



**OBERLIN  
Heritage  
CENTER**

**OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION  
AND SUBSIDIARIES**

**CONSOLIDATED AUDITED  
FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019  
AND 2018**

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Oberlin Historical and Improvement Organization and Subsidiaries  
Oberlin, Ohio

We have audited the accompanying consolidated financial statements of Oberlin Historical and Improvement Organization and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oberlin Historical and Improvement Organization and Subsidiaries as of December 31, 2019, 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 AUDITORS' REPORT (CONTINUED)

### **Prior Period Financial Statements**

The financial statements of Oberlin Historical and Improvement Organization and Subsidiaries as of December 31, 2018, were audited by other auditors whose report dated July 10, 2019, expressed an unmodified opinion on those statements.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities on pages 23 - 24 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Barnes Wendling CPAs*

Sheffield Village, Ohio  
September 15, 2020

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

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## Consolidated Statements of Financial Position

	December 31,	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 71,364	\$ 109,189
Accounts receivable	8,388	7,160
Grants receivable	24,582	26,061
Pledges receivable, net	3,258	11,137
Prepaid expenses	2,319	2,524
Inventory	5,395	5,180
Property and equipment, net	1,049,048	1,080,185
Investments	3,049,625	2,591,672
Beneficial interest in perpetual trust	142,442	127,534
	<b>\$ 4,356,421</b>	<b>\$ 3,960,642</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 8,243	\$ 5,104
Accrued expenses	21,957	23,269
Security deposits	11,918	11,738
Deferred revenue	2,616	1,960
	<b>44,734</b>	<b>42,071</b>
<b>Net Assets</b>		
Without donor restrictions	1,448,825	1,454,315
With donor restrictions		
Purpose restriction	35,199	35,369
Endowments:		
Original donor-restricted gifts	2,300,622	2,273,240
Accumulated investment gains	527,041	155,647
	<b>2,862,862</b>	<b>2,464,256</b>
	<b>4,311,687</b>	<b>3,918,571</b>
<b>TOTAL NET ASSETS</b>	<b>4,311,687</b>	<b>3,918,571</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,356,421</b>	<b>\$ 3,960,642</b>

See Notes to Financial Statements

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

## Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES</b>			
Grants and contributions	\$ 81,261	\$ 88,544	\$ 169,805
Special events and fundraising	12,523		12,523
Membership revenue	24,126		24,126
Program revenue	17,360		17,360
Museum store sales	4,737		4,737
Investment income, net	57,545	459,756	517,301
Change in funds held in trust	-0-	14,908	14,908
Rental income	111,096		111,096
Donated services and materials	11,473		11,473
Miscellaneous	4,756		4,756
Total revenue	324,877	563,208	888,085
Endowment appropriations	103,270	( 103,270)	-0-
Net assets released from restriction	61,332	( 61,332)	-0-
	489,479	398,606	888,085
<b>EXPENSES</b>			
Program services	413,747		413,747
Management and general	46,921		46,921
Fundraising	34,301		34,301
Total expenses	494,969	-0-	494,969
Changes in net assets	( 5,490)	398,606	393,116
Net assets, beginning of year	1,454,315	2,464,256	3,918,571
<b>NET ASSETS, end of year</b>	<b>\$ 1,448,825</b>	<b>\$ 2,862,862</b>	<b>\$4,311,687</b>

See Notes to Financial Statements

	Year Ended December 31, 2018		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES</b>			
Grants and contributions	\$ 89,741	\$ 111,562	\$ 201,303
Special events and fundraising	12,410		12,410
Membership revenue	24,888		24,888
Program revenue	17,840		17,840
Museum store sales	5,141		5,141
Investment loss, net	( 6,016)	( 67,792)	( 73,808)
Change in funds held in trust	-0-	( 15,629)	( 15,629)
Rental income	109,944		109,944
Donated services and materials	15,112		15,112
Miscellaneous	28,077		28,077
Total revenue	<u>297,137</u>	<u>28,141</u>	<u>325,278</u>
Net assets released from restriction	<u>204,026</u>	<u>( 204,026)</u>	<u>-0-</u>
	501,163	( 175,885)	325,278
<b>EXPENSES</b>			
Program services	419,797		419,797
Management and general	48,405		48,405
Fundraising	36,283		36,283
Total expenses	<u>504,485</u>	<u>-0-</u>	<u>504,485</u>
Changes in net assets	( 3,322)	( 175,885)	( 179,207)
Net assets, beginning of year	<u>1,457,637</u>	<u>2,640,141</u>	<u>4,097,778</u>
<b>NET ASSETS, end of year</b>	<b><u>\$ 1,454,315</u></b>	<b><u>\$ 2,464,256</u></b>	<b><u>\$ 3,918,571</u></b>

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

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## Consolidated Statements of Functional Expenses

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 183,839	\$ 29,279	\$ 22,773	\$ 235,891
Payroll taxes	15,104	2,392	1,860	19,356
	198,943	31,671	24,633	255,247
Administrative expenses		2,922		2,922
Conservation supplies	273		79	352
Dues and subscriptions	4,368	708	551	5,627
Fees and taxes	16,207			16,207
Insurance	18,559	1,385	1,078	21,022
Legal and professional fees	16,384	1,674	1,302	19,360
Marketing and advertising	8,317	1,349	1,049	10,715
Miscellaneous	2,554	408	317	3,279
Office supplies and expenses	15,586	2,527	1,966	20,079
Printing and publications	5,695	911	709	7,315
Programs and projects	22,165			22,165
Repairs and maintenance	56,926			56,926
Telephone	1,898	308	239	2,445
Training and seminars	1,154	187	145	1,486
Total expenses before depreciation and amortization	369,029	44,050	32,068	445,147
Depreciation and amortization	44,718	2,871	2,233	49,822
Total expenses	<b>\$ 413,747</b>	<b>\$ 46,921</b>	<b>\$ 34,301</b>	<b>\$ 494,969</b>

See Notes to Financial Statements



	Year Ended December 31, 2018			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 200,400	\$ 31,933	\$ 24,831	\$ 257,164
Payroll taxes	13,925	2,259	1,756	17,940
	<u>214,325</u>	<u>34,192</u>	<u>26,587</u>	<u>275,104</u>
Administrative expenses		1,819		1,819
Conservation supplies	199		58	257
Dues and subscriptions	1,840	298	232	2,370
Fees and taxes	15,560	76	60	15,696
Insurance	17,148	1,280	995	19,423
Legal and professional fees	17,729	1,892	1,471	21,092
Marketing and advertising	12,057	1,956	1,521	15,534
Miscellaneous	2,528	424	329	3,281
Office supplies and expenses	13,409	2,175	1,691	17,275
Printing and publications	5,487	872	678	7,037
Programs and projects	14,905			14,905
Repairs and maintenance	57,166			57,166
Telephone	1,954	294	229	2,477
Training and seminars	2,447	397	309	3,153
Total expenses before depreciation and amortization	<u>376,754</u>	<u>45,675</u>	<u>34,160</u>	<u>456,589</u>
Depreciation and amortization	<u>43,043</u>	<u>2,730</u>	<u>2,123</u>	<u>47,896</u>
Total expenses	<u><b>\$ 419,797</b></u>	<u><b>\$ 48,405</b></u>	<u><b>\$ 36,283</b></u>	<u><b>\$ 504,485</b></u>

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

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## Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 393,116	(\$ 179,207)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	49,822	47,896
Realized and unrealized (gain) loss on investments	( 469,072)	127,787
Endowment contributions	( 27,382)	( 58,165)
Change in beneficial interest in perpetual trust	( 14,908)	15,629
(Increase) decrease in assets:		
Accounts receivable	( 1,228)	( 4,193)
Grants receivable	1,479	( 2,357)
Pledges receivable, net	7,879	27,777
Prepaid expenses	205	235
Inventory	( 215)	( 308)
Increase (decrease) in liabilities:		
Accounts payable	3,139	( 5,776)
Accrued expenses	( 1,312)	3,834
Security deposits	180	3,790
Deferred revenue	656	-0-
Net cash used in operating activities	( 57,641)	( 23,058)
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	( 18,685)	( 70,834)
Purchase of investments	( 1,184,134)	( 731,404)
Proceeds from sale of investments	1,195,253	685,398
Net cash used in investing activities	( 7,566)	( 116,840)
<b>Cash Flows From Financing Activities</b>		
Endowment contributions	27,382	58,165
Net cash provided by financing activities	27,382	58,165
Net decrease in cash and cash equivalents	( 37,825)	( 81,733)
Cash and cash equivalents at beginning of year	109,189	190,922
<b>Cash and cash equivalents at end of year</b>	<b>\$ 71,364</b>	<b>\$ 109,189</b>

See Notes to Financial Statements

# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Oberlin Historical and Improvement Organization is a not for profit entity whose purpose is to preserve and share the City of Oberlin's unique heritage and to make the community a better place to live, learn, work, and visit. Oberlin Historical and Improvement Organization is incorporated under the laws of the State of Ohio and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

OHC Properties, Inc., a wholly owned for-profit subsidiary of Oberlin Historical and Improvement Organization, acts as a property holding agency for a residential rental property. OHC Properties, Inc. is taxed under the provisions related to C corporations of the IRC.

Vineway, LLC, a wholly owned not for profit subsidiary of Oberlin Historical and Improvement Organization, acts as a property holding agency for commercial rental property at 82-86 South Main Street in Oberlin, Ohio. Vineway, LLC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of Oberlin Historical and Improvement Organization and its wholly owned subsidiaries OHC Properties, Inc. and Vineway, LLC (collectively, the Organization), as described above. All intercompany transactions and balances are eliminated in consolidation.

#### **Basis of Accounting**

The consolidated financial statements of the Organization have been prepared utilizing the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-for-Profit Entities* issued by the American Institute of Certified Public Accountants.

#### **Basis of Presentation**

Consolidated financial statement presentation follows the recommendation of the Financial Accounting Standards Board. The Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets:

##### **Net Assets without Donor Restrictions**

Net assets not restricted by donors or for which restrictions have expired. Net assets without donor restrictions include board designated net assets, which include reserves and endowment, and net investment in property and equipment. For further details on the board designated endowment, see Note F.

# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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 resources be maintained in perpetuity. For composition of net assets with donor restriction, see Note E. For further details on the endowment funds, see Note F.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments purchased with maturities of three months or fewer to be cash equivalents. Cash and cash equivalents exclude any cash or cash equivalents maintained in a professional investment account. The Organization's cash balances may exceed the insured limits from time to time.

#### **Accounts Receivable**

The Organization's accounts receivables represent unconditional rights to consideration from tenants and customers. Accounts receivable are uncollateralized obligations for rent and fees for goods and services, payment is due within 30 days of the invoice date. Tenant and customer account balances with invoices outstanding for a period which exceeds 30 days are considered past due. Unpaid accounts receivable bear no interest.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the history with tenants and customers having outstanding balances and current relationships with them, management has provided an allowance for uncollectible accounts on balances outstanding of \$-0- at December 31, 2019 and 2018, respectively.

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense for the years ended December 31, 2019 and 2018 was \$-0-.

#### **Grants Receivable**

Grants receivable is comprised of monies committed from funding agencies for use in the Organization's activities. The Organization has not recorded a provision for doubtful grants receivable, since it is the opinion of management the grants receivable are collectible in full.

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Pledges Receivable

Pledges receivable represent unconditional promises from donors. Pledges receivable are recognized as revenues in the period promised. Pledges receivable are recorded at net realizable value. Pledges receivable represent various contributions to the Organization's Endowment Fund for Heritage Preservation and are expected to be collected during the following periods:

	December 31,	
	2019	2018
Receivable in less than one year	\$ 2,070	\$ 8,700
Receivable in one to five years	2,211	3,460
Total pledges receivable	4,281	12,160
Less: allowance for doubtful pledges	1,023	1,023
	\$ 3,258	\$ 11,137

Management determines the amount of uncollectible promises to give based on payment history and knowledge of the specific donors. During the years ended December 31, 2019 and 2018, the Organization recognized \$-0- of bad pledge expense.

#### Inventory

Inventory consists of museum store inventory and is stated at the lower of cost, determined by the first-in, first-out method (FIFO) or net realizable value.

#### Property and Equipment

All capitalized property and equipment is stated at cost. The policy of the Organization is to capitalize buildings and improvements greater than \$5,000, excluding the historic buildings held by Oberlin Historical and Improvement Organization, and furniture and equipment greater than \$1,000, with a useful life of more than one year. The Organization does not capitalize historic buildings in accordance with the Organization's collections policy. Expenditures for maintenance and repairs are charged to expense when incurred. Depreciation is computed as follows:

Category	Depreciation Method	Estimated Useful Life
Buildings and improvements	Straight-line	15 - 40 Years
Furniture and equipment	Straight-line	5 - 7 Years

# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Collections**

The primary focus of the collections, including historic buildings, artifacts, and archival materials, is to maintain, exhibit, interpret, and engage visitors. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted funds. Contributions of collection items are not recognized in the consolidated statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the consolidated statements of activities and changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

#### **Investments**

Investments in money market funds, equity securities and mutual funds, and fixed income mutual funds are stated at fair value as determined using quoted market prices. Fair value measurements are described in Note C.

Investment income includes realized and unrealized gains and losses, and interest and dividends, net of fees reported in the changes in net assets in the accompanying consolidated statements of activities and changes in net assets.

#### **Perpetual Trusts**

The Organization is the designated beneficiary of a perpetual trust held by a community foundation. Under the terms of the trust, the Organization has the irrevocable right to receive a percentage of the perpetual trust's annual earnings in perpetuity which is estimated to approximate the present value of the expected future distributions from the trust.

#### **Grants, Contributions, and Membership Revenue**

Grants, contributions, and membership revenue are recognized as revenue when received or pledged. Grants and contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions met in the same period as the gift are reported as support without donor restriction. Other restricted gifts are reported as restricted support in net assets with donor restriction.

#### **Program Revenue**

Program revenues primarily consist of admission charges, education programs, and facility tours to visitors of the Organization. Program revenue is recognized when services are rendered.

#### **Donated Services and Materials**

Contributed services and materials generally consist of contributed marketing and advertising. Contributed services and materials are reflected in the consolidated financial statements at the fair value of services and materials contributed. Contributions of services are recognized if the services received require specialized skills provided by individuals possessing those skills and would need to be purchased if not provided by donation.

# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Rental Income**

Rental income related to tenant leases is recognized on an accrual basis over the terms of the related leases on a straight-line basis. Amounts received in advance are recorded as a liability within deferred revenue. Tenant chargebacks and common area maintenance are recognized in the period earned. The Organization recognizes a gain or loss on the sale of real estate assets when the criteria for an asset to be derecognized are met, which include when (i) a contract exists and (ii) the buyer obtains control.

#### **Functional Expenses**

The consolidated financial statements report certain categories of expenses attributed to more than one program or supporting function. Expenses identified with a specific program or supporting function are recorded directly according to their natural and functional expense classification. Certain expenses relate to more than one function and require allocation on a reasonable basis consistently applied. The expenses allocated include salaries and benefits, payroll taxes, dues and subscriptions, insurance, legal and professional fees, marketing, miscellaneous, office supplies and expenses, printing and publications, telephone, training and seminars, and depreciation and amortization.

#### **Marketing and Advertising Costs**

Marketing and advertising costs are expensed when incurred. For the years ended December 31, 2019 and 2018, marketing and advertising costs were \$10,715 and \$15,534, respectively.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Reclassifications**

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 reporting presentation. The reclassifications did not have any effect on previously reported assets, liabilities, net assets, or changes in net assets.

#### **Subsequent Events**

The Organization has evaluated subsequent events through September 15, 2020, the date which the consolidated financial statements were available to be issued. For further details on subsequent events, see Note L.

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE B - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs while striving to maximize the investment of its available funds. The Organization has a goal to maintain financial assets on hand to meet 120 days of operating expenses, which are approximately \$125,000. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing programs and support services to be general expenditures during the year.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization's board of directors has designated a portion of its resources without donor restriction as a board designated endowment fund and as board designated reserves. With board approval, these funds could be used for operational needs, in accordance with the Organization's Endowment Management Policy. Should unbudgeted withdrawals be made from either the investment fund or endowment funds, the board must approve a specific amount and set a timeline to review this action and its impact on the financial health of the Organization.

The table below presents financial assets available for general expenditures within one year:

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 55,608	\$ 86,598
Accounts receivable	8,388	7,160
Grants receivable	24,582	26,061
Investments	207,931	180,737
Budgeted annual distributions from endowment funds	124,600	125,260
Financial assets available to meet the cash needs for general expenditures within one year	\$ 421,109	\$ 425,816



# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE C - FAIR VALUE MEASUREMENTS

Financial and nonfinancial assets and liabilities are required to be re-measured on an annual basis. Fair value 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 (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 - Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Organization's investments accounted at fair value as of December 31, 2019 are summarized below:

Description	Level 1	Level 3	Total
Money market	\$ 197,902		\$ 197,902
Equity securities and mutual funds	1,979,710		1,979,710
Fixed income mutual funds	872,013		872,013
Total investments	<u>\$ 3,049,625</u>	<u>\$ -0-</u>	<u>\$ 3,049,625</u>
Other assets measured at fair value on a recurring basis:			
Beneficial interest in perpetual trusts (see Note G)		<u>\$ 142,442</u>	<u>\$ 142,442</u>

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's investments accounted for at fair value as of December 31, 2018 are summarized below:

Description	Level 1	Level 3	Total
Money market	\$ 195,082		\$ 195,082
Equity securities and mutual funds	1,650,532		1,650,532
Fixed income mutual funds	746,058		746,058
Total investments	<u>\$ 2,591,672</u>	<u>\$ -0-</u>	<u>\$ 2,591,672</u>
Other assets measured at fair value on a recurring basis:			
Beneficial interest in perpetual trusts (see Note G)		<u>\$ 127,534</u>	<u>\$ 127,534</u>

The following is a description of the valuation methodologies used for assets measured at fair value as of December 31, 2019 and 2018. There have been no changes in the methodologies used during the years ended December 31, 2019 and 2018.

Money market funds, equity securities and mutual funds, and fixed income mutual funds are valued using quoted market prices at the net asset value of shares held by the Organization at year end.

The beneficial interest in perpetual trusts is valued at the fair value of the assets contributed to the trusts, which is estimated to approximate the present value of expected future distributions from the trusts.

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 Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The following is a reconciliation of assets measured using Level 3 inputs:

Balance at January 1, 2018	\$ 143,163
Loss on beneficial interest in perpetual trust	( 15,629)
Balance at December 31, 2018	<u>127,534</u>
Gain on beneficial interest in perpetual trust	14,908
Balance at December 31, 2019	<u>\$ 142,442</u>

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2019	2018
Land	\$ 151,000	\$ 151,000
Building and building improvements	1,473,795	1,455,110
Furniture and equipment	66,963	66,963
	1,691,758	1,673,073
Less accumulated depreciation	642,710	592,888
	\$ 1,049,048	\$ 1,080,185

Depreciation and amortization expense was \$49,822, and \$47,896, respectively, for the years ended December 31, 2019 and 2018.

### NOTE E - NET ASSETS

Net assets without donor restrictions are comprised of undesignated and board designated amounts for the following:

	December 31,	
	2019	2018
Undesignated	\$ 234,907	\$ 234,145
Board designated and reserved:		
Board designated endowment for heritage preservation	159,731	120,765
Collection fund	2,837	3,154
Children's scholarship fund	322	322
Site improvements	1,980	1,744
Heritage preservation - OHC Properties, Inc.	-0-	14,000
Investment in property and equipment, net	1,049,048	1,080,185
	\$ 1,448,825	\$ 1,454,315

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE E - NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted for the following:

	December 31,	
	2019	2018
Purpose restriction:		
Educational programs	\$ 10,617	\$ 10,369
Passage of time	24,582	25,000
	35,199	35,369
 Endowment:		
Executive director salary and related expenses	1,304,924	1,136,667
History educators' salary and related expenses	784,871	687,604
Heritage preservation	545,328	433,192
General operations	50,098	43,890
Beneficial interest in perpetual trust	142,442	127,534
	2,827,663	2,428,887
	\$ 2,862,862	\$ 2,464,256

### NOTE F - ENDOWMENTS

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the original donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction in perpetuity (a) the original value of the 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 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 net assets with donor restriction in perpetuity is classified as net assets with donor restriction having purpose restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described by UPMIFA.

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE F - ENDOWMENTS (CONTINUED)

#### Investment Return Objectives and Risk Parameters

The Organization 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 assets of donor restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 Index, EAFE + EMF Index, and the Barclays U.S. Intermediate Index while assuming a moderate level of investment risk. 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 Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

#### Spending Policy

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the Organization's investment policies. The Organization has a policy of appropriating for distribution on an annual basis, a percentage of the endowment fund's average fair value of the prior 12 calendar quarter rolling average as approved by the board of directors. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the board of directors.

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 159,731	\$ -0-	\$ 159,731
Donor-restricted:			
Original donor restricted gifts	-0-	2,300,622	2,300,622
Accumulated investment gains	-0-	527,041	527,041
	<u>\$ 159,731</u>	<u>\$ 2,827,663</u>	<u>\$ 2,987,394</u>

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE F - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 120,765	\$ 2,428,887	\$ 2,549,652
Investment income, net	24,966	459,756	484,722
Change in value of perpetual trust		14,908	14,908
Contributions		27,382	27,382
Transfer from unrestricted cash and cash equivalents	14,000		
Appropriation of endowment assets for expenditure	-0-	( 103,270)	( 103,270)
Endowment net assets, end of year	\$ 159,731	\$ 2,827,663	\$ 2,973,394

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 120,765	\$ -0-	\$ 120,765
Donor-restricted:			
Original donor restricted gifts	-0-	2,273,240	2,273,240
Accumulated investment gains	-0-	155,647	155,647
	\$ 120,765	\$ 2,428,887	\$ 2,549,652

Changes in endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 96,526	\$ 2,579,994	\$ 2,676,520
Investment loss, net		( 67,792)	( 67,792)
Change in value of perpetual trust		( 15,629)	( 15,629)
Contributions	10,239	58,165	68,404
Transfer from unrestricted cash and cash equivalents	14,000		14,000
Appropriation of endowment assets for expenditure		( 125,851)	( 125,851)
Endowment net assets, end of year	\$ 120,765	\$ 2,428,887	\$ 2,549,652

# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE F - ENDOWMENTS (CONTINUED)**

At certain times, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018, a fund with original gift values of \$156,778, fair values of \$142,442 and \$127,534, respectively, and deficiencies of \$14,336 and \$29,244, respectively, were reported in net assets with donor restrictions.

### **NOTE G - BENEFICIAL INTEREST IN PERPETUAL TRUST**

Beneficial interest in perpetual trust consists of an irrevocable trust (the O.H.I.O Endowment Fund) established by the Organization with donations with donor restrictions. The perpetual trust is held by the Community Foundation of Greater Lorain County (Foundation). Under the terms of the trust, the Organization has the irrevocable right to receive a certain percentage of the income earned on the trust assets in perpetuity. For the years ended December 31, 2019 and 2018, income of \$6,031 and \$7,902, respectively, was received from these investments and included in the change in funds held in trust on the consolidated statements of activities and changes in net assets. The value of the Organization's interest totaled \$142,442 and \$127,534 as of December 31, 2019 and 2018, respectively. Fair value measurements are described in Note C. The change in value of the perpetual trusts is recognized in the consolidated statements of activities and changes in net assets.

At December 31, 2019 and 2018, the Organization was an income beneficiary of the Executive Director Fund held at the Foundation. The Executive Director Fund is not recognized as an asset on the consolidated statements of financial position, because the Foundation holds variance power over the Executive Director Fund. The Organization receives annual distributions of income subject to the Foundation's variance power. Distributions from the Executive Director Fund were \$15,372 and \$14,426 during the years ended December 31, 2019 and 2018, respectively, and are included in grants and contributions on the consolidated statements of activities and changes in net assets.

At December 31, 2019 and 2018, the Organization was an income beneficiary of the Oberlin Heritage Center/O.H.I.O History Education Fund held at the Foundation. The Oberlin Heritage Center/O.H.I.O History Education Fund is not recognized as an asset on the consolidated statements of financial position, because the Foundation holds variance power over the Oberlin Heritage Center/O.H.I.O History Education Fund. The Organization receives annual distributions of income subject to the Foundation's variance power. Distributions from the Oberlin Heritage Center/O.H.I.O History Education Fund were \$7,168 and \$6,736 during the years ended December 31, 2019 and 2018, respectively, and are included in grants and contributions on the consolidated statements of activities and changes in net assets.

# OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

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## Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

### NOTE H - RETIREMENT PLAN

The Organization maintains a 403(b) plan (Plan), which provides retirement benefits for all eligible employees. The Organization matches 50% of the employee's contributions up to 5% of the employee's total compensation. In 2018, the Organization determined additional contributions were required to be made to the Plan in order to be in compliance with the Plan documents. The contributions to the plan for the years ended December 31, 2019 and 2018 were \$7,259 and \$36,117, respectively.

### NOTE I - RENTAL INCOME UNDER OPERATING LEASES

The Organization's rental income is principally obtained from tenants through rental payments as provided for under non-cancelable operating leases with terms renewing either annually or monthly. OHC Properties, Inc. leases housing space to various tenants for terms of one year or less. Vineway, LLC leases building space to three tenants under lease agreements expiring on various dates through June 2023. The tenant leases typically provide for fixed base rent. Minimum future rentals from non-cancelable operating leases are as follows:

Years Ending December 31,	Amount
2020	\$ 65,560
2021	34,800
2022	34,800
2023	17,400
	\$ 152,560

### NOTE J - OPERATING LEASES

The Organization leases office equipment under non-cancelable operating leases expiring at various dates through March 2023. Rent expense related to those leases was \$10,544 and \$10,119 for the years ended December 31, 2019 and 2018, respectively. The minimum future lease payments due under the non-cancelable operating leases having initial or remaining terms in excess of one year are as follows:

Years Ending December 31,	Amount
2020	\$ 7,812
2021	7,665
2022	6,048
2023	1,512
	\$ 23,037



# **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY**

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## **Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018**

### **NOTE K - INCOME TAXES**

Oberlin Historical and Improvement Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) and is classified as an educational and charitable organization that is not a "Private Foundation" as defined in Section 509(a) of the IRC. OHC Properties, Inc. has elected under IRC to be taxed as a C corporation. OHC Properties, Inc. pays federal and local corporate taxes on its taxable income. Vineway, LLC, a wholly owned subsidiary of Oberlin Historical and Improvement Organization, is a disregarded entity for tax purposes. Therefore, all activity of Vineway, LLC is reported on the tax return of Oberlin Historical and Improvement Organization. Because the activity of Vineway, LLC is within the tax exempt purpose of Oberlin Historical and Improvement Organization, the activity is considered tax exempt.

The Organization did not identify any material unrecognized tax benefits upon evaluation of tax positions taken and therefore, there was no material effect on the Organization's financial condition as a result of operations. OHC Properties, Inc. had federal net operating losses (NOL) of \$17,719 as of December 31, 2019.

The Organization evaluates at each statement of financial position date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Organization's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2019 and 2018, the Organization has no accrued taxes, interest, or penalties related to uncertain tax positions. The Organization estimates the unrecognized tax benefit will not change significant within the next twelve months.

### **NOTE L - SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The Organization cannot reasonably estimate the length or severity of this pandemic, but the Organization expects this matter to negatively impact the Organization, results of operations, and financial position. The financial impact cannot be reasonably estimated at this time.

In May 2020, the Organization executed a Paycheck Protection Program loan of \$47,806. The loan is payable over two years with a stated interest rate of 1.00% and has the potential to be forgiven if the Organization meets certain wage and other spending criteria during 2020.

## **OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES**

### **Consolidating Statement of Financial Position December 31, 2019**

	Oberlin Historical and Improvement Organization	OHC Properties, Inc.	Vineway, LLC	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,939	\$ 49,734	\$ 17,691		\$ 71,364
Notes receivable - related party	11,339			(\$ 11,339)	-0-
Accounts receivable	4,047		4,341		8,388
Grants receivable	24,582				24,582
Pledges receivable, net	3,258				3,258
Prepaid expenses	2,319				2,319
Inventory	5,395				5,395
Property and equipment, net	425,495	110,019	513,534		1,049,048
Investments in subsidiary	668,562			( 668,562)	-0-
Investments	3,049,625				3,049,625
Beneficial interest in perpetual trust	142,442				142,442
<b>TOTAL ASSETS</b>	<b><u>\$ 4,341,003</u></b>	<b><u>\$ 159,753</u></b>	<b><u>\$ 535,566</u></b>	<b><u>(\$ 679,901)</u></b>	<b><u>\$ 4,356,421</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Note payable - related party			\$ 11,339	(\$ 11,339)	\$ -0-
Accounts payable	\$ 6,884	\$ 1,359			8,243
Accrued expenses	21,776	181			21,957
Security deposits		5,920	5,998		11,918
Deferred revenue	656		1,960		2,616
<b>TOTAL LIABILITIES</b>	29,316	7,460	19,297	( 11,339)	44,734
<b>Net Assets</b>					
Without donor restrictions	1,448,825		516,269	( 516,269)	1,448,825
With donor restrictions	2,862,862			-0-	2,862,862
Shareholder's equity		152,293		( 152,293)	-0-
<b>TOTAL NET ASSETS</b>	<b><u>4,311,687</u></b>	<b><u>152,293</u></b>	<b><u>516,269</u></b>	<b><u>( 668,562)</u></b>	<b><u>4,311,687</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,341,003</u></b>	<b><u>\$ 159,753</u></b>	<b><u>\$ 535,566</u></b>	<b><u>(\$ 679,901)</u></b>	<b><u>\$ 4,356,421</u></b>

See Independent Auditors' Report

## OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

### Consolidating Statement of Activities Year Ended December 31, 2019

	Oberlin Historical and Improvement Organization			OHC Properties, Inc.	Vineway, LLC	Eliminations	Total		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction		Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES</b>									
Grants and contributions	\$ 81,261	\$ 88,544	\$ 169,805				\$ 81,261	\$ 88,544	\$ 169,805
Special events and fundraising	12,523		12,523				12,523		12,523
Membership revenue	24,126		24,126				24,126		24,126
Program revenue	17,360		17,360				17,360		17,360
Museum store sales	4,737		4,737				4,737		4,737
Investment income, net	57,545	459,756	517,301				57,545	459,756	517,301
Change in funds held in trust		14,908	14,908					14,908	14,908
Rental income			-0-	\$ 36,155	\$ 74,941		111,096		111,096
Donated services and materials	11,473		11,473				11,473		11,473
Miscellaneous	49,445		49,445	1,127	441	(\$ 46,257)	4,756		4,756
Loss on subsidiaries	( 31,468)		( 31,468)			31,468			-0-
Total revenue	227,002	563,208	790,210	37,282	75,382	( 14,789)	324,877	563,208	888,085
Endowment appropriations	103,270	( 103,270)	-0-				103,270	( 103,270)	-0-
Net assets released from restriction	61,332	( 61,332)	-0-				61,332	( 61,332)	-0-
	391,604	398,606	790,210	37,282	75,382	( 14,789)	489,479	398,606	888,085
<b>EXPENSES</b>									
Program services	315,872		315,872	65,911	78,221	( 46,257)	413,747		413,747
Management and general	46,921		46,921				46,921		46,921
Fundraising	34,301		34,301				34,301		34,301
Total expenses	397,094	-0-	397,094	65,911	78,221	( 46,257)	494,969	-0-	494,969
Changes in net assets/shareholder's equity	<u>(\$ 5,490)</u>	<u>\$ 398,606</u>	<u>\$ 393,116</u>	<u>(\$ 28,629)</u>	<u>(\$ 2,839)</u>	<u>\$ 31,468</u>	<u>(\$ 5,490)</u>	<u>\$ 398,606</u>	<u>\$ 393,116</u>

See Independent Auditors' Report