability 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. There is no allowance for uncollectable contributions receivable as of June 30, 2018.

Property and equipment

Property and equipment are carried at cost. Building costs represent the accumulated amounts of identifiable expenditures, as original acquisition costs are indeterminable. Depreciation is computed using the straight-line method.

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 the carrying amount of an asset may not be recoverable.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Any investments which are not readily marketable are carried at estimated fair values as provided by the investment managers. The Atheneum reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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 unrestricted net assets unless their use is temporarily or permanently 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. 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Atheneum in a manner consistent with the standard of prudence prescribed by state law.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Atheneum can 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 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
- The investment policies of the organization.

The Atheneum has adopted investment and spending policies for its 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 Atheneum's finance committee shall seek to invest the endowment funds in such a manner that the investments will provide a spendable return consistent with a long-term goal of preserving the funds in real terms. 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 and dividends). The Atheneum has invested in mutual funds designated for institutions that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Atheneum has a policy of appropriating for distribution each year 5% of the endowment's average quarterly market value over the previous 3 years. In establishing this policy, the Atheneum has considered a long-term expected real return that is consistent with the objective of maintaining the inflation-adjusted purchasing power of the endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor-imposed restrictions require the Atheneum to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2018.

Concentrations of credit and market risk

Financial instruments that potentially expose the Atheneum to concentrations of credit and market risk consist primarily of cash, cash equivalents and investments. Cash and cash equivalents are maintained at high-quality financial institutions and credit exposure is not limited to any one institution. The Atheneum has not experienced any losses on its cash and cash equivalents. The Atheneum's investments do not represent significant concentrations of market risk since much of the Atheneum's investment portfolio is adequately diversified among issuers.

Measure of operations

In its statement of activities, the Atheneum includes in its definition of activities all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Atheneum's aggregate authorized spending amount, contributions restricted for the acquisition of capital assets are recognized as nonoperating support, revenues, gains and losses. Revenue from special events is recognized as nonoperating until it is appropriated for use by the governing body.

NANTUCKET ATHENEUM

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

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and gifts

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Gifts of long-lived assets are reported as unrestricted support, unless specifically restricted by the donor. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction. Contributions that the donor requires to be used to acquire long-lived assets (for example, land, buildings, furniture, fixtures, and equipment) are reported as temporarily restricted until the long-lived assets have been acquired, at which time the entity reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Advertising and promotion

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. General advertising was not material to the financial statements in 2018 and 2017.

2 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Payments of grants and contributions are expected to be received as follows:

2019	\$ <u>47</u>
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3 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2018</u>	<u>2017</u>
Donor restricted endowments:		
Permanently restricted	\$ 5,959	\$ 5,958
Temporarily restricted	791	483
Board designated endowment	<u>6,595</u>	<u>5,782</u>
	13,345	12,223
Unrestricted	<u>7,859</u>	<u>6,581</u>
	<u>\$ 21,204</u>	<u>\$ 18,804</u>

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

3 - INVESTMENTS (Continued)

Investments are composed of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 20,480	\$ 18,062
Money market funds	<u>171</u>	<u>198</u>
Investments carried at fair value	20,651	18,260
Real estate interest	<u>553</u>	<u>544</u>
Total investments	<u>\$ 21,204</u>	<u>\$ 18,804</u>

The Atheneum loaned funds to a key employee to assist with the acquisition of housing. The loan is secured by an interest in the real estate and is due upon sale of the property or within 120 days of the employee's separation from employment. The loan does not bear interest but the Atheneum will receive 50% of any increase in the property's value over the initial purchase price and improvements. This loan is carried at cost.

As discussed in Note 1, certain of the Atheneum's investments are reported at fair value. Activity in the investment markets has been volatile since June 30, 2018. As a result, the fair value of the Atheneum's investment portfolio as of the date of the independent auditor's report may be different than amounts reported at June 30, 2018.

Net investment return was comprised of the following:

	<u>2018</u>	<u>2017</u>
Net investment gains	\$ 1,286	\$ 2,180
Interest, dividends and distributions	464	397
Investment management fees	<u>(30)</u>	<u>(29)</u>
Net investment return	1,720	2,548
Less: Amount designated for operations	<u>622</u>	<u>557</u>
Investment return in excess of amount designated for operations	<u>\$ 1,098</u>	<u>\$ 1,991</u>

4 - PROPERTY AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2018</u>	<u>2017</u>
Land	-	\$ 20	\$ 20
Buildings	25 years	109	109
Building improvements	5 - 25 years	6,140	6,051
Furniture and fixtures	10 years	152	144
Equipment	5 years	<u>312</u>	<u>344</u>
		6,733	6,668
Less: Accumulated depreciation		<u>4,911</u>	<u>4,626</u>
		<u>\$ 1,822</u>	<u>\$ 2,042</u>

Depreciation expense was \$410 and \$406 in 2018 and 2017, respectively. During 2018 The Atheneum wrote off \$125 of equipment and furniture that was fully depreciated and was determined to no longer be in service.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

5 - ENDOWMENT ASSETS

Endowment assets include board designated and donor restricted funds. Changes in endowment assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 5,782	\$ 483	\$ 5,958	\$ 12,223
Additions	787	-	1	788
Investment return	540	550	-	1,090
Replenishment of deficient funds	29	(29)	-	-
Appropriation for expenditure	<u>(543)</u>	<u>(213)</u>	<u>-</u>	<u>(756)</u>
Endowment assets, end of year	<u>\$ 6,595</u>	<u>\$ 791</u>	<u>\$ 5,959</u>	<u>\$ 13,345</u>

6 - FUNCTIONAL EXPENSES

The expenses incurred to provide the various programs and activities of the Atheneum have been summarized on a functional basis in this footnote. Accordingly, all costs, including depreciation, have been allocated to the programs and supporting services benefited as follows:

	<u>2018</u>	<u>2017</u>
Operating expenses		
Program services	\$ 2,061	\$ 1,949
Supporting services		
General and administrative	332	330
Fundraising	<u>484</u>	<u>430</u>
Total	<u>\$ 2,877</u>	<u>\$ 2,709</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 \$31 and \$28 in 2018 and 2017, respectively.

8 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Appreciation on permanently restricted endowments	\$ 791	\$ 483
Special events in process	506	596
Children, young adult and adult programs	<u>27</u>	<u>32</u>
	<u>\$ 1,324</u>	<u>\$ 1,111</u>

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

8 - RESTRICTED NET ASSETS (Continued)

During 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Children, young adult and adult programs	\$ 15	\$ 10
Building maintenance and equipment	-	530
Total operating release of restrictions	15	540
Special events completed	694	682
Sustaining the Atheneum campaign	-	5,343
Total release of restrictions	<u>\$ 709</u>	<u>\$ 6,565</u>

Permanently restricted net assets are restricted to:

	<u>2018</u>	<u>2017</u>
Investment in perpetuity, the income and appreciation from which is expendable to support:		
Children's library		
Weezie Library Endowment Fund	\$ 1,025	\$ 1,025
Adult and other programs		
NEH Endowment Fund	1,600	1,600
Hays Endowment Fund	104	104
Other program related activities	11	11
Literacy program		
Livington fund	544	543
Building maintenance		
1847 Building Endowment Fund	1,072	1,072
Sustaining the Atheneum Fund	1,250	1,250
General endowment		
Goldsmith Foundation Endowment Fund	353	353
	<u>\$ 5,959</u>	<u>\$ 5,958</u>

The Atheneum has completed a Sustaining the Atheneum campaign to raise funds for capital and other long-term needs. Donations to the campaign not specifically restricted to endowment purposes were recorded as temporarily restricted. During 2017, the Atheneum completed the capital related goals of the campaign, and all remaining net assets became the Atheneum's board designated endowment. Subsequent gifts to the campaign are recognized as non-operating, unrestricted contributions and included in the board designated endowment.

NANTUCKET ATHENEUM

NOTES TO FINANCIAL STATEMENTS

(000'S OMITTED)

(Continued)

9 - FAIR VALUE MEASUREMENTS

Determination of fair value

The Atheneum uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in some instances, there are no quoted market prices for the Atheneum's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Atheneum's mutual fund holdings are invested in a family of funds sponsored by an organization that offers a family of no load mutual funds to foundations, endowments, other 501(c)(3) organizations, and certain other organizations meeting specified accreditation requirements. The Atheneum estimates the fair value of its holdings using the net asset value issued by the fund sponsor on the balance sheet date. Although not traded on a national market, the unit value is the entry price for qualifying organizations on that date. The fund offers daily liquidity and has no redemption restrictions. As such, the Atheneum believes the quoted unit value is reflective of fair value.

Fair value hierarchy

The Atheneum groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Money Market and Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Atheneum are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Atheneum are deemed to be actively traded.

NANTUCKET ATHENEUM

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

9 - FAIR VALUE MEASUREMENTS (Continued)

Fair value hierarchy (continued)

The Atheneum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2018 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 20,480	\$ -	\$ -	\$ 20,480
Money market funds	<u>171</u>	<u>-</u>	<u>-</u>	<u>171</u>
Total	<u>\$ 20,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,651</u>

There were no liabilities measured at fair value at June 30, 2018.

10 - TAX EXEMPT STATUS

The Atheneum qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Atheneum has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Atheneum's statement of financial position, or the related statements of activities, or cash flows. The Atheneum files income tax returns in the U.S. federal jurisdiction. The Atheneum is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2015.

11 - RELATED PARTY TRANSACTIONS

The Atheneum utilized the services of a law firm that has as one of its partners a person who is one of the Atheneum's directors. Fees paid to that firm for various human resource matters totaled \$7 for the year ended June 30, 2018. During 2018, members of the Board of Directors contributed \$292 to the Atheneum.

12 - RECLASSIFICATION

Certain amounts in the 2017 summarized financial information have been reclassified to conform with the 2018 presentation. Such reclassifications had no effect on the change in net assets as previously reported.

SUPPLEMENTARY INFORMATION

NANTUCKET ATHENEUM

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

(000's Omitted)

(With Summarized Financial Information for 2017)

	Program Services	General and Administrative	Membership and Fundraising	Total	
				2018	2017
Salaries and wages	\$ 756	\$ 165	\$ 267	\$ 1,188	\$ 1,172
Payroll taxes and employee benefits	201	37	64	302	275
Total personnel costs	957	202	331	1,490	1,447
Occupancy costs	421	23	23	467	397
Books, periodicals and films	122	-	-	122	126
Programs and events	85	-	-	85	92
CLAMS memberships and dues	34	-	-	34	36
Professional fees	4	35	20	59	55
Supplies	21	8	2	31	29
Postage	-	2	5	7	3
Travel, meetings and conferences	13	11	50	74	67
Professional development	1	-	4	5	2
Promotion	29	2	4	35	20
Printing	5	-	18	23	21
Credit card charges and bank fees	-	-	6	6	6
Miscellaneous expenses	1	28	-	29	2
Total other expenses	736	109	132	977	856
Total expenses before depreciation	1,693	311	463	2,467	2,303
Depreciation	368	21	21	410	406
Total expenses	\$ 2,061	\$ 332	\$ 484	\$ 2,877	\$ 2,709

See accompanying independent auditor's report.

NANTUCKET ATHENEUM

ALLOCABLE OCCUPANCY EXPENSES

YEAR ENDED JUNE 30, 2018

(000's Omitted)

(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
Utilities	\$ 51	\$ 49
Building supervisor	113	100
Service contracts	112	59
Cleaning	32	36
Insurance	46	51
Repairs and maintenance	64	47
Gardens	22	16
Security	5	18
Storage	13	12
Supplies	6	6
Rubbish removal	<u>3</u>	<u>3</u>
Total allocable occupancy expenses	<u>\$ 467</u>	<u>\$ 397</u>

See accompanying independent auditor's report.