



**OBERLIN
Heritage
CENTER**

**OBERLIN HISTORICAL
AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES**

**CONSOLIDATED AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2020

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

Opinion

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 assets, liabilities, and net assets - modified cash basis as of December 31, 2020, and the related consolidated statement of revenue, expenses, and changes in net assets - modified cash basis, and functional expenses – modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Oberlin Historical and Improvement Organization and Subsidiaries as of December 31, 2020, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Oberlin Historical and Improvement Organization and Subsidiaries 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.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note M to the consolidated financial statements, Oberlin Historical and Improvement Organization and Subsidiaries adopted the modified cash basis of accounting for financial reporting purposes. Oberlin Historical and Improvement Organization and Subsidiaries previously reported under generally accepted accounting principles. Our opinion is not modified with respect to that matter.

Change in Accounting Policy

As described in Note N to the consolidated financial statements, Oberlin Historical and Improvement Organization and Subsidiaries reevaluated the policy regarding capitalization of building improvements relating to historic buildings held by Oberlin Historical and Improvement Organization. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for 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' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Oberlin Historical and Improvement Organization and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oberlin Historical and Improvement Organization and Subsidiaries' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 assets, liabilities, and net assets - modified cash basis and consolidating statement of revenue, expenses, and changes in net assets - modified cash basis 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 16, 2021

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis December 31, 2020

ASSETS

Cash and cash equivalents	\$	127,672
Property and equipment, net		753,546
Investments		3,264,110
Beneficial interest in perpetual trust		146,402
		146,402

TOTAL ASSETS **\$ 4,291,730**

LIABILITIES AND NET ASSETS

Liabilities

Taxes withheld and collected	\$	193
Security deposits		10,509
		10,509

\$ 10,702

Net Assets

Without donor restrictions		
Undesignated		327,767
Board designated endowment		194,514
Board designated reserves		19,991
Investment in property and equipment, net		753,546
		1,295,818
With donor restrictions		
Purpose restriction		25,544
Endowments:		
Original donor-restricted gifts		2,322,017
Accumulated investment gains		637,649
		2,985,210

TOTAL NET ASSETS **4,281,028**

TOTAL LIABILITIES AND NET ASSETS **\$ 4,291,730**

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statement of Revenues, Expenses, and Changes In Net Assets - Modified Cash Basis Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Grants and contributions	\$ 136,317	\$ 104,651	\$ 240,968
Special events and fundraising	1,001		1,001
Membership revenue	18,804		18,804
Program revenue	3,468		3,468
Museum store sales	1,582		1,582
Investment income, net	38,420	230,423	268,843
Change in funds held in trust	6,092	3,960	10,052
Rental income	113,192		113,192
Miscellaneous	3,911		3,911
Paycheck Protection Program loan forgiveness	47,806		47,806
Total revenue	370,593	339,034	709,627
Endowment appropriations	124,600	(124,600)	-0-
Net assets released from restriction	64,246	(64,246)	-0-
	559,439	150,188	709,627
EXPENSES			
Program services	328,913		328,913
Management and general	113,144		113,144
Fundraising	25,291		25,291
Total expenses	467,348	-0-	467,348
Changes in net assets	92,091	150,188	242,279
Net assets, beginning of year, as previously stated	1,448,825	2,862,862	4,311,687
Cumulative effect of change in accounting principle	16,429	(27,840)	(11,411)
Cumulative effect of change in accounting policy	(261,527)		(261,527)
	(245,098)	(27,840)	(272,938)
Net assets, beginning of year, as restated	1,203,727	2,835,022	4,038,749
NET ASSETS, end of year	\$ 1,295,818	\$ 2,985,210	\$ 4,281,028

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses - Modified Cash Basis Year Ended December 31, 2020

	Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 136,671	\$ 76,380	\$ 17,358	\$ 230,409
Payroll taxes	12,744	5,854	1,330	19,928
	149,415	82,234	18,688	250,337
Administrative expenses		1,875		1,875
Conservation supplies	7			7
Dues and subscriptions	1,951	1,100	250	3,301
Fees and taxes	15,915			15,915
Insurance	18,142	3,799	864	22,805
Legal and professional fees	12,366	3,750	853	16,969
Marketing and advertising	71	40	9	120
Miscellaneous	3,152	1,045	238	4,435
Office supplies and expenses	12,080	6,806	1,547	20,433
Printing and publications	4,288	2,373	540	7,201
Programs and projects	7,270			7,270
Repairs and maintenance	71,907	6,070	1,380	79,357
Telephone	1,454	819	186	2,459
Training and seminars	488	275	63	826
Total expenses before depreciation and amortization	298,506	110,186	24,618	433,310
Depreciation and amortization	30,407	2,958	673	34,038
Total expenses	\$ 328,913	\$ 113,144	\$ 25,291	\$ 467,348

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

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 disregarded entity for income tax purposes.

Change in Accounting Principle

The Organization adopted the FASB issued Accounting Standards Update (ASU) *Updating the Definition of Collections* and the modified cash basis of accounting for financial reporting purposes. See Note M for further details.

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 Organization's policy is to prepare its consolidated financial statements on the modified cash basis of accounting. Under the modified cash basis, certain revenues are recognized when received rather than when earned or pledged and certain expenses are recognized when paid rather than when the obligation is incurred. The modified cash basis differs from cash basis as a result of the Organization capitalizing and depreciating property and equipment, adjusting investments and beneficial interest in perpetual trusts to fair market value, recording tax withholdings, and security deposits collected pertaining to rental property. Accordingly, the consolidated financial statements are not intended to be presented in conformity with accounting principles generally accepted in the United States of America.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

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

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.

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.

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:

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

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

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 funds 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.

Deaccessioning must be done in accordance with the Organization's Collections Management Policy. Disposal of collections through sale, trade or research activities is solely for the advancement of the museum's mission. Proceeds from the sale of collections are to be used for the acquisition and direct care of collections. Funds used for the direct care of the collections must enhance the life, usefulness or quality of the collection. This includes conservation services, materials for long term storage of collections, and treatment (preservation, rehabilitation or restoration) of interpreted structures identified as part of the collection. Direct care does not include institutional operating expenses or facilities maintenance. Any financial proceeds resulting from disposal will be tracked separately to ensure proper use of the funds. During the years ended December 31, 2020, the Organization did not deaccession of any collections for proceeds.

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 D.

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. 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.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

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

Program Revenue

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

Rental Income

Rental income related to tenant leases is recognized when received. Tenant chargebacks and common area maintenance are recognized in the period received. 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.

Paycheck Protection Program Loan

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act), under the Act the Organization applied for and received a loan under the Paycheck Protection Program (PPP). The Organization received \$47,806 on May 5, 2020. The loan bears interest at 1%. The Organization elected to account for the Paycheck Protection Program Loan using the debt model. Under this method of accounting the Organization recorded the loan from its bank as long term debt with accrued interest until such time as the loan is formally forgiven, at which time the Organization will record the debt forgiveness as PPP Loan Forgiveness. On December 31, 2020, the Organization received formal forgiveness. As such, \$47,806 has been recognized as PPP Loan Forgiveness income for the year ended December 31, 2021.

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.

Subsequent Events

The Organization has evaluated subsequent events through September 16, 2021, 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

Notes to Consolidated Financial Statements Year Ended December 31, 2020

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 \$145,000. 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:

Cash and cash equivalents	\$ 97,137
Investments	241,332
Budgeted annual distributions from endowment funds	<u>128,225</u>
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$ 466,694</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2020:

Land	\$ 151,000
Building and building improvements	1,061,541
Furniture and equipment	<u>26,148</u>
	1,238,689
Less accumulated depreciation	<u>485,143</u>
	<u>\$ 753,546</u>

Depreciation and amortization expense was \$34,038 for the year ended December 31, 2020.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE D - 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, 2020 are summarized below:

Description	Level 1	Level 3	Total
Money market	\$ 237,499		\$ 237,499
Equity securities and mutual funds	2,027,834		2,027,834
Fixed income mutual funds	998,777		998,777
Total investments	<u>\$ 3,264,110</u>	<u>\$ -0-</u>	<u>\$ 3,264,110</u>

Other assets measured at fair value on a recurring basis:

Beneficial interest in perpetual trusts (see Note G)	<u>\$ 146,402</u>	<u>\$ 146,402</u>
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OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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, 2020	\$ 142,442
Withdrawals	(6,092)
Gain on beneficial interest in perpetual trust	10,052
Balance at December 31, 2020	<u>\$ 146,402</u>

NOTE E - 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 year ended December 31, 2020, income of \$6,092 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 \$146,402 as of December 31, 2020. Fair value measurements are described in Note D. The change in value of the perpetual trusts is recognized in the consolidated statements of activities and changes in net assets.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE E - BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

At December 31, 2020, 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 \$15,529 during the year ended December 31, 2020 and are included in grants and contributions on the consolidated statements of activities and changes in net assets.

At December 31, 2020, 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 \$7,242 during the year ended December 31, 2020, and are included in grants and contributions on the consolidated statements of activities and changes in net assets.

NOTE F - NET ASSETS

Net assets without donor restrictions are comprised of undesignated and board designated amounts for the following as of December 31, 2020:

Undesignated	\$ 327,767
Board designated and reserved:	
Board designated endowment for heritage preservation	194,514
Collection fund	2,830
Children's scholarship fund	322
Site improvements	1,839
Technology	15,000
Investment in property and equipment, net	<u>753,546</u>
	<u>\$ 1,295,818</u>

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE F - NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted for the following as of December 31, 2020:

Purpose restriction:	
Educational programs	\$ 24,708
Sustainable reserves	674
Passage of time	162
	<u>25,544</u>
Endowment:	
Executive director salary and related expenses	1,351,895
History educators' salary and related expenses	815,615
Heritage preservation	593,693
General operations	52,061
Beneficial interest in perpetual trust	146,402
	<u>2,959,666</u>
	<u>\$ 2,985,210</u>

NOTE G - 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

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE G - 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 over a three-five year period 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, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 194,514		\$ 194,514
Donor-restricted:			
Original donor restricted gifts		\$ 2,322,017	2,322,017
Accumulated investment gains		637,649	637,649
	<u>\$ 194,514</u>	<u>\$ 2,959,666</u>	<u>\$ 3,154,180</u>

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE G - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year - as previously reported	\$ 159,731	\$ 2,827,663	\$ 2,987,394
Change in accounting principle	-	(3,258)	(3,258)
Endowment net assets, beginning of year - as restated	159,731	2,824,405	2,984,136
Investment income, net	14,783	230,423	245,206
Change in value of perpetual trust	-	3,960	3,960
Contributions	20,000	25,478	45,478
Appropriation of endowment assets for expenditure	-	(124,600)	(124,600)
Endowment net assets, end of year	\$ 194,514	\$ 2,959,666	\$ 3,154,180

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, 2020, a fund with original gift values of \$156,778, fair value of \$146,402, and deficiency of \$10,376 were reported in net assets with donor restrictions.

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. The contributions to the plan for the years ended December 31, 2020 were \$5,505.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE I - 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 \$7,812 for the year ended December 31, 2020. 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:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 7,665
2022	6,048
2023	1,512
	<u>\$ 15,225</u>

NOTE J - 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 March 2025. The tenant leases typically provide for fixed base rent. Minimum future rentals from non-cancelable operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 61,020
2022	61,020
2023	43,620
2024	26,220
2025	4,370
	<u>\$ 196,250</u>

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. OHC Properties, Inc. had federal net operating losses (NOL) of \$23,742 as of December 31, 2020.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE L - CONTINGENCIES AND SUBSEQUENT EVENT

Contingencies

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.

Subsequent Event

In February 2021, the Organization executed a Paycheck Protection Program loan of \$47,270. The loan is payable over five years with a stated interest rate of 1.00% and has the potential to be forgiven if the Organization meets certain spending criteria during 2021.

NOTE M - CHANGES IN ACCOUNTING PRINCIPLE

In March 2019, the FASB issued Accounting Standards Update (ASU) *Updating the Definition of Collections*, which clarifies the definition of collections and addresses the use or proceeds from sales of collections and related disclosures. The Organization adopted the ASU in the year December 31, 2020 using a full retrospective method of application. The results of adopting the ASU using the retrospective approach had no impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the Organization. The adoption of the ASU resulted in changes to the disclosure of collections.

During the year ended December 31, 2020, the Organization adopted the modified cash basis of accounting for financial reporting purposes to more closely align with the accounting method utilized in the Organization's day to day operations and financial closes processes. Oberlin Historical and Improvement Organization and Subsidiaries previously reported under generally accepted accounting principles. Due to the change in accounting principle, the Organization derecognized accounts receivable, grants receivable, pledges receivable, prepaid expenses, inventory, accounts payable, accrued expenses, and deferred revenue as of January 1, 2020. No other material changes in accounting resulted from the change to the modified cash basis of accounting. The change resulted in a decrease of \$11,411 in beginning net assets, as detailed below.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARY

Notes to Consolidated Financial Statements Year Ended December 31, 2020

NOTE M - CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

	GAAP as Previously Reported	Modified Cash Basis	Cumulative Effect
Cumulative effect of accounts receivable	\$ 8,388		\$ 8,388
Cumulative effect of grants receivable	24,582		24,582
Cumulative effect of pledges receivable, net	3,258		3,258
Cumulative effect of prepaid expenses	2,319		2,319
Cumulative effect of Inventory	5,395		5,395
Cumulative effect of assets	<u>43,942</u>	\$ -0-	<u>43,942</u>
Cumulative effect of accounts payable	8,243		8,243
Cumulative effect of accrued expenses	21,957	285	21,672
Cumulative effect of deferred revenue	2,616		2,616
Cumulative effect of liabilities	<u>32,816</u>	285	<u>32,531</u>
Cumulative effect of net assets without donor restriction	1,448,825	1,465,254	(16,429)
Cumulative effect of net assets with donor restriction - purpose restricted	35,199	10,617	24,582
Cumulative effect of net assets with donor restriction - endowment original donor-restricted gifts	2,300,622	2,297,364	3,258
Cumulative effect of net assets			<u>\$ 11,411</u>

NOTE N - CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2020, the Organization reevaluated the policy regarding capitalization of building improvements relating to historic buildings held by Oberlin Historical and Improvement Organization. Building improvements relating to historic buildings are charged to expense when paid and are not capitalized to more closely align with industry practices. Due to the change in accounting policy, the Organization derecognized building improvements relating to historic buildings as of January 1, 2020. No other material changes in accounting resulted from the change in accounting policy. The change resulted in a decrease of \$261,527 in property and equipment, net and beginning net assets

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidating Statement of Financial Position December 31, 2020

	Oberlin Historical and Improvement Organization	OHC Properties, Inc.	Vineway, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 63,264	\$ 47,081	\$ 17,327		\$ 127,672
Notes receivable - related party	4,531			(\$ 4,531)	-0-
Property and equipment, net	155,088	100,414	498,044		753,546
Investments in subsidiary	647,706			(647,706)	-0-
Investments	3,264,110				3,264,110
Beneficial interest in perpetual trust	146,402				146,402
TOTAL ASSETS	\$ 4,281,101	\$ 147,495	\$ 515,371	(\$ 652,237)	\$ 4,291,730
LIABILITIES AND NET ASSETS					
Liabilities					
Note payable - related party			\$ 4,531	(\$ 4,531)	\$ -0-
Accrued expenses	\$ 73	\$ 120			193
Security deposits	-0-	3,726	6,783		10,509
TOTAL LIABILITIES	73	3,846	11,314	(4,531)	10,702
Net Assets					
Without donor restrictions	1,295,818		504,057	(504,057)	1,295,818
With donor restrictions	2,985,210			-0-	2,985,210
Shareholder's equity		143,649		(143,649)	-0-
TOTAL NET ASSETS	4,281,028	143,649	504,057	(647,706)	4,281,028
TOTAL LIABILITIES AND NET ASSETS	\$ 4,281,101	\$ 147,495	\$ 515,371	(\$ 652,237)	\$ 4,291,730

See Independent Auditors' Report

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets/Stockholder's Equity Year Ended December 31, 2020

	Oberlin Historical and Improvement Organization			OHC Properties, Inc.		Vineway, LLC		Total		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	Eliminations	Without Donor Restriction	With Donor Restriction	Total	
REVENUES										
Grants and contributions	\$ 136,317	\$ 104,651	\$ 240,968				\$ 136,317	\$ 104,651	\$ 240,968	
Special events and fundraising	1,001		1,001				1,001		1,001	
Membership revenue	18,804		18,804				18,804		18,804	
Program revenue	3,468		3,468				3,468		3,468	
Museum store sales	1,582		1,582				1,582		1,582	
Investment income, net	38,420	230,423	268,843				38,420	230,423	268,843	
Change in funds held in trust	6,092	3,960	10,052				6,092	3,960	10,052	
Rental income			-0-	\$ 40,065	\$ 73,127		113,192		113,192	
Miscellaneous	28,595		28,595	343	473	(\$ 25,500)	3,911		3,911	
Paycheck Protection Program loan forgiveness	47,806		47,806				47,806		47,806	
Loss on subsidiaries	(19,834)		(19,834)			19,834			-0-	
Total revenue	262,251	339,034	601,285	40,408	73,600	(5,666)	370,593	339,034	709,627	
Endowment appropriations	124,600	(124,600)	-0-				124,600	(124,600)	-0-	
Net assets released from restriction	64,246	(64,246)	-0-				64,246	(64,246)	-0-	
	451,097	150,188	601,285	40,408	73,600	(5,666)	559,439	150,188	709,627	
EXPENSES										
Program services	220,571		220,571	50,411	83,431	(25,500)	328,913		328,913	
Management and general	113,144		113,144				113,144		113,144	
Fundraising	25,291		25,291				25,291		25,291	
Total expenses	359,006	-0-	359,006	50,411	83,431	(25,500)	467,348	-0-	467,348	
Changes in net assets/shareholder's equity	92,091	150,188	242,279	(10,003)	(9,831)	19,834	92,091	150,188	242,279	
Net assets/shareholder's equity, beginning of year, as previously stated	1,448,825	2,862,862	4,311,687	152,293	516,269	(668,562)	1,448,825	2,862,862	4,311,687	
Cumulative effect of change in accounting principle	16,429	(27,840)	(11,411)	1,359	(2,381)	1,022	16,429	(27,840)	(11,411)	
Cumulative effect of change in accounting policy	(261,527)		(261,527)			-0-	(261,527)		(261,527)	
	(245,098)	(27,840)	(272,938)	1,359	(2,381)	1,022	(245,098)	(27,840)	(272,938)	
Net assets/shareholder's equity, beginning of year, restated	1,203,727	2,835,022	4,038,749	153,652	513,888	(667,540)	1,203,727	2,835,022	4,038,749	
NET ASSETS, end of year	\$ 1,295,818	\$ 2,985,210	\$ 4,281,028	\$ 143,649	\$ 504,057	(\$ 647,706)	\$ 1,295,818	\$ 2,985,210	\$ 4,281,028	

See Independent Auditors' Report